

In the opinion of Special Tax Counsel, Kutak Rock LLP, Chicago, Illinois, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds (defined below) and the 2009 Subseries B-1 Bonds (defined below) from their Release Date (defined herein) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the 2011 Subseries A-1 Bonds (defined below) is not treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations under the Code, however, such interest is included in "adjusted current earnings" in calculating the federal alternative minimum tax imposed on certain corporations, (iii) interest on the 2011 Series B Bonds (defined below) and 2009 Subseries B-1 Bonds from their Release Date is not treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations under the Code and, further, such interest is not included in "adjusted current earnings" in calculating the federal alternative minimum tax imposed on certain corporations, (iv) interest on the 2011 Subseries A-2 Bonds (defined below) is treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations under the Code, and (v) under the Illinois Housing Development Act, interest on the Series Bonds is exempt from Illinois income tax. See information under the caption "TAX MATTERS" for a fuller discussion of tax considerations and Appendix E for the proposed form of Special Tax Counsel's opinion.

**NEW ISSUE – BOOK-ENTRY ONLY**

Dated: 2011 Series A and B Bonds; Date of Delivery

Due: See inside cover.

**\$46,000,000**

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**Homeowner Mortgage Revenue Bonds, 2011 Series A**  
**consisting of**

**\$6,140,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-1 (non-AMT)****\$4,860,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-2 (AMT)****and****\$14,000,000 Homeowner Mortgage Revenue Bonds, 2011 Series B (non-AMT)\*****CONVERSION ISSUE – BOOK-ENTRY ONLY**

Dated: 2009 Subseries B-1 Bonds; December 30, 2009

(Interest to accrue from March 10, 2011)

Due: See inside cover.

**\$21,000,000 Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 (non-AMT)\*,†**

This Official Statement is furnished with respect to the offering for sale by the Illinois Housing Development Authority (the "Authority") of the Authority's Homeowner Mortgage Revenue Bonds consisting of: (i) \$6,140,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-1 (non-AMT) (the "2011 Subseries A-1 Bonds"); (ii) \$4,860,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-2 (AMT) (the "2011 Subseries A-2 Bonds" and collectively, with the 2011 Subseries A-1 Bonds, the "2011 Series A Bonds"); (iii) \$14,000,000 Homeowner Mortgage Revenue Bonds, 2011 Series B (non-AMT) (the "2011 Series B Bonds" and, together with the 2011 Series A Bonds, the "Offered Bonds") and (iv) the release from escrow of proceeds of, and conversion of the interest rate on, \$21,000,000 aggregate principal amount of the Authority's \$200,000,000 Homeowner Mortgage Revenue Bonds, 2009 Series B (Taxable Program Bonds) (the "Program Bonds") and the re-designation of such converted Program Bonds as Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 (non-AMT) (after such release and conversion, the "2009 Subseries B-1 Bonds" and together with the 2011 Series B Bonds, the "Related Bonds"). See information under the caption "SINGLE FAMILY NEW ISSUE BOND PROGRAM." Together, the Offered Bonds and the 2009 Subseries B-1 Bonds are referred to herein as the "Series Bonds." The 2009 Subseries B-1 Bonds previously have been privately placed and are not being offered to the public by this Official Statement. This Official Statement supplements the Official Statement of the Authority dated as of December 18, 2009, provided in connection with the delivery of the Program Bonds.

The Series 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 Series Bonds and its nominee will be the registered owner of the Series Bonds. Individual purchases of interests in the Series 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 information under the caption "THE SERIES BONDS – Book-Entry Only System." Principal of and premium, if any, and interest on the Series Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as Fiscal Agent and Trustee.

The Offered Bonds will bear interest from their respective dates to their maturity or prior redemption at the respective rates set forth on the inside cover page, payable semiannually on each February 1 and August 1 (or, if any such February 1 or August 1 shall not be a Business Day, the next succeeding Business Day), beginning August 1, 2011. The 2009 Subseries B-1 Bonds will accrue interest from their Release Date to their maturity or prior redemption at the rates set forth on the inside cover page hereof, payable on May 10, 2011 and thereafter on each February 1 and August 1, beginning August 1, 2011. See information under the caption "THE SERIES BONDS – General."

*The Series Bonds are subject to redemption, including redemption at par without premium, as described under the caption "THE SERIES BONDS – Redemption."*

Proceeds of the 2011 Series A Bonds together with other funds of the Authority are expected to be used to: (a) refund and/or redeem a portion of the Authority's outstanding Homeowner Mortgage Revenue Bonds, 1998 Subseries D-1, 1998 Subseries D-2 and 1998 Subseries D-3 as more fully described herein (collectively, the "Refunded Bonds"); (b) fund capitalized interest, if required; (c) make a deposit to the Reserve Fund, if required; and/or (d) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the 2011 Series A Bonds and refunding and/or redemption of the Refunded Bonds.

Proceeds of the 2011 Series B Bonds together with other funds of the Authority and proceeds of the release from escrow of, and conversion of the interest rate on, a portion of the Program Bonds and re-designation of such Program Bonds as the 2009 Subseries B-1 Bonds, are expected to be used to: (a) purchase, and/or reimburse the Authority for its prior purchase, of Mortgage-Backed Securities (as defined herein) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"); (b) fund capitalized interest, if required; (c) make a deposit to the Reserve Fund, if required; and/or (d) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the Related Bonds. The General Resolution permits the proceeds of the Series Bonds to be used for other purposes at the election of the Authority. See information under the captions "SOURCES AND USES OF FUNDS" and "THE PROGRAM."

The Series Bonds are special limited obligations of the Authority. Together with the Prior Bonds and Additional Bonds (as defined herein), the Series Bonds have a claim for payment solely from Pledged Property as described in the General Resolution, including Revenues derived from Mortgage Loans, Mortgage-Backed Securities, Transfer Amounts, Contributed Assets and other Funds and Accounts held by the Trustee. See information under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

**The Series Bonds: (i) are not general obligations of the Authority; (ii) do not constitute a debt of, and are not guaranteed by, the State of Illinois or the United States or any agency or instrumentality thereof; and (iii) are not secured by a pledge of the full faith and credit of the State of Illinois or the United States or any agency or instrumentality thereof. Further, the Authority has determined by resolution that Section 26.1 of the Illinois Housing Development 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 Series 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 Tyson Strong Hill Connor, LLP, Chicago, Illinois, Co-Bond Counsel. A portion of the Program Bonds will be released from escrow, the interest rate will be converted on such bonds and such bonds will be re-designated as the 2009 Subseries B-1 Bonds upon the issuance and delivery of the 2011 Series B Bonds as well as the satisfaction of certain other conditions as described herein and subject to the approval of legality by Co-Bond Counsel. Certain tax matters relating to the Series Bonds will be passed upon for the Authority by its Special Tax Counsel, Kutak Rock LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Authority by its Acting General Counsel, Kristi S. Poskus, Esq., and by its counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Underwriters by their counsel, Shefsky & Froelich Ltd., Chicago, Illinois. See information under the caption "LEGAL MATTERS." It is expected that the Offered Bonds will be available delivered, and the 2009 Subseries B-1 Bonds will be released, in book entry only form through DTC in New York, New York, on or about March 10, 2011.

**MORGAN STANLEY**  
**Fidelity Capital Markets**

**George K. Baum & Company**

**BofA MERRILL LYNCH**  
**Siebert Brandford Shank & Co., L.L.C.**

This Official Statement is dated February 24, 2011.

\* Interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. See information under the caption "TAX MATTERS."

† Not reoffered.

## MATURITY SCHEDULES

### \$6,140,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-1 (non-AMT)

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
08/01/2012	\$940,000	1.600%	45201YWS2	08/01/2015	\$500,000	3.400%	45201YWY9
02/01/2013	230,000	2.000	45201YWT0	02/01/2016	510,000	3.625	45201YWZ6
08/01/2013	275,000	2.300	45201YWU7	08/01/2016	530,000	3.750	45201YXA0
02/01/2014	160,000	2.600	45201YWV5	02/01/2019	265,000	4.450	45201YXD4
08/01/2014	480,000	2.800	45201YWW3	08/01/2019	375,000	4.550	45201YXE2
02/01/2015	485,000	3.250	45201YWX1				

\$860,000 4.000% 2011 Subseries A-1 Term Bonds due August 1, 2017; CUSIP: 45201YXB8\*

\$530,000 4.300% 2011 Subseries A-1 Term Bonds due August 1, 2018; CUSIP: 45201YXC6\*

### \$4,860,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-2 (AMT)

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
08/01/2011	\$585,000	2.000%	45201YXF9	02/01/2013	\$765,000	3.000%	45201YXJ1
02/01/2012	1,220,000	2.200	45201YXG7	08/01/2013	625,000	3.300	45201YXK8
08/01/2012	585,000	2.600	45201YXH5	02/01/2014	1,080,000	3.500	45201YXL6

### \$14,000,000 Homeowner Mortgage Revenue Bonds, 2011 Series B (non-AMT)†

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
02/01/2012	\$420,000	1.200%	45201YXM4	02/01/2015	\$305,000	3.250%	45201YXT9
08/01/2012	265,000	1.600	45201YXN2	08/01/2015	305,000	3.400	45201YXU6
02/01/2013	270,000	2.000	45201YXP7	02/01/2016	320,000	3.625	45201YXV4
08/01/2013	280,000	2.300	45201YXQ5	08/01/2016	325,000	3.750	45201YXW2
02/01/2014	285,000	2.600	45201YXR3	02/01/2019	370,000	4.450	45201YXZ5
08/01/2014	290,000	2.800	45201YXS1	08/01/2019	380,000	4.550	45201YYA9

\$680,000 4.000% 2011 Series B Term Bonds due August 1, 2017; CUSIP: 45201YXX0\*

\$715,000 4.300% 2011 Series B Term Bonds due August 1, 2018; CUSIP: 45201YXY8\*

\$1,635,000 4.750% 2011 Series B Term Bonds due August 1, 2021; CUSIP: 45201YYB7\*

\$3,855,000 5.375% 2011 Series B Term Bonds due August 1, 2026; CUSIP: 45201YYC5\*

\$3,300,000 5.000% 2011 Series B Premium PAC Term Bonds due August 1, 2028; CUSIP: 45201YYD3\*; Price: 103.222%

### Release from escrow of, conversion of the interest rate on, and re-designation of, previously issued Program Bonds to \$21,000,000 Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 Bonds (non-AMT)†,‡

\$21,000,000§ 2009 Subseries B-1 Term Bonds due August 1, 2041; CUSIP: 45201YYE1\*

**Price of all Series Bonds (other than 2011 Series B Premium PAC Term Bonds): 100%**

\* The Authority is not responsible for the use of the CUSIP numbers referenced in this Official Statement nor is any representation made by the Authority as to their correctness; such CUSIP numbers are included solely for convenience of the readers of this Official Statement.

† Interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. See information under the caption "TAX MATTERS."

‡ Not reoffered.

§ The 2009 Subseries B-1 Bonds will bear interest from and including March 10, 2011 to, but not including, May 10, 2011 at a rate equal to the sum of 75 bps plus the lesser of (a) the interest rate for the Four Week Treasury Bill as of March 8, 2011 (as reported on the Federal Reserve's website), or (b) the Permanent Rate (as defined herein) less 75 bps. From May 10, 2011 to maturity or redemption, the 2009 Subseries B-1 Bonds will bear interest at the Permanent Rate, which rate is 3.700%. See information under the caption "SINGLE FAMILY NEW ISSUE BOND PROGRAM."

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 Series 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.

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THE SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS RELATING TO THE SERIES 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 SERIES BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE SERIES 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 SERIES 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 INFORMATION UNDER THE CAPTION "UNDERWRITING."

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**OFFICIAL STATEMENT  
OF  
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

**Relating to**

**\$46,000,000  
ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

**Homeowner Mortgage Revenue Bonds, 2011 Series A  
consisting of  
\$6,140,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-1 (non-AMT)  
\$4,860,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-2 (AMT)  
and  
\$14,000,000 Homeowner Mortgage Revenue Bonds, 2011 Series B (non-AMT)\*  
and  
release from escrow of, conversion of the interest rate on, and re-designation of,  
previously issued Program Bonds as  
\$21,000,000 Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 (non-AMT)\*,†**

**INTRODUCTION**

This Official Statement (including the cover page and all appendices) is being furnished by the Illinois Housing Development Authority (the “Authority”) in order to furnish information in connection with its issuance of \$46,000,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds consisting of:

- \$6,140,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-1 (non-AMT) (the “2011 Subseries A-1 Bonds”);
- \$4,860,000 Homeowner Mortgage Revenue Bonds, 2011 Subseries A-2 (AMT) (the “2011 Subseries A-2 Bonds” and collectively, with the 2011 Subseries A-1 Bonds, the “2011 Series A Bonds”);
- \$14,000,000 Homeowner Mortgage Revenue Bonds, 2011 Series B (non-AMT) (the “2011 Series B Bonds” and, together with the 2011 Series A Bonds, the “Offered Bonds”); and
- the release from escrow of proceeds of, and the conversion of the interest rate on, \$21,000,000 aggregate principal amount of the Authority’s \$200,000,000 Homeowner Mortgage Revenue Bonds, 2009 Series B (Taxable Program Bonds) (the “Program Bonds”) and the re-designation of such converted Program Bonds as Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 (non-AMT) (after

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\* Interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. See information under the caption “TAX MATTERS.”

† Not reoffered.

such release and conversion, the “2009 Subseries B-1 Bonds” and together with the 2011 Series B Bonds, the “Related Bonds”).

Together, the Offered Bonds and the 2009 Subseries B-1 Bonds are referred to herein as the “Series Bonds.” Proceeds of the Series Bonds will be used as described herein under the caption “PLAN OF FINANCE.”

**The 2009 Subseries B-1 Bonds previously have been privately placed and are not being offered to the public by this Official Statement. This Official Statement supplements the Official Statement of the Authority dated as of December 18, 2009, provided in connection with the delivery of the Program Bonds.**

The issuance of the Offered Bonds, and the release from escrow, and conversion of the interest rate on, a portion of the Program Bonds and re-designation of such Program Bonds as the 2009 Subseries B-1 Bonds, is being done 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 amended and restated on September 19, 2008 (the “General Resolution”) to authorize the acquisition of mortgage-backed securities (“Mortgage-Backed Securities”) of Government National Mortgage Association (“GNMA”), Federal National Mortgage Association (“Fannie Mae”) or Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”).

The issuance of the 2011 Series A Bonds is authorized by the General Resolution and the Authority’s Homeowner Mortgage Revenue Bonds 2011 Series A Resolution adopted on December 3, 2010, as supplemented and amended from time to time (together with the determination of the Authority with respect to the 2011 Series A Bonds, the “2011 Series A Resolution”).

The issuance of the 2011 Series B Bonds is authorized by the General Resolution and the Authority’s Homeowner Mortgage Revenue Bonds 2011 Series B Resolution adopted on December 3, 2010, as supplemented and amended from time to time (together with the determination of the Authority with respect to the 2011 Series B Bonds, the “2011 Series B Resolution”).

The Program Bonds were issued pursuant to the Act, the General Resolution, the Amended and Restated 2009 Series B Resolution adopted by the Authority on November 20, 2009 as amended and restated on December 18, 2009 and as further amended by the First Supplemental Resolution adopted on January 22, 2010 and by the Second Supplemental Resolution adopted on December 3, 2010 (together with the initial determination of the Authority with respect to the Program Bonds and the determination of the Authority with respect to the release and conversion of the 2009 Subseries B-1 Bonds, the “2009 Series B Resolution”). The release from escrow of, and conversion of the interest rate on, a portion of the Program Bonds and the re-designation of such Program Bonds as the 2009 Subseries B-1 Bonds, is authorized pursuant to the 2009 Series B Resolution.

The Authority issued the Program Bonds pursuant to the U.S. Department of the Treasury's Single Family New Issue Bond Program (the "New Issue Bond Program"). See information under the caption "SINGLE FAMILY NEW ISSUE BOND PROGRAM." The proceeds of the Program Bonds were deposited into the 2009 Series B Program Account (Escrow Period) established under the 2009 Series B Resolution (the "Escrow Fund"). Upon satisfaction of conditions set forth in the 2009 Series B Resolution and the concurrent issuance of the 2011 Series B Bonds, the Authority has determined to release \$21,000,000 of the proceeds of the Program Bonds (the "Released 2009B Proceeds") to, among other things, provide funds to purchase Mortgage-Backed Securities. Upon such release a like amount of the Program Bonds shall be deemed to be released, reissued and re-designated as the "2009 Subseries B-1 Bonds." Beginning on the date of the release, interest on the 2009 Subseries B-1 Bonds will be converted to an interim rate for 60 days, then to a long-term rate until maturity or prior redemption.

The Authority has been involved in the financing of low and moderate income housing in the State for more than 30 years. In 1994, the Authority established the Homeowner Mortgage Revenue Bonds Program (the "Program") to provide funds to purchase mortgage loans ("Mortgage Loans") originated throughout the State of Illinois (the "State"), in accordance with the requirements of State and federal law and the General Resolution. The General Resolution was amended and restated on September 19, 2008 to additionally authorize the acquisition of Mortgage-Backed Securities of GNMA, Fannie Mae or Freddie Mac. Such Mortgage-Backed Securities evidence a guarantee by GNMA, Fannie Mae or Freddie Mac, as the case may be, of the timely payment of monthly principal of and interest on underlying pools of Mortgage Loans. For more information about the Authority and the Program, see information under the captions "THE AUTHORITY" and "THE PROGRAM – General."

The Authority has issued \$3,035,775,000 aggregate original principal amount of bonds (collectively, the "Prior Bonds") under the Program and General Resolution. As of September 30, 2010, \$987,640,000 aggregate principal amount of Prior Bonds were Outstanding under the General Resolution. Historically, under the Program, the Authority has used proceeds of the Prior Bonds to purchase Mortgage Loans. As such, as of the date of this Official Statement, Pledged Property consists primarily of Mortgage Loans. On a going forward basis beginning with the issuance of the Offered Bonds, and the release from escrow of, and conversion of the interest rate on a portion of the Program Bonds and the re-designation of such Program Bonds as the 2009 Subseries B-1 Bonds, it is the Authority's intention to convert the Program from a Mortgage Loan purchase program to a program primarily, if not exclusively, financed through the purchase of Mortgage-Backed Securities guaranteed as to timely payment by GNMA, Fannie Mae or FHLMC. The Authority intends to use proceeds of the Related Bonds to purchase Mortgage-Backed Securities. The details concerning the Mortgage Loans purchased with Prior Bonds and the Mortgage-Backed Securities expected to be purchased with proceeds of the Related Bonds are described herein under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage-Backed Securities and Mortgage Loans."

The Series Bonds are subject to redemption, including redemption at par without premium, as described under the caption "THE SERIES BONDS – Redemption."

The Series Bonds, the Prior Bonds and all other bonds subsequently issued under the General Resolution are referred to in this Official Statement 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 parity with the Series Bonds. See information under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds.” Information concerning Bonds issued and Outstanding under the General Resolution is provided in Appendix B.

The Bonds are secured under the General Resolution by “Pledged Property” which includes, without limitation, all right, title and interest of the Authority in and to the Mortgage Loans (previously purchased with proceeds of the Prior Bonds) and the Mortgage-Backed Securities (to be purchased with proceeds of the Related Bonds). See information under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions.” The General Resolution provides that the details of Mortgage Loans purchased with the proceeds of a Series of Bonds, or the Mortgage-Backed Securities eligible 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. For a description of the details of the Mortgage Loans purchased with the proceeds of the Prior Bonds and the Mortgage-Backed Securities that may be purchased with the proceeds of the Related Bonds, see information under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage-Backed Securities and Mortgage Loans.” Information concerning Mortgage Loans outstanding under the General Resolution is included in Appendix B.

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

**The Series Bonds: (i) are not general obligations of the Authority; (ii) do not constitute a debt of, and are not guaranteed by, the State of Illinois or the United States or any agency or instrumentality thereof; and (iii) are not secured by a pledge of the full faith and credit of the State of Illinois or the United States or any agency or instrumentality thereof. Further, 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 Series Bonds.**

The descriptions and summaries of various documents set forth in this Official Statement 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 in this Official Statement are qualified in their entirety by reference to each document. **See information under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions” for definitions of certain capitalized words and terms used in this Official Statement.**



## PLAN OF FINANCE

### 2011 Series A Bonds

The Authority expects to use proceeds of the 2011 Series A Bonds, together with other available funds of the Authority, to: (a) refund and/or redeem a portion of the Authority's outstanding Homeowner Mortgage Revenue Bonds as described below in the chart captioned "Refunded Bonds" (collectively, these bonds are referred to herein as the "Refunded Bonds"); (b) fund capitalized interest, if required; (c) make a contribution to the Reserve Fund, if required; and/or (d) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the 2011 Series A Bonds and refunding and/or redemption of the Refunded Bonds.

### REFUNDED BONDS

<b>Subseries of Homeowner Mortgage Revenue Bonds to be Refunded</b>	<b>Original Maturity of each Subseries</b>	<b>Amount to be Refunded</b>	<b>Coupon</b>	<b>Redemption Price</b>	<b>Refunded by Subseries</b>
1998 Subseries D-1 RMKTD 1	08/01/2017	\$2,310,000	5.00%	100%	2011 Subseries A-1
1998 Subseries D-1 RMKTD 2	08/01/2017	1,300,000	5.05	100	2011 Subseries A-1
1998 Subseries D-1 RMKTD 3	08/01/2017	2,530,000	5.10	100	2011 Subseries A-1
1998 Subseries D-2 RMKTD 1	02/01/2029	2,670,000	5.20	100	2011 Subseries A-2
1998 Subseries D-2 RMKTD 2	02/01/2029	1,605,000	5.25	100	2011 Subseries A-2
1998 Subseries D-3 RMKTD 3	08/01/2011	<u>585,000</u>	4.90	100	2011 Subseries A-2
<b>Total Refunded Bonds</b>		<b><u>\$11,000,000</u></b>			

### 2011 Series B Bonds/2009 Subseries B-1 Bonds

The Authority expects to use proceeds of the Related Bonds, together with other available funds of the Authority, to: (a) purchase and/or reimburse the Authority for its prior purchase of Mortgage-Backed Securities; (b) fund capitalized interest, if required; (c) make a contribution to the Reserve Fund, if required; and/or (d) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the Related Bonds. Although the General Resolution authorizes the purchase of both Mortgage Loans and Mortgage-Backed Securities (from any or all of GNMA, Fannie Mae or Freddie Mac), it is the Authority's present intent to purchase only Mortgage-Backed Securities issued by GNMA with the proceeds of the Related Bonds.

The issuance of the 2011 Series B Bonds and release, interest rate conversion and re-designation of the 2009 Subseries B-1 Bonds are being made pursuant to the New Issue Bond Program. For information concerning the New Issue Bond Program, see information under the caption "SINGLE FAMILY NEW ISSUE BOND PROGRAM" below.

**If there is no release and conversion of the 2009 Subseries B-1 Bonds, the issuance of the 2011 Series B Bonds will be cancelled. The release and conversion of the 2009 Subseries B-1 Bonds and issuance of the 2011 Series A Bonds are not interdependent, meaning the Authority may choose to: (i) effectuate only the release and conversion of the 2009 Subseries B-1 Bonds (which would, as described above, require the issuance of the 2011 Series B Bonds), (ii) issue only the 2011 Series A Bonds and not effectuate the release**

**and conversion of the 2009 Subseries B-1 Bonds nor the issuance of the 2011 Series B Bonds, or (iii) effectuate the release and conversion of the 2009 Subseries B-1 Bonds and issue the 2011 Series A Bonds.**

## **SINGLE FAMILY NEW ISSUE BOND PROGRAM**

### **General**

The Authority issued \$200,000,000 aggregate principal amount of Program Bonds as escrow bonds under the Single Family New Issue Bond Program established by the U.S. Department of the Treasury (the “Treasury”), Fannie Mae and Freddie Mac (collectively, Fannie Mae and Freddie Mac are sometimes referred to as “GSEs”) under the Housing and Economic Recovery Act of 2008, as amended.

The Program Bonds were purchased by Fannie Mae and Freddie Mac (the “Purchasers”) and proceeds derived from the sale of the Program Bonds in an amount equal to \$200,000,000 were deposited in the Escrow Fund. *Proceeds of Program Bonds while escrowed do not constitute Pledged Property under the General Resolution and are not treated as part of the Program Fund for purposes of eliminating a deficiency in the Debt Service Account.*

Under the New Issue Bond Program, the Purchasers exchanged the Program Bonds for securities issued by the GSEs (“GSE Securities”) backed by the Program Bonds. The GSE Securities were purchased by the Treasury. The GSE Securities are not part of the security for the Program Bonds or the Bonds. The Program Bonds bear interest at a short term variable rate equal to the interest earnings on the allocable funds held in the Escrow Fund. Upon satisfaction of certain conditions, proceeds of the Program Bonds held in the Escrow Fund may be released and the interest rate calculation method may be converted (after a two month period) to a fixed rate of interest on up to six dates on or prior to December 31, 2011 (each such date is a “Release Date”). The Authority has not previously converted any Program Bonds, leaving all \$200,000,000 of Program Bonds available for conversion. The 2009 Subseries B-1 Bonds will be the Authority’s first release of proceeds from the Escrow Fund and conversion of Program Bonds.

If any portion of the proceeds of the Program Bonds is not released on a Release Date by December 31, 2011 or such later date approved by the Treasury or the GSEs (the “Escrow Release Termination Date”), the remaining escrowed funds must be used to redeem such Program Bonds on the first day of the first month which commences at least 20 days following the Escrow Release Termination Date at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium. All Market Bonds (defined below) must be issued by the Escrow Release Termination Date. In addition, within ten (10) Business Days of receipt by the Trustee of notice that the bond rating has been withdrawn or fallen below “Baa3” or “BBB-“, all proceeds that are held in the Escrow Fund shall be used to mandatorily redeem a corresponding amount of Program Bonds which are not subject to a Release Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date. The Authority covenants to provide such notice to the Trustee promptly upon receipt by the Authority of notice of any such withdrawal or downgrade. With respect to the special redemptions set forth above, moneys remaining on deposit in the Escrow

Fund shall be used for any such redemption; if the Escrow Fund moneys are insufficient, then any available moneys under the General Resolution shall also be used for such redemption.

On September 1, 2010, the Treasury released optional modifications to the New Issue Bond Program that: (i) permit Release Dates to occur until December 31, 2011 (extended from December 31, 2010) without requiring a redemption of the Program Bonds; (ii) provide a new mechanism to reset the long term interest rate on the applicable portion of Program Bonds when proceeds are released on a Release Date; (iii) provide a procedure for a new interest rate lock in December 2010 for Program Bonds the proceeds of which are subject to Release Dates in 2011; (iv) increase from three to six the number of permitted Release Dates; (v) require issuers to agree to new reporting requirements to the GSEs and to pay a participation fee, commencing September 1, 2010, in an amount equal to 1/12 of 0.01% per month applied to the combined outstanding proceeds of the Program Bonds (including proceeds in escrow, proceeds of any “simultaneous issuance” and any “released” Program Bonds), payable in arrears for the benefit of the Treasury or the Treasury’s Agent in January of each year, commencing January 15, 2011. The Authority elected to accept the optional modifications and implemented such modifications by its adoption on December 3, 2010 of the Second Supplemental Resolution to the 2009 Series B Resolution.

The release of amounts held in the Escrow Fund to purchase Mortgage-Backed Securities depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the 2009 Series B Resolution, including a requirement that the Authority shall have sold bonds under the General Resolution to the public or private investors in accordance with standard underwriting practices (such bonds are referred to as “Market Bonds”) in a principal amount equal to at least two-thirds of the amount of the Released 2009B Proceeds. The 2011 Series B Bonds constitute Market Bonds. Accordingly, in order to release all amounts in the Escrow Fund (\$200,000,000), the Authority must issue a minimum of \$132,000,000 aggregate principal amount of Market Bonds. For purposes of the New Issue Bond Program, the 2011 Series B Bonds constitute Market Bonds and, upon issuance of the 2011 Series B Bonds and satisfaction of the conditions precedent to release funds from the Escrow Fund, the Authority expects to release the 2009B Released Funds from the Escrow Fund on the Release Date that is the date of issuance of the 2011 Series B Bonds. The portion of the Program Bonds corresponding to the 2009B Released Funds will be re-designated as the “2009 Subseries B-1 Bonds.” In connection with the release, the interest rate on the 2009 Subseries B-1 Bonds will be converted from a variable rate to a fixed step rate.

On the date which is two months after a Release Date (each such date, a “Conversion Date”), the interest rate on the Program Bonds corresponding to the proceeds released from the Escrow Fund on such Release Date will be converted to a fixed Permanent Rate (as defined below). The Program Bonds for which interest has not been converted to a Permanent Rate are referred to herein as “Pre-Conversion Bonds.” The conversion of the interest rate on all or a portion of the Pre-Conversion Bonds is referred to herein as a “Conversion.” The Program Bonds that have been through the process of Conversion are referred to herein as “Converted Bonds.”

The amounts held in the Escrow Fund at any time will bear interest at an interest rate which produces an interest payment on the Release Date relative to the Pre-Conversion Bonds

with respect to which escrowed proceeds are subject to release equal to Investment Earnings (defined below), payable on the Release Date (but only with respect to the portion of the Pre-Conversion Bonds corresponding to the amount of Escrowed Proceeds released from the Escrow Fund on such Release Date). “Investment Earnings” means total investment earnings on the portion of proceeds on deposit in the Escrow Fund related to Pre-Conversion Bonds with respect to which a Release Date is occurring.

Any portion of Pre-Conversion Bonds corresponding to escrowed proceeds released from the Escrow Fund will bear interest from (and including) the Release Date to (but excluding) the related Conversion Date at a rate equal to the “Short Term Rate” which is equal to the sum of the Spread (defined below) plus the lesser of (a) the interest rate for the Four Week Treasury Bill (as reported by the Federal Reserve on its website, <http://federalreserve.gov>) as of the second business day prior to the Release Date of the escrowed proceeds, or (b) the Permanent Rate (defined below) less the Spread, payable on the Conversion Date. Converted Bonds (including the 2009 Subseries B-1 Bonds) will bear interest from (and including) their related Conversion Date to maturity or prior redemption at the Permanent Rate (as defined below).

For purposes of the New Issue Bond Program, the “Spread” means additional per annum interest on the Program Bonds, based upon the lowest bond rating effective as of the Permanent Rate Calculation Date (defined below) on the Program Bonds outstanding under the 2009 Series B Resolution by the rating agencies rating the Program Bonds, as follows:

<b><u>Bond Rating<sup>(1)</sup></u></b>	<b><u>Additional Spread (%)</u></b>
AAA/Aaa	0.60
AA/Aa	0.75
A/A	1.10
BBB/Baa	2.25

<sup>(1)</sup>In case of split ratings, the lowest rating shall apply.

The “Permanent Rate” is an interest rate per annum equal to the sum of the 10-Year Treasury Rate plus the Spread. The 10-Year Treasury Rate is the lower of: (i) the 10-Year Constant Maturity Treasury Rate, as reported by the Treasury, as of the close of business on December 9, 2010 or a date between December 2, 2010 and December 10, 2010, designated in advance by the Authority (which rate is 2.95%); or (ii) the lowest 10-Year Constant Maturity Treasury Rate, as reported by Treasury, as of the close of business on any business day during the period beginning on the business day immediately prior to receipt by the required parties (Fannie Mae, Freddie Mac, the Treasury’s Financial Agent and U.S. Bank National Association) of the Authority’s Notification of Interest Rate Conversion and ending on the first business day not less than eight (8) days prior to the related Release Date. The 10-Year Constant Maturity Treasury Rate is established by reference to the Daily Treasury Yield Curve Rates published by Treasury, currently available on its website at: <http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml>.

The “Permanent Rate Calculation Date” is the date on which the Permanent Rate is calculated with respect to all or a portion of the Program Bonds, which shall be, with respect to each applicable portion of the Pre-Conversion Bonds, the date on which State Street Bank and

Trust Company, as special permanent rate advisor to the Treasury, notifies the Authority and the Trustee of the Permanent Rate, which date shall be the first business day at least seven days prior to the Release Date, provided that a bond purchase agreement must be executed with respect to the Market Bonds on or prior to such date for such Permanent Rate to be effective.

### **Release, Conversion and Re-designation of the 2009 Subseries B-1 Bonds**

Simultaneously with the issuance of the 2011 Series B Bonds, the 2009B Released Funds will be released from the Escrow Fund and a corresponding portion of the Program Bonds will re-designated as the 2009 Subseries B-1 Bonds. The Release Date of the 2009 Subseries B-1 Bonds is expected to be March 10, 2011 (the “2009 Subseries B-1 Release Date”).

The 2009 Subseries B-1 Bonds and 2011 Series B Bonds will be treated as a single series under the General Resolution and proceeds will be deposited into the 2009 Subseries B-1/2011 Series B Cost of Issuance Account to pay certain costs incurred in connection with issuing the Related Bonds and into the 2009 Subseries B-1/2011 Series B Program Account to purchase, and/or reimburse the Authority for its prior purchase of, Mortgage-Backed Securities. Each Mortgage-Backed Security purchased by the Authority from amounts on deposit in the 2009 Subseries B-1/2011 B Program Account shall be deemed to have been purchased with proceeds of the 2009 Subseries B-1 Bonds and the 2011 Series B Bonds on a proportionate basis.

From the 2009 Subseries B-1 Release Date to, but excluding, May 10, 2011, the 2009 Subseries B-1 Bonds will bear interest at rate equal to the “Short Term Rate” which is equal to the sum of the Spread plus the lesser of (a) the interest rate for the Four Week Treasury Bill (as reported by the Federal Reserve on its website, <http://federalreserve.gov>) as of the second business day prior to the 2009 Subseries B-1 Release Date (March 8, 2011), or (b) the Permanent Rate less the Spread. On or after May 10, 2011, the 2009 Subseries B-1 Bonds will bear interest at a rate per annum equal to the Permanent Rate, which rate is 3.700%. If there is no release and conversion of the 2009 Subseries B-1 Bonds, the issuance of the 2011 Series B Bonds will be cancelled.

The Series Bonds will be treated as a single issue of bonds under the Internal Revenue Code of 1986, as amended (the “Code”), and, therefore, the requirements of applicable federal tax law must be satisfied with respect to each series of the Series Bonds in order that interest on the Series Bonds not be included in gross income for federal income tax purposes. See information under the caption “TAX MATTERS.”

## **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 information under the caption "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 June 30, 2010, the Authority had debt outstanding in the amount of \$2,064,990,174, which consisted of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$357,418,786 of the total as of that same date. From June 30, 2010 to September 30, 2010, the Authority issued additional conduit debt consisting of its \$7,690,000 Multifamily Housing Revenue Bonds (Mackenzie Falls Series 2010A and 2010B).

## **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 Chairperson from among the Members, and the Chairperson is considered to be a Member for purposes of concurrence. The Chairperson 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 Rosenman LLP

KAREN DAVIS, Vice Chair – Manager, Regions Bank, NA

MARK KOCHAN, Secretary – Attorney, Kochan & Kochan P.C.

MARY KANE, Treasurer – Senior Vice President, Stifel, Nicolaus & Company, Inc.

DEBORAH H. TELMAN, Member – Division Counsel, Abbott Laboratories

There are currently four vacancies in the Authority's membership.

## Management

The Authority employs a staff of approximately 212 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.

GLORIA L. MATERRE, Executive Director, was appointed by the Authority's Members on September 18, 2009. Ms. Materre served as Deputy Chief of Staff under Governor Pat Quinn, playing an instrumental role in housing, legislative matters, economic and business development and community stabilization. In October 2009, she became chair of the Illinois Task Force on Minority Business Development. Ms. Materre holds a bachelor's degree in journalism from the University of Wisconsin-Madison, and a law degree from the University of Illinois at Urbana-Champaign.

ROBERT W. KUGEL, Chief Financial Officer and Assistant Treasurer, 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.

JANE R. BILGER, Assistant Executive Director, 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.

HAZIM TAIB, Assistant Executive Director and Assistant Treasurer, has been with the Authority since 1998. His responsibilities include overseeing the Authority's assets and liabilities, managing its capital budget along with its credit risk and rating. He has extensive experience in bond structuring, cash modeling, tax exempt issuance and rating agencies requirements. Mr. Taib holds a Master of Business Administration degree with emphasis in statistics and a Bachelor of Science degree in finance from Indiana State University and a degree in public administration from Universiti Teknologi Mara, Malaysia.

KRISTI S. POSKUS, Acting General Counsel and Assistant Secretary, joined the Authority in April 2004. Prior to her employment with the Authority, she served as a loan administrator-officer for Harris Bank. Ms. Poskus holds a Bachelor of Arts degree from the University of Wisconsin-Whitewater and a Juris Doctor degree from Depaul University College of Law.

MICHELE WILLIAMS, Controller joined the Authority in May 2010. Michele is a Certified Public Accountant with a Bachelor's degree in accounting. She has over 15 years experience in accounting and taxes for small business, industry and not-for-profit companies.

The offices of the Authority are located at 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611. The telephone number of the Authority is (312) 836-5200.

### **Single-Family Mortgage Loan Programs**

In addition to the Program (which is more fully described under the caption "THE PROGRAM"), the Authority has issued bonds to fund its single family mortgage loan purchase program under its Residential Mortgage Revenue Bond General Resolution adopted on August 19, 1983 (as amended and supplemented, the "1983 Resolution"). Bonds issued under the 1983 Resolution were used 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 expect to issue additional bonds under the 1983 Resolution.

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 1983 Resolution. 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-Backed Securities and 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 Series Bonds.

### **Multi-Family Mortgage Loan Programs**

In addition to single-family mortgage loan purchase programs, the Authority operates various multi-family mortgage loan programs. 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, to meet their mortgage loan payments to the Authority. There have been several proposals 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 future discussions or the potential impact on developments financed under these programs. Below is a summary of the Authority's Multi-Family Mortgage Loan Programs:

*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. 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, which certification 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 monies available for such payments.

*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 finance new mortgage loans and refinance, directly or indirectly, and to make additional loans for, multi-family developments. 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, which certification 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 monies available for such payments.

*Multifamily Initiative Bonds.* The Authority issued \$184,080,000 of its Multifamily Initiative Bonds for the first time in December 2009 as a part of the U.S. Treasury Multifamily New Issue Bond Program. Bonds issued under this program are used to finance new mortgage loans for multi-family developments. The bonds issued under this program are not general obligations of the Authority and are not subject to the relevant provisions of Section 26.1 of the Act, which provisions require 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. On November 18, 2010 and December 16, 2010, the Authority converted and re-designated \$34,670,000 and \$27,860,000, respectively, of Multifamily Initiative Bonds to finance the costs of multifamily developments.

*Single Project Financings.* The Authority issues from time to time special limited obligation bonds to finance single projects. Single project financings are further described in “AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED) – Note 7 – 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 the relevant provisions of Section 26.1 of the Act, which provisions require 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.

### **Other Authorized Activities**

In addition to the bond 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.

*FHA Direct Lending Programs.* The Authority is authorized by the Federal Housing Administration of the United States Department of Housing and Urban Development (the “FHA”) and HUD to initiate loans under the following programs:

Risk Share Program – Under the Risk Share Program, the Authority underwrites certain mortgage loans on multi-family housing following its own underwriting guidelines to be insured by HUD. In the event of a foreclosure, HUD will bear 10 to 90 percent of the loss, as elected by the Authority at the time the loan was made. The Authority will bear the remainder of the risk. The Authority has made a number of Risk Share loans, but cannot predict whether additional Risk Share loans will be made.

Multifamily Accelerated Processing (MAP) Program – Under the MAP Program, the Authority processes applications for multi-family mortgage loans using underwriting requirements for FHA insurance programs for new construction or substantial rehabilitation of multi-family housing under Section 221(d)(4) and refinancing of existing multi-family housing including moderate rehabilitation under Section 223(f).

FHA LEAN Program – Under the FHA LEAN Program, the Authority processes applications targeting supportive living or assisted living facilities using underwriting for FHA insurance programs for new construction or substantial rehabilitation under Section 232 and refinancing of existing facilities under Section 207.

*Trust Fund Loan Program.* As the administrator of the Illinois Affordable Housing Program, the Authority may use monies in the Illinois Affordable Housing Trust Fund not otherwise pledged as security for Affordable Housing Program Trust Fund Bonds, 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 information under the caption “OTHER PROGRAMS – Multi-Family Mortgage Loan Programs.”

*HOME Loan Program.* 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 program, 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.

*Tax Credit Assistance Program and Section 1602 Program.* The Authority serves as the administrator on behalf of the State for the federal low income housing tax credit program. As such, and pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”), the Authority serves as the administrator for the Tax Credit Assistance Program (“TCAP”) and the Section 1602 Program (“Section 1602”). Under TCAP, HUD makes a grant to the Authority for the Authority to award funds to projects, on a competitive basis, that have received low income housing tax credits under Section 42(h) of the Internal Revenue Code of 1986, as amended (the “Code”) during the period from October 1, 2006 to September 30, 2009. ARRA requires that 75 percent of the TCAP funds be committed no later than February 16, 2010 and that 75 percent of TCAP funds be expended by February 16, 2011. Under Section 1602, the Treasury will make a grant to the Authority in lieu of, or in exchange for, low income housing tax credits. Section 1602 funds will be used to finance the construction or acquisition and rehabilitation of qualified low-income buildings, with or without an allocation under Section 42. Funds from TCAP and Section 1602 are subject to recapture for non-compliance with the requirements of TCAP and Section 1602.

*Rental Housing Support Program.* The Illinois Rental Housing Support program (“RHS Program”) is the State’s rental assistance program, which provides rent subsidies each year on units for extremely low income households. Funding for the program is generated through a \$10 real estate document recording fee collected throughout the State. The Authority administers the program overall, but the RHS Program is designed to utilize local agencies, called Local Administering Agencies (LAAs), that manage the program in their communities. LAAs are awarded funding and contract directly with landlords to rent units in the program to qualified tenants. In addition, the RHS Program provides funding through the Long Term Operating Support (LTOS) Program, which awards contracts directly with developments throughout Illinois. All tenants participating either through a LAA, or through the LTOS Program, pay approximately 30 percent of their income in rent and must be at or below 30 percent of their area’s median income.

*Neighborhood Stabilization Program.* The Authority has been designated by the State as the party with the lead administrative and implementation responsibilities with respect to the federal Neighborhood Stabilization Program (the “NSP”), which was authorized by the Housing and Economic Recovery Act of 2008. The NSP provides funding to projects located in areas of greatest need to acquire, rehabilitate, and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. Grant funds under the NSP may be allocated for eligible activities including purchase, rehabilitation, and redevelopment of foreclosed or abandoned homes and property for resale or rental in order to stabilize neighborhoods and stem the decline of values of neighboring homes.

## THE SERIES BONDS

### General

*Offered Bonds.* The Offered Bonds will be dated as set forth on the inside cover page of this Official Statement and will bear interest from their respective dates at the respective rates set forth on the inside cover page of this Official Statement. Interest on the Offered Bonds will be payable semiannually on each February 1 and August 1, beginning August 1, 2011. The Offered Bonds are issuable only in registered form in denominations of \$5,000 or any integral multiple thereof.

*2009 Subseries B-1 Bonds.* The 2009 Subseries B-1 Bonds are dated as of December 30, 2009. The 2009 Subseries B-1 Bonds are being released from the Escrow Fund and the interest rate on such bonds is being converted to a fixed rate as described herein. The 2009 Subseries B-1 Bonds will accrue interest from the 2009 Subseries B-1 Release Date at rates and mature on the date set forth on the inside cover of this Official Statement. Interest on the 2009 Subseries B-1 Bonds will be payable on May 10, 2011 and thereafter, semiannually on each February 1 and August 1, beginning August 1, 2011. The 2009 Subseries B-1 Bonds are issuable only in registered forms in denominations of \$10,000 or any integral multiple thereof.

Interest on the Series 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 Series Bonds shall be payable at the principal corporate trust office of the Fiscal Agent. Interest due on the Series Bonds will be paid to the registered owners thereof by the Trustee by check or, in the case of owners of Series Bonds in a principal amount equal to or exceeding \$1 million upon request by wire transfer. The Series 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 Series Bonds. Purchasers of the Series Bonds will not receive physical delivery of the bond certificates representing their beneficial ownership interests. See information under the caption “THE SERIES BONDS – Book-Entry Only System.”

### Redemption

Under the conditions described below, all or any portion of the Series Bonds are subject to redemption prior to maturity pursuant to optional redemption, mandatory sinking fund redemption and special redemption, each as more fully described below. In the case of redemptions of 2009 Subseries B-1 Bonds, such bonds may be redeemed in minimum denominations of \$10,000 and integral multiples thereof and in the case of redemptions of 2011 Series A Bonds and 2011 Series B Bonds, such bonds may be redeemed in minimum denominations of \$5,000 and integral multiples thereof.

*Optional Redemption*

*Offered Bonds.* On or after August 1, 2020, the Offered 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.

*2009 Subseries B-1 Bonds.* The 2009 Subseries B-1 Bonds 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 the first Business Day of each month, from any moneys available for such purpose.

*Sinking Fund Redemption*

*2011 Subseries A-1 Bonds.* The 2011 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 100 percent of the principal amount of such 2011 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>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
02/01/2017	\$540,000	08/01/2017 <sup>†</sup>	\$320,000

<sup>†</sup> Final maturity.

The 2011 Subseries A-1 Bonds maturing on August 1, 2018, 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 100 percent of the principal amount of such 2011 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>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
02/01/2018	\$265,000	08/01/2018 <sup>†</sup>	\$265,000

<sup>†</sup> Final maturity.

*2009 Subseries B-1 Bonds.* The 2009 Subseries B-1 Bonds maturing on August 1, 2041, 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 100 percent of the principal amount of such 2009 Subseries B-1 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>
08/01/2028	\$130,000	08/01/2035	\$880,000
02/01/2029	620,000	02/01/2036	920,000
08/01/2029	650,000	08/01/2036	930,000
02/01/2030	670,000	02/01/2037	970,000
08/01/2030	680,000	08/01/2037	990,000
02/01/2031	700,000	02/01/2038	1,010,000
08/01/2031	720,000	08/01/2038	1,040,000
02/01/2032	740,000	02/01/2039	1,070,000
08/01/2032	760,000	08/01/2039	1,100,000
02/01/2033	780,000	02/01/2040	1,130,000
08/01/2033	800,000	08/01/2040	1,160,000
02/01/2034	820,000	02/01/2041	10,000
08/01/2034	840,000	08/01/2041 <sup>†</sup>	10,000
02/01/2035	870,000		

<sup>†</sup> Final maturity.

*2011 Series B Bonds.* The 2011 Series B 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 100 percent of the principal amount of such 2011 Series B 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>
02/01/2017	\$335,000	08/01/2017 <sup>†</sup>	\$345,000

<sup>†</sup> Final maturity.

The 2011 Series B Bonds maturing on August 1, 2018, 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 100 percent of the principal amount of such 2011 Series B 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>
02/01/2018	\$350,000	08/01/2018 <sup>†</sup>	\$365,000

<sup>†</sup> Final maturity.

The 2011 Series B Bonds maturing on August 1, 2021, 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 100 percent of the principal amount of such 2011 Series B 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>
02/01/2020	\$395,000	02/01/2021	\$415,000
08/01/2020	400,000	08/01/2021 <sup>†</sup>	425,000

<sup>†</sup> Final maturity.

The 2011 Series B Bonds maturing on August 1, 2026, 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 100 percent of the principal amount of such 2011 Series B 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>
02/01/2022	\$345,000	08/01/2024	\$390,000
08/01/2022	345,000	02/01/2025	400,000
02/01/2023	360,000	08/01/2025	410,000
08/01/2023	370,000	02/01/2026	425,000
02/01/2024	380,000	08/01/2026 <sup>†</sup>	430,000

<sup>†</sup> Final maturity.

*2011 Series B Bonds – Premium PAC Term Bonds.* The 2011 Series B Bonds that are Premium PAC Term Bonds maturing on August 1, 2028 (the “2011 Series B PAC Bonds”), 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 100 percent of the principal amount of such 2011 Series B PAC 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>
02/01/2022	\$90,000	08/01/2025	\$110,000
08/01/2022	100,000	02/01/2026	115,000
02/01/2023	100,000	08/01/2026	125,000
08/01/2023	100,000	02/01/2027	565,000
02/01/2024	105,000	08/01/2027	585,000
08/01/2024	110,000	02/01/2028	595,000
02/01/2025	110,000	08/01/2028 <sup>†</sup>	490,000

<sup>†</sup> Final maturity.

### *Special Redemption*

*Special Redemption of 2011 Series A Bonds from Unexpended Proceeds of the 2011 Series A Bonds.* The 2011 Series A Bonds will be subject to redemption prior to maturity, in whole or in part, at any time upon notice as required by the General Resolution from proceeds of

the 2011 Series A Bonds that are not spent to redeem and/or refund the Refunded Bonds within ninety days of issuance of the 2011 Series A Bonds at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date.

*Special Redemption of 2011 Series A Bonds from Certain Recoveries of Principal.* The 2011 Series A Bonds will be subject to redemption prior to maturity, in whole or in part, on any date, at the option of the Authority, or as required by law, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date from Recoveries of Principal received by or on behalf of the Authority in excess of amounts required for scheduled debt service on the 2011 Series A Bonds and attributable to those Mortgage Loans allocated to the 2011 Series A 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.

*Special Redemption of 2011 Series A Bonds from Revenues Available under the General Resolution.* The 2011 Series A Bonds will be subject to redemption prior to maturity, in whole or in part, on any date, at the option of the Authority, or as required by law, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date from Revenues, commitment fees and other similar receipts and amounts transferred from the Reserve Fund that are available under the General Resolution after making all payments required to be made therefrom pursuant to the General Resolution.

*Special Redemption of 2009 Subseries B-1 Bonds and 2011 Series B Bonds from Unexpended Proceeds of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds.* The 2009 Subseries B-1 Bonds and the 2011 Series B Bonds will be subject to redemption prior to maturity, in whole or in part, at any time upon notice as required by the General Resolution from proceeds of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds that are not spent to purchase Mortgage-Backed Securities at a Redemption Price equal to: (1) for 2009 Subseries B-1 Bonds and the 2011 Series B Bonds, other than 2011 Series B PAC Bonds, 100 percent of the principal amount thereof, plus accrued interest to the redemption date, and (2) for 2011 Series B PAC Bonds, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date, plus the unamortized premium thereon as determined by the Authority by applying a straight line amortization of the original issue premium set forth on the inside cover page of this Official Statement between the date of issue and August 1, 2020 (as of which date the premium would reduce to zero). In connection with any redemption from unexpended proceeds, the bonds will be selected for redemption as directed by the Authority.

*Special Redemption of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds from Certain Recoveries of Principal.* The 2009 Subseries B-1 Bonds and the 2011 Series B Bonds will be subject to redemption prior to maturity, in whole or in part, on any date, at the option of the Authority, or as required by law, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date, from:

- (1) Recoveries of Principal received by or on behalf of the Authority from those Mortgage-Backed Securities purchased with proceeds of the 2009 Subseries B-1



Bonds and 2011 Series B Bonds in excess of amounts required for scheduled debt service on the 2009 Subseries B-1 Bonds and 2011 Series B Bonds but excluding the proceeds of the sale of Mortgage-Backed Securities unless such Mortgage-Backed Securities 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; and

- (2) after such time as no 2011 Series A Bond remains outstanding, Recoveries of Principal received by or on behalf of the Authority attributable to those Mortgage Loans allocated to the 2011 Series A 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.

In connection with any special redemption from such Recoveries of Principal as described in (1) above, such recoveries will be allocated among the 2009 Subseries B-1 Bonds and 2011 Series B Bonds on a pro rata basis calculated on the basis of the outstanding principal amount of such bonds. Such pro rated amounts allocated to (i) the 2009 Subseries B-1 Bonds shall be applied to the redemption of the 2009 Subseries B-1 Bonds, and (ii) the 2011 Series B Bonds shall be applied to the redemption of the 2011 Series B Bonds as follows:

- (a) the Authority shall redeem the 2011 Series B PAC Bonds, but only to the extent that the outstanding principal amount of such bonds following such redemption is not less than the 2011 Series B PAC Bond Outstanding Applicable Amount, as of such date, which is calculated based on the assumed receipt of Recoveries of Principal to be received with respect to Mortgage-Backed Securities purchased with proceeds of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds at approximately 75% of the mortgage prepayment experience of the Securities Industry and Financial Markets Association's Prepayment Model (the "SIFMA Prepayment Model");

- (b) amounts remaining following the redemption specified in (a) above, shall be applied, unless otherwise directed by the Authority, to the redemption of the 2011 Series B Bonds (other than the 2011 Series B PAC Bonds) which would produce, as nearly as practicable, a pro rata redemption of such 2011 Series B Bonds (other than the 2011 Series B PAC Bonds);

- (c) amounts remaining following the redemption specified in (a) and (b) above and following the redemption of all other 2011 Series B Bonds shall be applied, unless otherwise directed by Authority request, to the redemption of any remaining 2011 Series B PAC Bonds; and

- (d) amounts remaining following the redemption specified in (a), (b) and (c) above and following the redemption of all other 2011 Series B Bonds, shall be applied, unless otherwise directed by the Authority, to the redemption of the 2009 Subseries B-1 Bonds.

In connection with any special redemption from such Recoveries of Principal as described in (2) above, such recoveries shall be applied to the redemption of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds as follows:

(a) the Authority shall redeem the 2011 Series B PAC Bonds, but only to the extent that the outstanding principal amount of such bonds following such redemption is not less than the 2011 Series B PAC Bond Outstanding Applicable Amount, as of such date; and

(b) amounts remaining following the redemption specified in (a) above, shall be applied to the redemption of the 2009 Subseries B-1 Bonds and/or the 2011 Series B Bonds (other than the 2011 Series B PAC Bonds) as directed by the Authority.

The 2011 Series B PAC Bond Outstanding Applicable Amount is as follows:

	<b>2011 Series B PAC Bond Outstanding Applicable</b>
<u>Date</u>	<u>Amount</u>
08/01/2011	\$3,300,000
02/01/2012	3,195,000
08/01/2012	3,035,000
02/01/2013	2,835,000
08/01/2013	2,600,000
02/01/2014	2,350,000
08/01/2014	2,105,000
02/01/2015	1,870,000
08/01/2015	1,645,000
02/01/2016	1,440,000
08/01/2016	1,240,000
02/01/2017	1,055,000
08/01/2017	880,000
02/01/2018	725,000
08/01/2018	570,000
02/01/2019	430,000
08/01/2019	300,000
02/01/2020	185,000
08/01/2020	80,000
02/01/2021	0

Any special redemption of the 2011 Series B Bonds as described above under “*Special Redemption of 2009 Subseries B-1 Bonds and 2011 Series B Bonds from Unexpended Proceeds of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds*” will reduce the 2011 Series B PAC Bond Outstanding Applicable Amount described above for the current, and each future, semi-annual period by an amount equal to the product of such amounts and a fraction, the numerator of which equals the principal amount of the 2011 Series B PAC Bonds so redeemed and the denominator of which equals the original principal amount of the 2011 Series B PAC Bonds.

*Average Weighted Life of 2011 Series B PAC Bonds.* Weighted average life refers to the average amount of time that will elapse from the date of issuance of a bond until each dollar of principal of such bond will be repaid to the investor. The average weighted life of the 2011 Series B PAC Bonds will be influenced by the rate at which the principal on the Mortgage-

Backed Securities, the revenues of which are pledged to the 2011 Series B Bonds, are paid. Principal payments on Mortgage-Backed Securities may be in the form of scheduled amortizations or prepayments including prepayments and liquidations due to default or other dispositions of Mortgage Loans underlying Mortgage-Backed Securities). Prepayments on Mortgage Loans are commonly measured by a prepayment standard or model. The model used in the following discussion is SIFMA Prepayment Model. The SIFMA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the Mortgage Loans. The SIFMA Prepayment Model assumes a prepayment rate of 0.2% in the first month, increasing by 0.2% in each succeeding month until the thirtieth month of the mortgages' life and then assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgages. The SIFMA Prepayment Model is sometimes referred to by market participants as the BMA Prepayment Model or the PSA Prepayment Model.

As used in the following table, “0% PSA” assumes no prepayments on the principal of the Mortgage Loans. “50% PSA” assumes the principal of Mortgage Loans will prepay at a rate one-half times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Mortgage Loans will prepay at a rate three-quarters times as fast as prepayment rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of the Mortgage Loans will prepay at a rate equal to the prepayment rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of the Mortgage Loans will prepay at a rate one and one-half times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of the Mortgage Loans will prepay at a rate twice as fast as the prepayment rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of the Mortgage Loans will prepay at a rate three times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of the Mortgage Loans will prepay at a rate four times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of the Mortgage Loans will prepay at a rate five times as fast as the prepayment rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal of the Mortgage Loans will conform to any level of the SIFMA Prepayment Model. The rate of principal payments of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans. In general, if prevailing interest rates fall significantly, the Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such Mortgage Loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of Mortgage Loans include changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgaged properties. In addition, as homeowners move or default on their Mortgage Loans, the houses are generally sold and the Mortgage Loans prepaid, although under certain circumstances the Mortgage Loans may be assumed by a new buyer. Because of the foregoing and since the rate of prepayment of principal of the 2011 Series B Bonds will depend on the rate of repayment (including prepayments) of the Mortgage Loans, the actual maturity of any 2011 Series B Bond is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The figures in the following table were computed by Morgan Stanley & Co. Incorporated utilizing the Program assumptions as described under the heading “ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES” herein and various additional assumptions, including an assumption that the 2011 Series B PAC Bonds will not be optionally redeemed prior to maturity and that Revenues relating to the 2011 Series B Bonds and 2009 Subseries B-1 Bonds will be used to redeem 2011 Series B PAC Bonds only and only to the extent that, following any redemption, the principal amount of the 2011 Series B PAC Bonds is not less than the 2011 Series B PAC Bond Outstanding Applicable Amount as of such date (set forth above). The table assumes that the Mortgage Loans underlying the Mortgage-Backed Securities allocated to the 2011 Series B Bonds and 2009 Subseries B-1 Bonds and the Mortgage Loans allocated to the 2011 Series A Bonds prepay at the various rates listed. There can be no assurance that such assumptions will in fact prove to be accurate.

**Projected Average Life of 2011 Series B PAC Bonds**

<u>PSA Prepayment Speed</u>	<u>Average Maturity in Years</u>
0%	11.26
25	8.12
50	5.91
75	4.91
100	4.91
200	4.91
300	4.91
400	4.91
500	4.91

*Special Redemption of the 2009 Subseries B-1 Bonds and 2011 Series B Bonds from Revenues Available under the General Resolution.* The 2009 Subseries B-1 Bonds and 2011 Series B Bonds will be subject to redemption prior to maturity, in whole or in part, on any date, at the option of the Authority, or as required by law, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date, from Revenues, commitment fees and other similar receipts and amounts transferred from the Reserve Fund that are available under the General Resolution after making all payments required to be made therefrom pursuant to the General Resolution.

In connection with any redemption from such Revenues, the 2009 Subseries B-1 Bonds and 2011 Series B Bonds will be selected for redemption as directed by the Authority provided that no 2011 Series B PAC Bonds shall be redeemed in amounts that would cause the outstanding principal amount of such bonds following such redemption to be less than the 2011 Series B PAC Bond Outstanding Applicable Amount (set forth above), as of such date, unless no other 2011 Series B Bonds remain outstanding or such redemption is required by the Code. See information under the subcaption “- Code Required Redemptions” below.

*Selection of Bonds for Redemption.* The amounts and maturity dates of any Series Bonds to be redeemed pursuant to any 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.

*Redemption Notice Requirements for 2009 Subseries B-1 Bonds and 2011 Series B Bonds.* In addition to any other required notices under the General Resolution, written notice of each redemption of Related Bonds shall be provided by the Trustee to U.S. Bank National Association, as administrator pursuant to that certain Administration Agreement by and among U.S. Bank National Association and the GSEs concerning the administration of the New Issue Bond Program, the GSEs and JPMorgan Chase Bank, N.A., as Treasury’s financial agent. See information under the caption “THE SERIES BONDS – General Redemption Provisions.”

#### *Code Required Redemptions*

Applicable federal tax law requires redemption of the Series Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series Bonds. To the extent such redemptions are required to comply with the Authority’s tax covenants, the Series Bonds are subject to redemption, in whole or in part, at any time, from:

- (i) unexpended proceeds of the Series Bonds required to be used to acquire Mortgage-Backed Securities or make Mortgage Loans which have not been so used within 42 months after the date of issuance of the Series 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 such payments on Mortgage Loans that have been pooled into Mortgage-Backed Securities made or purchased or deemed to have been made or purchased with proceeds of the Series Bonds, which amounts are received ten years or more after the date of issuance and delivery of the Series Bonds (or bonds refunded by such Series of Bonds or original bonds in a series of refundings). Such original bonds were issued or traced 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-Backed Securities made or purchased or deemed to have been made or purchased from proceeds of the Series Bonds, will be subject to this redemption requirement beginning on the date of issuance of the Series Bonds; that percentage will increase to 100 percent ten years after the issuance of the Series Bonds. See the information and the table under the caption “CERTAIN PROGRAM INFORMATION – Ten Year Rule” included in Appendix B.

Redemptions pursuant to subparagraph (i) must be effected within the applicable 42-month period and shall be at a Redemption Price equal to: (1) for all Series Bonds other than the 2011 Series B PAC Bonds, equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date; and (2) for 2011 Series B PAC Bonds, at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date, plus the unamortized premium thereon as determined by the Authority by applying a

straight line amortization of the original issue premium set forth on the inside cover page of this Official Statement between the date of issue and August 1, 2020 (as of which date the premium would reduce to zero). Additionally, notwithstanding the foregoing, no 2011 Series B PAC Bond shall be so redeemed from sources described in subparagraph (ii) above in amounts which shall cause the principal amount of the 2011 Series B PAC Bonds to be less than the 2011 Series B PAC Bond Outstanding Applicable Amount for the applicable period until no other 2011 Series B Bonds remain Outstanding.

In the absence of any change in current laws or regulations, the Authority will fulfill its obligations pursuant to subparagraph (ii) above by periodically exercising its right to undertake a special redemption of the Series Bonds with, at a minimum and subject to certain exceptions for *de minimis* amounts (amounts under \$250,000), the portion of the “Net Series Bonds Restricted Principal Receipts” (based on the following defined terms) that have been available for at least six months.

*Series Bonds Restricted Principal Receipts.* “Series Bonds Restricted Principal Receipts” means the percentage of Principal Repayments and Recoveries of Principal on Mortgage Loans and Mortgage-Backed Securities made with or attributable to the proceeds of the Series Bonds (which may exceed the percentages of Principal Repayments and Recoveries of Principal required to be used to redeem the Series Bonds by the provisions of the Code) as shown in the following table for the periods indicated.

<b>Period</b> <b>(dates inclusive)</b>	<b>Percentages</b>
March 10, 2011 to April 7, 2011	0.0000000%
April 8, 2011 to March 9, 2021	12.5511840%
March 10, 2021 to thereafter	90.8151194%

*Net Series Bonds Restricted Principal Receipts.* “Net Series Bonds Restricted Principal Receipts” means, with respect to any redemption date, an amount equal to the difference between (i) the Series Bonds Restricted Principal Receipts theretofore received but not applied, and (ii) the principal amount of the Series 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 are subject to sinking fund redemption on such redemption date, a pro rata portion of the next subsequent scheduled maturity amount or sinking fund requirements of those Bonds).

### **General Redemption Provisions**

As long as a Series of Bonds is 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 is 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 receive 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 the General Resolution. For purposes of these provisions, a beneficial owner is as defined below under the subcaption – “Book-Entry Only System”, 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: (i) \$10,000 of principal in the case of 2009 Subseries B-1 Bonds, or (ii) \$5,000 of principal of any other Bonds. 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 an integral multiple thereof (or, in the case of 2009 Subseries B-1 Bonds, \$10,000 or an integral 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 (or, in the case of 2009 Subseries B-1 Bonds, \$10,000). 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.

If less than all of the Term Bonds Outstanding of any one maturity of a Series of Bonds is purchased for cancellation or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed shall be credited, to the extent practicable, except as otherwise directed by the Authority, against all remaining Sinking Fund Requirements for such Term Bonds of such Series and maturity in the proportion which the then-remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such Series and maturity then Outstanding.

### **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 Series or, if applicable, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited



securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 The Bank of New York Mellon 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 Series Bonds will be performed by the Fiscal Agent.

The Bank of New York Mellon 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 Series 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 Series Bonds will run solely to DTC or its nominee as the registered owner of the Series Bonds, except in connection with certain notices of default and redemption.

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series Bonds are as follows:

### Sources<sup>(1)</sup>

Proceeds of 2011 Subseries A-1 Bonds	\$6,140,000
Proceeds of 2011 Subseries A-2 Bonds	4,860,000
Proceeds of 2011 Series B Bonds	14,106,326
Proceeds of 2009 Subseries B-1 Bonds released from the Escrow Fund	21,000,000
Authority Contribution <sup>(2)</sup> (Cost of Issuance)	276,950
Authority Contribution <sup>(2)</sup> (Underwriters' Fees and Expenses)	<u>219,107</u>
<b>Total Sources</b>	<b><u>\$46,602,383</u></b>

### Uses<sup>(1)</sup>

Refund Prior Series of Homeowner Mortgage Revenue Bonds <sup>(3)</sup>	\$11,000,000
Deposit to 2009 Subseries B-1/2011 Series B Program Account	35,106,326
2011 Series A Cost of Issuance Account <sup>(4)</sup>	66,074
2009 Subseries B-1/2011 Series B Cost of Issuance Account <sup>(5)</sup>	210,876
Underwriters' Fees and Expenses <sup>(6)</sup>	<u>219,107</u>
<b>Total Uses</b>	<b><u>\$46,602,383</u></b>

(1) Amounts are rounded to the nearest whole dollar.

(2) The "Authority Contribution" includes excess funds available under the General Resolution.

(3) Proceeds will be used to refund the Refunded Bonds. See information under the caption "PLAN OF FINANCE."

(4) This amount includes legal fees, rating agency fees, printing expenses and other miscellaneous fees and expenses relating to the issuance of the 2011 Series A Bonds and will be paid from the Authority Contribution.

(5) This amount includes legal fees, rating agency fees, printing expenses and other miscellaneous fees and expenses relating to the issuance of the Related Bonds and will be paid from the Authority Contribution.

(6) Of this amount, \$93,582.95 is attributable to the 2011 Series A Bonds and \$125,523.75 is attributable to the 2011 Series B Bonds.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

All 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: (i) are not general obligations of the Authority; (ii) do not constitute a debt of, and are not guaranteed by, the State of Illinois or the United States or any agency or instrumentality thereof; and (iii) are not secured by a pledge of the full faith and credit of the State of Illinois or the United States or any agency or instrumentality thereof.

All 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:

- (i) payments on the Mortgage-Backed Securities and the documents evidencing and securing the Mortgage-Backed Securities, including any guaranty of such Mortgage-Backed Securities;
- (ii) principal and interest payments on Mortgage Loans, including, without limitation, Recoveries of Principal;
- (iii) interest earnings on Funds and Accounts held by the Trustee; and
- (iv) the Authority's payment obligation with respect to Transfer Amounts. See information under the caption "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 Escrow Fund established under the 2009 Series B Resolution), and the Authority's right, title and interest in the Mortgage Loans (other than accrued interest on Mortgage Loans not purchased by the Authority) and the Mortgage-Backed Securities purchased with the proceeds of the Series Bonds. 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 SERIES BONDS.**

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

Pursuant to the Resolution, the Authority is permitted to purchase Mortgage Loans or Mortgage-Backed Securities originated pursuant to the Purchase Agreements and the Master Servicing Agreement. Proceeds of the Prior Bonds have been used by the Authority to purchase only Mortgage Loans. The Authority, however, desires to convert the Program from a Mortgage Loan purchase program to a program primarily, if not exclusively, financed through the purchase of Mortgage-Backed Securities guaranteed as to timely payment by Fannie Mae, FHLMC or GNMA. Accordingly, the 2011 Series B Resolution and the Second Supplement to the 2009 Series B Resolution limit the Authority's use of amounts allocable to the Related Bonds to the purchase of Mortgage-Backed Securities. **Pools of Mortgage Loans underlying Mortgage-Backed Securities are not Pledged Property as defined in the General Resolution.**

All Mortgage Loans purchased with proceeds of Prior Bonds, and all Mortgage-Backed Securities to be purchased with proceeds of the Related Bonds, together secure all Series of Bonds equally. Mortgage Loans may consist of first lien mortgage loans ("First Mortgage Loans") and/or second lien mortgage loans ("Second Lien Mortgage Loans"). The terms of the Mortgage Loans, the Mortgage Loans underlying Mortgage-Backed Securities and the type of Mortgage-Backed Securities which may be purchased from the proceeds of a particular Series of Bonds are set forth in the respective Series Resolution relating to that Series of Bonds.

The Resolution sets forth requirements for Mortgage Loans purchased by the Authority under the Program whether such Mortgage Loans are held under the Resolution or pooled into a Mortgage-Backed Security. In addition to satisfying these requirements, the Mortgage Loans financed or purchased under the Resolution must satisfy the requirements of the Code. For information regarding the requirements of Mortgage Loans purchased or Mortgage Loans underlying Mortgage-Backed Securities, see information under the captions "THE PROGRAM – Mortgage Loans" and "- Mortgage-Backed Securities." Further, for information related to the Mortgage Loans currently held as Pledged Property under the General Resolution, see information provided in Appendix B.

### *Mortgage-Backed Securities*

Each Mortgage-Backed Security purchased by the Authority must be a GNMA Security, a Fannie Mae Security or a FHLMC Security (or such other security backed by a loan or loans which is specified in a Series Resolution, the purchase of which will not adversely affect the Rating of the Outstanding Bonds). All Mortgage Loans underlying Mortgage-Backed Securities are required: (i) if pooled by the Master Servicer and delivered to GNMA, to be insured by FHA or guaranteed by Veteran's Affairs ("VA") or the United States Department of Agriculture Rural Development ("USDA/RD"), or (ii) if pooled by the Master Servicer and delivered to Fannie Mae or FHLMC, to be insured by a private mortgage insurance policy (if in an amount in excess of certain loan-to-value ratios). Each Mortgage Lender is required to obtain and maintain an errors and omissions policy and fidelity bond in amounts required by GNMA, Fannie Mae or FHLMC, as applicable, for parties acting in their capacity under the Program.

*GNMA Securities.* The Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States of America within the Department

of Housing and Urban Development (“HUD”). GNMA’s powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 et seq.).

GNMA is authorized to guarantee the timely payment of the principal of and interest on certificates (“GNMA Securities” or “GNMA Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the FHA under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen’s Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the United States Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of Housing and Urban Development (“HUD”) under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The GNMA Certificates are issued by approved servicers and not by GNMA. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates. The full faith and credit of the United States is pledged to the payment of all amounts required to be paid under each such guaranty. To the extent necessary, GNMA will borrow from the United States Treasury any amounts necessary to enable GNMA to honor its guaranty of the GNMA Securities. GNMA is required to honor its guaranty only if the Master Servicer is unable to make the full payment on any GNMA Certificate, when due. GNMA Certificates constitute GNMA Securities under the Resolution.

GNMA administers two guarantee programs, the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” The principal differences between the two programs relate to the interest rate structure of the mortgage loans backing the GNMA Certificates and the means by which principal and interest payments are made. These differences are not expected to affect adversely the availability of Revenues to pay principal of and interest on the Bonds. While the Master Servicer may issue GNMA Certificates under either GNMA program, proceeds of the Bonds are expected to be used to purchase GNMA Certificates under the Ginnie Mae I MBS Program.

See Appendix D for more information regarding GNMA and its mortgage-backed security program.

*Fannie Mae Securities.* The Federal National Mortgage Association (“Fannie Mae”) is a federally-chartered, private, stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. § 1716 et seq.). Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency, an independent agency of the federal government, to the extent provided in the Housing and Economic Recovery Act of 2008. The Secretary of HUD also exercises general regulatory power over Fannie Mae. Among other things, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Fannie Mae operates a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (“Fannie Mae Certificates” or “Fannie Mae Securities”). Each Fannie Mae Certificate represents an undivided ownership interest in a specified pool of mortgage loans purchased by Fannie Mae. Generally, Fannie Mae Certificates are issued in book-entry form, representing a minimum of \$1,000 unpaid principal amount of

mortgage loans. Any Fannie Mae Certificates created with the proceeds of the Series Bonds, will represent pools of mortgage loans created by the Master Servicer. Unless otherwise indicated, each pool will consist of fixed-rate mortgage loans having an initial aggregate unpaid principal balance of at least \$250,000.

Fannie Mae guarantees to the registered holders of Fannie Mae Certificates that it will distribute amounts representing (i) scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by such Fannie Mae Certificates, whether or not received, and (ii) the full principal balance of any foreclosed or other finally liquidated mortgage loans, whether or not such principal balance is actually received. FANNIE MAE'S 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 OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES OTHER THAN FANNIE MAE. If Fannie Mae is unable to satisfy such obligations, distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying mortgage loans. Accordingly, monthly distributions to the Trustee after a Fannie Mae default could be adversely affected by delinquent payments and defaults on such mortgage loans. Fannie Mae Certificates constitute Fannie Mae Securities under the Resolution. Although the Secretary of the Treasury 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's obligations or to assist Fannie Mae in any manner, subject, however, to certain actions taken by the Treasury in 2008 that are discussed in the Statement (as defined in Appendix D under the heading "Treasury and Federal Housing Finance Agency Action regarding Fannie Mae and Freddie Mac").

See information in Appendix D for more information regarding Fannie Mae and its mortgage-backed security program and actions taken in 2008 by the federal government regarding its supervision and regulation of Fannie Mae.

*FHLMC Securities.* The Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") is a corporate instrumentality of the United States organized pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1451-1459)). Freddie Mac is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008.

Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a pool of mortgage loans from approved sellers in exchange for a security issued by Freddie Mac representing an undivided interest in such mortgage pool (a "Freddie Mac Certificate" or "FHLMC Security"). Payments by borrowers on the underlying mortgage loans are passed through monthly by Freddie Mac to the holders of the Freddie Mac Certificate.

Freddie Mac guarantees the payment of scheduled principal payments on the mortgage loans underlying each Freddie Mac Certificate, together with interest thereon at the applicable pass-through rate, in each case whether or not such principal or interest is received from the mortgagors. The obligations of Freddie Mac under such guarantees are obligations of Freddie



Mac only. THE FREDDIE MAC CERTIFICATES, INCLUDING THE INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC. If Freddie Mac is unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Certificates would consist solely of payment and other recoveries on the related mortgage. Accordingly, delinquencies and defaults on the mortgages after a Freddie Mac default may adversely affect distributions on the Freddie Mac Certificates. This could adversely affect payments on the Bonds. Freddie Mac Certificates constitute FHLMC Securities under the Resolution. Although the Secretary of the Treasury has certain discretionary authority to purchase obligations of Freddie Mac, neither the United States nor any agency or instrumentality thereof is obligated to finance Freddie Mac's obligations or to assist Freddie Mac in any manner, subject, however, to certain actions taken in 2008 by the Treasury that are discussed in the Statement (as defined in Appendix D under the heading "Treasury and Federal Housing Finance Agency Action regarding Fannie Mae and Freddie Mac").

See information in Appendix D for more information regarding Freddie Mac and its mortgage-backed security program and actions taken by the federal government in 2008 regarding its supervision and regulation of Freddie Mac.

*Potential Future Legislation affecting Fannie Mae and Freddie Mac.* On February 11, 2011, President Barack Obama proposed a housing plan which outlines three broad options for changing the housing finance system in the United States. The proposal includes various alternatives for the future of the federal government's role in the housing market, including options which impact the future of Fannie Mae and Freddie Mac. The Authority cannot predict the long term consequences of the federal conservatorship of Fannie Mae and Freddie Mac or of the future status of Fannie Mae and Freddie Mac and cannot predict the impact of future legislation on the housing market or the corresponding impact on the Authority or the Program.

*Series Program Determinations.* The Series Program Determinations for the Related Bonds provide for the acquisition of Mortgage-Backed Securities having underlying Mortgage Loans that satisfy the following requirements:

1. each Mortgage Loan provides for level debt service over its term;
2. each First Mortgage Loan has a term not to exceed 30 years and each Second Mortgage Loan has a term not to exceed 10 years;
3. the aggregate original principal amount of each First Mortgage Loan and Second Mortgage Loan does not exceed one hundred ten percent (110%) of the Property Value (including financed improvements);
4. unless otherwise provided in FHA guidelines, no FHA insured First Mortgage Loan has a loan-to-Property Value ratio (when combined with the loan-to-Property Value ratio of any related Second Mortgage Loan) in excess of one hundred five percent (105%);

5. unless otherwise provided in Fannie Mae and Freddie Mac guidelines, no conventional First Mortgage Loan has a loan-to-Property Value ratio (when combined with the loan-to-Property Value ratio of any related Second Mortgage Loan) in excess of one hundred five percent (105%);
6. each First Mortgage Loan shall be pooled in a GNMA Security, Fannie Mae Security or Freddie Mac Security in accordance with the Master Servicing Agreement;
7. each First Mortgage Loan shall be secured by a mortgage constituting a valid first mortgage lien on a Qualified Dwelling. Each Second Mortgage Loan shall be secured by mortgage constituting a valid second mortgage lien on a Qualified Dwelling;
8. each Qualified Dwelling must satisfy the requirements of the Mortgage Purchase Agreements between the Authority and the Mortgage Lenders and any other Authority rules and regulations;
9. First Mortgage Loans and related Second Mortgage Loans, if any, will be purchased at the same time; and
10. the requirements of the GNMA Guide, the Fannie Mae Guide or the FHLMC Guide, as applicable, must be satisfied.

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

All Mortgage Loans underlying Mortgage-Backed Securities are serviced by U.S. Bank N.A., a national banking association doing business through its Home Mortgage Division, as master servicer (“Master Servicer”) pursuant to the Mortgage Servicing Agreement dated April 14, 2009 (the “Master Servicing Agreement”). Under the Master Servicing Agreement, the Master Servicer is primarily responsible for purchasing, pooling and servicing the Mortgage Loans that underlie the Mortgage-Backed Securities that are purchased by the Authority. For more information concerning the Master Servicer and requirements of Mortgage Loans underlying Mortgage-Backed Securities, see information under the captions “THE PROGRAM – Mortgage-Backed Securities” and “THE PROGRAM - Loan Servicing – *Mortgage Loans Underlying Mortgage-Backed Securities*” and “THE PROGRAM – Information Concerning the Master Servicer.”

The Master Servicer is required to remit to the Trustee all scheduled payments of principal, interest and any principal prepayments that are payable with respect to the applicable GNMA Security, Fannie Mae Security or FHLMC Security when any of the same shall be due and payable (excluding the payments on a GNMA Security, Fannie Mae Security or FHLMC Security received in the month such GNMA Security, Fannie Mae Security or FHLMC Security is purchased) and to meet all of its obligations under the GNMA Guide, the GNMA Guaranty Agreements, the Fannie Mae Guide and the Fannie Mae Pool Purchase Contract, the FHLMC Guide and the FHLMC Pool Purchase Contract or contractual agreements entered into between the Master Servicer and GNMA, Fannie Mae or FHLMC.

### *Mortgage Loans*

Proceeds of all Prior Bonds were used to purchase Mortgage Loans. Purchased Mortgage Loans are evidenced by a note and secured by a mortgage or equivalent security on an owner-occupied residence in the State. A Mortgage Loan includes any instrument evidencing an ownership interest in or security for such a loan except for a Mortgage-Backed Security, in which case the Mortgage-Backed Security is the instrument that constitutes Pledged Property and, as such, includes the pool of Mortgage Loans backing it. Mortgage Loans purchased by the Authority include primarily First Mortgage Loans; however, in limited instances, the Authority has purchased Second Mortgage Loans but 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. The respective Series Resolutions for the Prior Bonds established the Program Determinations relating to the requirements of the Mortgage Loans eligible to be purchased with proceeds of such Prior Bonds.

Pursuant to the Series Resolutions and Program Determinations relating to the Prior Bonds, the Authority purchased First Mortgage Loans and, in certain circumstances, Second Mortgage Loans that satisfied the requirements described below:

*First Mortgage Loans.* Each First Mortgage Loan purchased satisfied the following requirements:

1. each First Mortgage Loan had a 30-year maximum term (or for certain Prior Bonds, a 40 year maximum term) and provided for level payments;
2. the original principal amount of each First Mortgage Loan, together with the principal amount of any Second Mortgage Loan, did not exceed 110 percent of the Property Value (including financed improvements);
3. no conventional First Mortgage Loan had a loan-to-Property Value ratio (when combined with the loan-to-Property Value ratio of any related Second Mortgage Loan) in excess of 105 percent (103 percent in the case of FHA Insured Mortgage Loans and certain prior Series Program Determinations and 95 percent in the case of Transferred Mortgage Loans);
4. each First Mortgage Loan that had a loan-to-Property Value ratio in excess of 80 percent at the time of origination (A) in the case of conventional First Mortgage Loans, was 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) was subject to insurance or guaranty by FHA, VA, USDA/RD or any other agency or instrumentality of the United States of America having similar powers to insure or guarantee mortgage loans;
5. the Authority purchased First Mortgage Loans described in paragraph (4)(B) above only after filing with the Trustee a Cash Flow Certificate and a Rating Certificate, advising that the purchase of such First Mortgage Loans would not result in a reduction of the Ratings of the Bonds;

6. private mortgage insurance was issued by a mortgage insurer: (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 would not result in a reduction of the Ratings of the Bonds. The Authority permitted mortgagors to maintain private mortgage insurance issued by a mortgage insurer whose rating was subsequently reduced below the two highest rating categories of the Rating Agencies;
7. each First Mortgage Loan was secured by a mortgage constituting a valid first mortgage lien on a Qualified Dwelling;
8. each Qualified Dwelling was covered by a valid and existing policy of hazard insurance meeting the requirements of the Mortgage Purchase Agreements (as defined in this Official Statement); and
9. each First Mortgage Loan had 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”) made federal flood insurance available.

*Second Mortgage Loans.* Each Second Mortgage Loan purchased satisfied the following requirements:

1. each Second Mortgage Loan had a 10-year maximum term and was non-interest bearing;
2. the original principal amount of each Second Mortgage Loan, together with the related First Mortgage Loan, did not exceed 110 percent (100 percent under certain prior Series Resolutions) of the Property Value (including financed improvements);
3. the loan-to-Property Value ratio of each Second Mortgage Loan did not exceed 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 (under certain prior Series Resolutions, the cumulative loan-to-Property Value ratio of a Second Mortgage Loan, together with the related First Mortgage Loan, did not exceed 100 percent);
4. each Second Mortgage Loan was secured by a mortgage constituting a valid second lien on a Qualified Dwelling;

5. each Qualified Dwelling was covered by a valid and existing policy of hazard insurance meeting the requirements of the Mortgage Purchase Agreements; and
6. each Second Mortgage Loan had 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 HUD has made federal flood insurance available.

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

*Supplemental Mortgage Coverage.* With respect to Mortgage Loans purchased with proceeds of Prior Bonds, the Authority obtained Supplemental Mortgage Coverage in the form of one or more Pool Policies for most of its conventional First Mortgage Loans so purchased. Some Pool Policies also cover Transferred Mortgage Loans and First Mortgage Loans insured by FHA or guaranteed by VA or USDA/RD. 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 provided 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 Rating 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 information provided in [Appendix B](#) and [Appendix C](#).

## **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 amounts available in the Revenue Fund are insufficient. 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 respective Series Resolutions for the Prior Bonds Outstanding. The Reserve Requirement cannot be less than two percent of the sum of (i) the outstanding principal balance of Mortgage Loans (excluding Mortgage Loans pooled into Mortgage-Backed Securities) 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 (excluding Mortgage Loans pooled into Mortgage-Backed Securities or amounts in Series Program Accounts allocated to purchase Mortgage-Backed

Securities, and other than Mortgage Loans made or to be made with proceeds of Subordinate Bonds).

The respective Series Resolutions for the Prior Bonds, as amended, established the Series Reserve Requirements at three percent of the sum of (i) the outstanding principal balance of (a) Mortgage Loans (excluding Mortgage Loans pooled into Mortgage-Backed Securities) 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 (excluding Mortgage Loans pooled into Mortgage-Backed Securities).

As of September 30, 2010, the Reserve Fund contained money and securities (valued at Amortized Value) in the aggregate amount of \$29,702,813 which was at least equal to the Reserve Requirement at that date. **Since it is the intention of the Authority to purchase Mortgage-Backed Securities with the proceeds of the Related Bonds, there is no Reserve Fund Requirement related to the issuance of the Related Bonds.**

Amounts on deposit in the Reserve Fund in respect of the proceeds of a particular series of Prior Bonds in excess of the Series Reserve Requirement for such series of Prior Bonds may be used to meet all or a portion of the Series Reserve Requirement of other series of Prior 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 SERIES BONDS – Redemption – *Special Redemption*” (unless such redemption is otherwise restricted by a Series Resolution).

The nature, timing and amount of Transfer Amounts were revised in connection with the Authority’s issuance of its Homeowner Mortgage Revenue Bonds, 2003 Series B. 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) above are collectively referred to as “Contributed Mortgage Loans,” and collectively with Contributed Cash, “Contributed Assets”).

The Contributed Cash, if any, is held in a Fund or Account outside of any Series Program Account, and is invested in Investment Obligations. The Authority used Contributed Cash to purchase single family mortgage loans. These purchased mortgage loans are considered “Contributed Mortgage Loans” and 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.

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 below) 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 below).

The Contributed Assets themselves are not Transfer Amounts but are Pledged Property. As of September 30, 2010, the Contributed Assets consisted of approximately \$11,519,558 in principal amounts of Contributed Mortgage Loans.

As used in this Official Statement, the following terms have the following meanings:

- (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 in this Official Statement), 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 established 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. As of September 30, 2010, the outstanding principal amount of such Mortgage Loans is \$6,099,142. Amounts transferred to an Authority Program Account may be transferred back to the Authority in whole or in part upon the Authority’s request if a Ratings Certificate (and in certain circumstances a Cash Flow Certificate) is filed with the Trustee.

On June 19, 2009, the Members of the Authority authorized the transfer of up to \$35,000,000 from the Authority Administrative Fund to the Program Fund established under the General Resolution to be held in an Authority Program Account and used to acquire additional Mortgage Loans or Mortgage-Backed Securities for the Program. The Authority transferred \$35,000,000 to an Authority Program Account on June 22, 2009. Of the amount contributed, as of September 30, 2010, the Authority has used \$23,980,939 to purchase Mortgage-Backed Securities. In conjunction with this transfer to the Program Fund, on June 25, 2009, Moody’s Investor Services, Inc. assigned a rating of “Aa3” to the Program.

### **Cash Flow Certificates and Rating Certificates**

*General.* 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 information under the caption “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. A Cash Flow Certificate and a



Rating Certificate must be filed with the Trustee in connection with the issuance of the Series Bonds.

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 information under the caption "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.

A Cash Flow Certificate and a Rating Certificate are required prior to the Authority taking any of the following actions:

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;
5. amending the 1983 Resolution; or
6. causing amounts to be transferred from the Authority Program Accounts to the Authority.

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.

For information concerning assumptions made by the Authority in connection with its delivery of the Cash Flow Certificate for the issuance of the Series Bonds, see information under the caption “ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES.”

### **Additional Bonds**

Under the General Resolution, the Authority may issue Additional Bonds on parity with Outstanding Bonds for the purpose of purchasing or making Mortgage Loans, purchasing Mortgage-Backed Securities, 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 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 Authority has entered into a pay-fixed, receive variable interest rate swap agreement (the “Prior Swap Agreement”) with respect to its 2001 Series F Bonds which were issued as Taxable Floating Rate Term Bonds.

Regularly scheduled payments to the Swap Provider under the Prior Swap Agreement (Merrill Lynch Capital Services, Inc.) are secured by the pledge of the General Resolution on a parity basis with the Bonds, and amounts payable by the Swap Provider to the Authority or the Trustee, as applicable, will be deemed to be Revenues under the General Resolution. For further information, see information under the caption “AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED) – Note 7 – Bonds and Notes Payable – Derivatives” included as Appendix A.

## **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 Series Bonds and the Prior Bonds.

The Authority expects scheduled payments under the Mortgage-Backed Securities, scheduled Mortgage Loan payments, together with Recoveries of Principal, if any, and other moneys and securities held under the General Resolution and the income thereon, to be sufficient to pay, when due, Expenses of the Program and the debt service attributable to the Series Bonds and the Prior Bonds. 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 Series Bonds and the Prior Bonds with respect to the security afforded by the General Resolution, availability of money for repayment of the Series Bonds and the Prior Bonds could be significantly affected by the issuance, application, and investment of proceeds of Additional Bonds.

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 Series Bonds and the Prior Bonds.

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

### **Assumptions**

In connection with the issuance of the Series Bonds, the Authority has made the following assumptions in determining the sufficiency of revenues available under the General Resolution for payment of debt service attributable to the Series Bonds and Prior Bonds:

(a) On or about March 10, 2011 \$35,106,326 of proceeds of the 2011 Series B Bonds and 2009 Subseries B-1 Bonds will be used to purchase Mortgage-Backed Securities previously purchased and warehoused by the Authority in contemplation of the issuance of the 2011 Series B Bonds and the release and conversion of the 2009 Subseries B-1 Bonds. The weighted average pass-through rate on such Mortgage-Backed Securities is expected to be 4.79% and the weighted average remaining term of such Mortgage-Backed Securities is expected to be 352 months. All such Mortgage-Backed Securities are expected to be guaranteed as to timely payment of principal and interest by GNMA.

(b) All Mortgage-Backed Securities purchased with proceeds of the 2011 Series B Bonds and 2009 Subseries B-1 Bonds will be secured by Mortgage Loans which provide for level monthly payments of principal and interest which bear interest over a term of 30 years.

(c) The Master Servicer will be paid an annual servicing fee (computed and paid monthly) of (i) 1/2 of one percent of the outstanding principal of Mortgage Loans backing GNMA Securities, less 6/100 of one percent of the outstanding principal of Mortgage Loans backing GNMA Securities; and (ii) 1/4 of one percent of the outstanding principal of such Mortgage Loans backing Fannie Mae Securities or FHLMC Securities.

(d) Within 90 days of issuance of the 2011 Series A Bonds, the proceeds of the 2011 Series A Bonds will be used to redeem and/or refund the Refunded Bonds. On or about the date of such refunding and/or redemption, the Authority will transfer \$9,750,000 of Mortgage Loans to the Series Bonds issue. Such transferred Mortgage Loans are expected to have a weighted average mortgage rate of 5.91% and a weighted average maturity of 219 months.

(e) Amounts on deposit in various Funds and Accounts under the General Resolution applicable to all Series of Bonds, excluding the Series Bonds, will be invested as indicated in the “Summary of Investment Obligations” included in Appendix B hereof through their respective maturity dates and thereafter at the minimum re-investment rate as required by the rating agencies. Amounts on deposit in various Funds and Accounts under the General Resolution applicable to the Series Bonds will be invested at the minimum re-investment rate as required by the rating agencies.

(f) All Expenses with respect to the Series Bonds, including the expenses of the Trustee, will be paid in full on a timely basis from investment income on funds held by the Trustee and a portion of interest paid on Mortgage-Backed Securities and Mortgage Loans.

## **THE PROGRAM**

*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 basis with the Series Bonds and the Prior Bonds.*

### **General**

The Authority established the Homeowner Mortgage Revenue Bonds Program (the “Program”) in 1994. Initially, the purpose of the Program was to provide funds to purchase Mortgage Loans made to eligible borrowers (“Eligible Borrowers”) for owner-occupied, one- to four-unit dwellings (“Qualified Dwellings”) in accordance with the requirements of State and federal law and the General Resolution. The Authority began purchasing Mortgage Loans under the Program in the fourth quarter of 1994. To date, proceeds of the Prior Bonds issued under the Program have been used by the Authority to purchase Mortgage Loans. As of September 30, 2010, 8,171 Mortgage Loans in the principal amount of \$644,639,909 were outstanding, less than 0.20 percent of which were Second Mortgage Loans. Of these, 7,910 Mortgage Loans in the principal amount of \$633,120,351 were purchased Mortgage Loans and 261 Mortgage Loans in the principal amount of \$11,519,558 were Contributed Mortgage Loans.

In addition to purchasing Mortgage Loans of Eligible Borrowers, the Authority may offer Eligible Borrowers down payments and/or closing cost assistance. Under the Authority's current program, Eligible Borrowers may receive up to the lesser of: (i) up to 3% of the purchase price of the home; or (ii) \$6,000. The assistance is made to the Eligible Borrower in the form of a 10-year, 0% forgivable Second Mortgage Loan. To qualify, the Second Mortgage Loan must be coupled with a First Mortgage Loan made by the Authority and the interest rate on the First Mortgage Loan must be 0.50% higher than the first mortgage offering rate.

On September 19, 2008, the General Resolution was amended and restated to authorize the Authority to acquire Mortgage-Backed Securities (in addition to Mortgage Loans) with amounts available under the Series Program Accounts. In connection with this amendment and restatement, the Authority has determined to convert the Program from a loan purchase program to a program primarily, if not exclusively, financed through the purchase of Mortgage-Backed Securities. As of September 30, 2010, there was \$11,019,061 on deposit in the Series Program Account that was unreserved and available to be used to purchase Mortgage Loans or Mortgage-Backed Securities.

The interest rate or rates at which the Authority will acquire Mortgage-Backed Securities 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 interest rate assumption in the then current Cash Flow Certificate applicable to a Series of Bonds, then prior to acquiring Mortgage-Backed Securities with amounts on deposit in the applicable Series Program Account at the new interest rate, the Authority must file a Cash Flow Certificate and Rating Certificate with the Trustee. See information under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Cash Flow Certificates and Rating Certificates." Generally, the Authority's staff will review activity weekly under the Program and determine whether to so modify the interest rate or rates. Factors considered include the prevailing conventional mortgage interest rates and the volume of reservations for pending Mortgage Loans that are to be pooled into Mortgage-Backed Securities received during the prior week and the amount available for the purchase of Mortgage-Backed Securities. If a new mortgage interest rate or rates are established, the Authority will apply the new rates to all subsequently received reservations for the acquisition of pools of Mortgage Loans pooled into Mortgage-Backed Securities from all Series Program Accounts until the new rate or rates are established.

The Authority retains the right to determine from which Series Program Account it will acquire Mortgage-Backed Securities. The Authority generally allocates new reservations for such acquisition to available proceeds of its older Series of Bonds first. A Mortgage-Backed Security may be acquired with funds from one or more of the various Series Program Accounts. Principal and interest obligations with respect to such payments received from such Mortgage-Backed Securities shall be allocated to the various Series of Bonds as provided by the Authority.

For certain additional information regarding the Program, including Bonds issued, purchased and redeemed, Mortgage Loan payment delinquencies and Mortgage Pool Insurers in connection with purchased Mortgage Loans, see information provided in Appendix B. See also information under the caption "AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED)" included as Appendix A for certain financial information regarding the Program.

## **Mortgage Loans**

Historically, the Authority has used proceeds of Prior Bonds to purchase Mortgage Loans. In August 2009, the Authority began reserving loans for securitization. Mortgage Loans purchased by the Authority with the proceeds of the Prior Bonds were generally purchased from Mortgage Lenders on a first-come, first-served basis. The Authority's records of Mortgage Loan originations indicate that purchases were dispersed throughout the State in a manner proportionate to each county's population.

Pursuant to the Series Resolutions and Program Determinations relating to the Prior Bonds, the Authority was permitted to purchase First Mortgage Loans and, in certain circumstances, Second Mortgage Loans provided that such Mortgage Loans satisfied the requirements described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage-Backed Securities and Mortgage Loans – Mortgage Loans." Second Mortgage Loans were made to provide down payment assistance and closing cost assistance to certain Eligible Borrowers to whom First Mortgage Loans are also made. These Eligible Borrowers were also required to participate in home ownership counseling programs. As of September 30, 2010, less than 0.20 percent of the Mortgage Loans held by the Authority were Second Mortgage Loans.

For certain information regarding primary mortgage insurance programs and Mortgage Pool Insurance as related to purchased Mortgage Loans, see information under the caption "SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES" included as Appendix C.

## **Mortgage-Backed Securities**

Proceeds of the Related Bonds will be used to purchase Mortgage-Backed Securities rather than Mortgage Loans. Each Mortgage-Backed Security purchased by the Authority must be a GNMA Security, a Fannie Mae Security or a FHLMC Security (or such other security backed by a loan or loans which are specified in a Series Resolution, the purchase of which will not adversely affect the Rating of the Outstanding Bonds). Each Mortgage Loan underlying a Mortgage-Backed Security must meet the general conditions of the Authority's Program as well as all other conditions of GNMA, Fannie Mae or FHLMC, as the case may be, all as set forth in the Master Servicing Agreement, the Master Servicer Lender Guide and the GNMA Guide, the Fannie Mae Guides or the FHLMC Guides, as the case may be.

Under the Master Servicing Agreement, the Master Servicer determines the eligibility of Mortgage Loans prior to pooling them for the purpose of issuing a Mortgage-Backed Security for purchase by the Authority. Each Mortgage Loan that backs a Mortgage-Backed Security must be FHA-insured or VA- or USDA/RD-guaranteed, and must be made only to an Eligible Borrower for the purpose of providing financing for the purchase, or in certain circumstances set forth in a Series Program Determination, the refinancing, of a Qualified Dwelling. Each Mortgage Loan underlying a Mortgage-Backed Security must meet the origination and loan-to-value standards set forth in the Master Servicing Agreement, the Master Servicer Lender Guide and the GNMA Guide, the Fannie Mae Guide and the FHLMC Guide, as the case may be. The maximum loan-to-value ratio will be the FHA maximum with respect to the FHA-insured

Mortgage Loans, the VA maximum with respect to VA-guaranteed Mortgage Loans, the USDA/RD maximum with respect to USDA/RD-guaranteed Mortgage Loans and the Fannie Mae and FHLMC maximums, as the case may be, with respect to conventional Mortgage Loans. Each Mortgage Loan underlying a Mortgage-Backed Security will provide for substantially level monthly payments of principal and interest on the first day of each month.

The Series Program Determinations for the Related Bonds provides for the acquisition of Mortgage-Backed Securities having underlying Mortgage Loans that satisfy the requirements described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage-Backed Securities and Mortgage Loans – Mortgage-Backed Securities.”

### **Program Eligibility**

Under the Act, the Authority may acquire Mortgage-Backed Securities consisting of pools of Mortgage Loans secured by a lien on real property located within 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 Mortgage Loans governing, among other things, the types of residences, the eligibility requirements for 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 or to be pooled into Mortgage-Backed Securities 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 purchased with the proceeds of Prior Bonds and the requirements of Mortgage Loans underlying Mortgage-Backed Securities that may be purchased with proceeds of the Related Bonds are described in this Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage-Backed Securities and Mortgage Loans.”

Under the Code, all proceeds of any Prior Bonds that are tax-exempt (exclusive of issuance costs and a reasonably required reserve) were to 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.

The Authority will adjust the limitations on Eligible Borrower household gross income and acquisition costs 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.

### **Origination and Purchase of Mortgage-Backed Securities**

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

Historically, the Authority purchased Mortgage Loans from Mortgage Lenders which were approved by the Authority and which entered into mortgage purchase agreements with the Authority (each a “Mortgage Purchase Agreement”). In connection with the amendment and

restatement of the General Resolution in 2008 and the adoption of the 2009 Series B Resolution, the Authority, the Master Servicer and the Participating Lenders entered into a First Supplement to the Mortgage Purchase Agreement which is referred to in this Official Statement as the “First Supplement” and, together with the Mortgage Purchase Agreement, as the same may be amended or supplemented from time to time, as the “Purchase Agreements.” The First Supplement, together with the Master Servicing Agreement, allow Mortgage Lenders to originate and sell Mortgage Loans to the Master Servicer in order that the Master Servicer may pool such Mortgage Loans into Mortgage-Backed Securities and sell them to the Authority. The terms of the Purchase Agreements are subject to change so long as there is compliance with State and federal law and the Resolution.

Mortgage Lenders must process all Mortgage Loans in compliance with the requirements of the Purchase Agreements and the Master Servicing Agreement. The Mortgage Lender performs the initial underwriting of the Mortgage Loan. Credit underwriting must be in compliance with:

- (i) accepted mortgage industry underwriting standards;
- (ii) for Mortgage Loans required to have private mortgage insurance, standards approved by the qualified private mortgage insurer;
- (iii) or Mortgage Loans that are FHA-insured, VA-guaranteed or USDA/RD-guaranteed, standards specified by the applicable agency; and
- (iv) for Mortgage Loans that are to be pooled into Mortgage-Backed Securities, standards specified in the Master Servicing Agreement, the Master Servicer Lender Guide and the applicable Guides of GNMA, Fannie Mae and FHLMC. The Authority’s procedure manual emphasizes use of FHA underwriting guidelines (other than with respect to VA-insured Mortgage Loans or USDA/RD-insured Mortgage Loans, which shall be subject to VA or USDA/RD 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 Master Servicer Lender Guide and forward the application package to the Master Servicer. The Master Servicer, in accordance with the applicable procedures under the Master Servicing Agreement, reviews the compliance package and mortgage file for each Mortgage Loan to be pooled in order to back a Mortgage Security and determines its acceptability before pooling them into a related Mortgage-Backed Security.

The Authority purchases Mortgage-Backed Securities backed by pools of Mortgage Loans in accordance with the provisions of the Master Servicing Agreement. All Mortgage Loans financed through the acquisition of Mortgage-Backed Securities must meet (i) the requirements outlined in the applicable Series Program Determination, (ii) the requirements of the GNMA Guide, the Fannie Mae Guide or the FHLMC Guide, as applicable, and (iii) the requirements of the Master Servicing Agreement. The purchase price for Mortgage Loans



underlying Mortgage-Backed Securities will be the price set forth in the Master Servicing Agreement, as amended from time to time.

## **Loan Servicing**

### *Mortgage Loans Purchased with Proceeds of Prior Bonds*

Historically, Mortgage Loans purchased by the Authority with the proceeds of the Prior Bonds were serviced under various mortgage servicing agreements between the Authority and approved mortgage loan servicers. On February 8, 2010, the Authority entered into a Subservicing Agreement (the “Subservicing Agreement”) by and between the Authority and BAC Home Loan Servicing, L.P., a division of Bank of America, N.A., to consolidate servicing of all existing Mortgage Loans under the Program with a single servicer.

In the Program Determinations for the applicable Series of Prior Bonds, the Authority covenanted that, as of June 30 of each year, the sum of servicing fees withdrawn as Expenses from the General Resolution over the previous twelve months with respect to Mortgage Loans purchased by the Authority and serviced by the Servicer will not be greater, on an aggregate basis, than three-eighths of one percent (0.375%) of the average outstanding principal amount of such Mortgage Loans on the final day of each of the previous twelve months. 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 Subservicing Agreement, the Servicer must deposit all payments of principal and interest received on account of the Mortgage Loans being serviced in a custodial account (“P&I Account”) and all payments for taxes, insurance and the like in an escrow account (“T&I Account”). Such accounts must be established in financial institutions insured by the Federal Deposit Insurance Corporation (the “FDIC”).

Under federal regulations, the FDIC presumes that the P&I Account established by the Servicer in a given insured financial institution is entitled in the aggregate to the standard maximum deposit insurance amount (currently, \$250,000). These FDIC regulations also provide, however, in certain circumstances, for “pass-through” deposit insurance protection for funds in the P&I Account 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 Subservicing Agreement, the Servicer must establish and title the P&I Account to indicate that funds in such account 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 the Servicer to maintain the P&I Account complies with the FDIC’s pass-through insurance regulations.

The Subservicing Agreement requires the Servicer to service Mortgage Loans in accordance with prudent collection and loan administration procedures and the standard of care of prudent lending institutions and in accordance with the Authority’s guidelines and the

Subservicing Agreement. This includes, among other things, taking steps to assure the maintenance of required mortgage and hazard insurance policies 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 Subservicing Agreement and the requirements of the applicable primary mortgage insurer, pool insurer or, if applicable, special hazard 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 the 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 the P&I Account or the 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 P&I Account and T&I Account.

#### *Mortgage Loans Underlying Mortgage-Backed Securities*

Pursuant to the Master Servicing Agreement with the Master Servicer, the Master Servicer is responsible for servicing the Mortgage Loans underlying the Mortgage-Backed Securities. Such Mortgage Loans must be in the form of a mortgage or other instrument approved by the FHA in the case of an FHA insured loan, USDA/RD in the case of a loan guaranteed by USDA/RD, Fannie Mae or FHLMC in the case of a conventional loan, or as approved by the Authority for other loans and which meets the requirements set forth in the Purchase Agreements, including the requirements of federal tax law applicable to the Series Bonds.

Pursuant to the First Supplement and the Master Servicing Agreement, the Master Servicer is expected to issue GNMA Securities, and acquire Fannie Mae Securities and FHLMC Securities, in each case backed by Mortgage Loans which the Master Servicer has purchased from the Mortgage Lenders, and sell such Mortgage-Backed Securities to the Authority. From time to time proceeds of Bonds are used to reimburse the Authority for the purchase price of Mortgage-Backed Securities (which meet the requirements of the Program and the applicable Series Program Determinations) previously purchased by the Authority. Upon such reimbursement, those Mortgage-Backed Securities are transferred to the General Resolution as Pledged Property. A portion of the proceeds of the Related Bonds is expected to be used to reimburse the Authority for its prior purchases of Mortgage-Backed Securities.

Under the Master Servicing Agreement, the Master Servicer is primarily responsible for the purchase, pooling and servicing of Mortgage Loans that underlie Mortgage-Backed Securities that are to be purchased by the Authority under the Program. The Master Servicing Agreement provides for a servicing fee (equal to 1/2 of one percent of the outstanding principal of Mortgage Loans backing GNMA Securities, less 6/100 of one percent of the outstanding principal of Mortgage Loans backing GNMA Securities; and 1/4 of one percent of the outstanding principal of Mortgage Loans backing Fannie Mae Securities or FHLMC Securities, in each case of the outstanding principal balance of First Mortgage Loans serviced under the Master Servicing Agreement), computed and paid monthly.

Under the terms of the Master Servicing Agreement, the Master Servicer must service the applicable Mortgage Loans in accordance with generally accepted practices of the mortgage lending industry, the Master Servicing Agreement and with the requirements of the GNMA Guide, Fannie Mae Guide or FHLMC Guide, as applicable, including maintenance of all accounts required thereby, cause monthly principal and interest payments under the GNMA Securities, Fannie Mae Securities and FHLMC Securities to be paid to the Trustee in accordance with the GNMA Guide, the Fannie Mae Guide or FHLMC Guide, and perform all loan servicing duties in accordance and in compliance with the applicable mortgage loan guarantors, mortgage loan insurer's (FHA-HUD), private mortgage loan insurers', and mortgage loan security agencies' (GNMA, Fannie Mae, Freddie Mac) published guidelines, regardless of any terms and/or conditions stated herein that may conflict.

The Master Servicer has agreed not to consent to any changes in the terms and conditions of any Mortgage Loan, the release of specified property from the lien of a Mortgage or the grant of an easement or right of way upon property securing a Mortgage Loan, except any such amendment, release or grant which is not inconsistent with or prejudicial to the rights and interests of GNMA, Fannie Mae or FHLMC, the Authority, the Trustee or the owners of the Bonds; provided that no such change may affect the time or amounts of payment of principal and interest on any Mortgage Loan or the obligation to pay taxes and maintain insurance on the property securing any Mortgage Loan at the times and in the manner specified in the Purchase Agreements.

The Master Servicer must diligently enforce and take all reasonable steps, actions and the proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans, including the prompt payment of all Mortgage Loan principal and interest payments and all other amounts due thereunder and compliance with all provisions of the Purchase Agreements. Except as provided in the Purchase Agreements, the Master Servicer has agreed not to release the obligations of any mortgagor under any Mortgage Loan.

The Master Servicer must undertake reasonable efforts to collect all payments required under the terms and provisions of the Mortgage Loans it is obligated to service. The Master Servicer shall, at a minimum, take the following actions in an effort to mitigate the potential for losses resulting from delinquent Mortgage Loans: (i) if a Mortgage Loan becomes delinquent for 17 days, contact the mortgagor via automated telephone call; (ii) if a Mortgage Loan is delinquent for more than 17 days but less than 30 days, contact the mortgagor via a second automated telephone call; (iii) if a Mortgage Loan is delinquent for more than 30 days, contact the mortgagor via personal telephone call; (iv) if a Mortgage Loan is delinquent for more than 30

days but less than 60 days, contact the mortgagor by written notice and personal telephone call; (v) if a Mortgage Loan is delinquent for more than 60 days, send to the mortgagor any loss mitigation materials deemed appropriate by the Master Servicer and offer to the mortgagor extended delinquencies options, as permissible.

### **Information Concerning the Master Servicer**

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK N.A. SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE AUTHORITY, THE UNDERWRITERS, UNDERWRITERS' COUNSEL, SPECIAL TAX COUNSEL OR CO-BOND COUNSEL AND IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE AUTHORITY, THE UNDERWRITERS, UNDERWRITERS' COUNSEL, SPECIAL TAX COUNSEL OR CO-BOND COUNSEL.

The Master Servicer is U.S. Bank N.A., operating by and through its U.S. Bank Home Mortgage Division. As of December 31, 2010, the Master Servicer, operating by and through its U.S. Bank Home Mortgage Division, serviced 156,796 single-family mortgage revenue bond mortgage loans with an aggregate principal balance of approximately \$12.6 billion. The Master Servicer currently services single-family mortgage loans for state and local housing finance authorities, mutual savings banks, life insurance companies, savings and loan associations and commercial banks, as well as GNMA, Fannie Mae and Freddie Mac.

As of December 31, 2010, according to its unaudited quarterly financial statements, U.S. Bancorp, the holding company that owns U.S. Bank N.A., had total assets of approximately \$307.8 billion and a net worth of \$29.5 billion. For the twelve months ended December 31, 2010, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage revenue bond mortgage loans in the total principal amount of approximately \$2.2 billion.

The Master Servicer is (i) an FHA- and VA-approved lender in good standing, (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA, (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities and (iv) a FHLMC approved seller and servicer of FHLMC securities. The Master Servicer is not liable for the payment of the principal of the Bonds or the interest or redemption premium, if any thereon.

The Master Servicer is not liable for the payment of the principal of the Bonds or the interest or redemption premium, if any thereon.

U.S. Bancorp, the holding company for U.S. Bank N.A., is the 5th largest financial services holding company in the United States.

### **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 in this Official Statement:

“*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 government 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)*” mean(s) 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*” mean any determination(s) by the Authority relating to Mortgage Loans to be originated with amounts in a related Authority Program Account, all consistent with the General 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 the General 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 which the Authority lawfully may pay relating to the Program including, without limitation, Supplemental Mortgage Coverage, Guaranty Fees, 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.

“*Fannie Mae*” means Fannie Mae, a federally chartered corporation, or any successor to it.

“*Fannie Mae Guides*” means the Fannie Mae Selling and Servicing Guides, as amended from time to time, and as modified by a Pool Purchase Contract with Fannie Mae.

“*Fannie Mae Pool Purchase Contract*” means a FNMA Pool Purchase Contract with Fannie Mae relating to the sale of Mortgage Loans to Fannie Mae and the servicing of such Mortgage Loans.

“*Fannie Mae Security*” means a single pool, guaranteed mortgage pass-through Fannie Mae mortgage-backed security, bearing interest at the applicable Pass-Through Rate, issued by Fannie Mae in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Fannie Mae, and backed by Mortgage Loans in the related pool.

“*FHA*” means the Federal Housing Administration of the United States Department of Housing and Urban Development, or any other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

“*FHLMC*” means the Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States of America created pursuant to Title III of the Emergency Home Finance Act of 1970, as amended, or any successor to it.

“*FHLMC Guides*” means the FHLMC Seller/Services Guides, as amended from time to time.

“*FHLMC Pool Purchase Contract*” means a FHLMC Pool Purchase Contract with FHLMC relating to the sale of Mortgage Loans to FHLMC and the servicing of such Mortgage Loans.

“*FHLMC Security*” means a single pool, guaranteed mortgage pass-through certificate, bearing interest at the applicable Pass-Through Rate, issued by FHLMC in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by FHLMC, and backed by Mortgage Loans in the related pool.

“*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.

“*GNMA*” means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, and its successors or assigns. Its powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. §1716 et seq.).

“*GNMA Guaranty Agreement*” means one or more Guaranty Agreements between a servicer and GNMA with respect to GNMA Securities under the GNMA I Program or GNMA II Program, and the applicable GNMA Guide now as hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee GNMA Securities.

“*GNMA Guide*” means the GNMA I or GNMA II Mortgage-Backed Securities Guide in effect on the date of issuance of the GNMA Guaranty Agreement.

“*GNMA Security*” means a mortgage pass-through certificate (in book-entry form) purchased by the Trustee, issued by the applicable servicer, recorded in the name of the Trustee or its nominee, and guaranteed by GNMA pursuant to GNMA’s GNMA I or GNMA II mortgage-backed securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended. Each GNMA Security shall be based on and backed by Mortgage Loans referred to in the applicable GNMA Guaranty Agreement and shall unconditionally obligate the servicer to remit monthly to the Trustee or its designee, or a paying agent acting on behalf of the Trustee, its pro rata share of (x) principal payments and prepayments made with respect to the pool of Mortgage Loans represented by the GNMA Security and (y) interest received in an amount equal to the principal balance of the GNMA Security multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Security such holder’s pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Security and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Security.

“*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 are 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 Farmers Home Administration; 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 certificate 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.

“*Guaranty Fee*” means a fee paid to GNMA, Fannie Mae or FHLMC, as applicable, in consideration of the respective guaranties provided by them relating to GNMA Securities, Fannie Mae Securities and FHLMC Securities, respectively.

“*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 guarantee or 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 which 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 Federal National Mortgage Association; in each case (1) excluding stripped mortgage securities which 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 instrumentality 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 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 which 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 which 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 which do not qualify under (A) and as to whom 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 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 which do not qualify under (A) and as to whom 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 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 which 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 lowest 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 which invest their assets exclusively in obligations described in clauses (i) through (x) above and which 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 Group such funds have ratings with the subscripts "m" or "m-G", including those for which the Trustee or an affiliate performs services for a fee, whether as custodian, transfer agent, investment advisor or otherwise; and

(xii) any investments authorized in a Series Resolution authorizing Bonds.

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. Any reference in this definition to the highest rating of short-term obligations shall be without regard to any refinement or gradation such as a "+" or a "-".

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.

The Trustee is not responsible for monitoring the ratings of Investment Obligations after an investment is made in those Investment Obligations.

"*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.

"*Master Servicer*" means the person with which the Authority has entered into a Master Servicing Agreement.

"*Master Servicer Lender Guide*" means the Mortgage Revenue Bond Program Lender Manual issued by the Master Servicer to Mortgage Lenders governing the origination of Mortgage Loans to be financed by the Authority through the purchase of Mortgage-Backed Securities, including any amendment or replacement of it or substitute for it.

"*Master Servicing Agreement*" means an agreement between the Authority and a Master Servicer relating to the purchase by the Authority of Mortgage-Backed Securities.

“*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 (i) any loan financed with amounts deposited in the Funds and Accounts (other than other Funds and Accounts so specified in a Series Resolution) and which is included in Pledged Property, evidenced by a note and secured by a mortgage or equivalent security on an owner-occupied residence in Illinois, or (ii) any loan financed through the purchase of a Mortgage-Backed Security with amounts deposited in the Funds and Accounts (other than other Funds and Accounts so specified in a Series Resolution) and which is included in Pledged Property, which loan is included in the pool of loans with respect to which the Mortgage-Backed Security is issued and which is 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 Loan includes any instrument evidencing an ownership interest in or security for such a loan.

“*Mortgage-Backed Security*” means a GNMA Security, Fannie Mae Security or a FHLMC Security.

“*1983 Resolution*” means the Authority’s Residential Mortgage Revenue Bond General Resolution, adopted August 19, 1983, as amended and supplemented. During any period when Transfer Amounts consist solely of amounts and assets described in clause (ii) of the definition of “Transfer Amounts” in the General Resolution, all references, requirements and conditions precedent contained in the General Resolution with respect to the 1983 Resolution shall have no force and effect.

“*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 cancelled 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.

“*Pass-Through Rate*” means the rate of interest on a Mortgage-Backed Security, which shall be the rate or rates of interest per year set forth in or determined in accordance with the applicable Series Resolution.

“*Pledged Property*” means Revenues and all other money in all Funds and Accounts established under the General Resolution and Series Resolutions, 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 the Mortgage-Backed Securities and the documents evidencing and securing the Mortgage-Backed Securities including any guaranty of such Mortgage-Backed Securities; 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.

“*Pool Purchase Contract*” means a Pool Purchase Contract between a servicer and Fannie Mae or FHLMC, as applicable, relating to the sale by the servicer of Mortgage Loans to Fannie Mae or FHLMC, as applicable, and the servicing of such Mortgage Loans.

“*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 Bonds (other than Subordinate Bonds and other than any Series of Bonds which 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 which 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). Recoveries of Principal include, 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. Recoveries of Principal also include any principal payments received on any Mortgage-Backed Security other than regularly scheduled payments of principal and include, without limitation, amounts representing principal prepayments received on the Mortgage Loans underlying such Mortgage-Backed Security.

“*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 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 (i) Mortgage Loans included in the pool of loans with respect to which any Mortgage-Backed Security is issued and (ii) amounts in Series Program Accounts allocated to purchase Mortgage-Backed Securities or certificates or securities of similar tenor issued or guaranteed by GNMA, Fannie Mae, FHLMC or any other federal agency currently existing or later constituted and other than Mortgage Loans made or to be made with proceeds of Subordinate Bonds). The Trustee may rely upon a Certificate from an Authorized Representative of the Authority which 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). References to “the General Resolution” mean the 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 and Mortgage-Backed

Securities (including any payments received from GNMA pursuant to the GNMA Guaranty Agreement and from Fannie Mae or FHLMC pursuant to their respective guarantees of payment of Fannie Mae Securities and FHLMC Securities) 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 and Mortgage-Backed Securities, (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 which 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 which 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 Loans relate and limitations on who may be a mortgagor; (v) required credit standards and other terms of primary mortgage insurance or other credit support, if any, and the levels of coverage and applicable loan to value ratios, if appropriate; (vi) 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 calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of those Bonds. Sinking Fund Requirements may be established as fixed dollar amounts or by formula.

“*State*” means the State of Illinois.

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

“*Supplemental Mortgage Coverage*” means the coverage, if any, whether in the form of insurance (including insurance provided by the FHA), Cash Equivalent or additional pledged funds, of losses from Mortgage Loan defaults provided in a Series Resolution which 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 the General Resolution and the Series Resolution most recently approved by the Authority (i) to be withdrawn from time to time from the Surplus Account under the 1983 Resolution and to be deposited in the Revenue Fund, and/or (ii) to be contributed by the Authority from any available source and held under the General 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 including as a result of any consolidation, conversion, merger or transfer of all or substantially all of its corporate trust business and assets 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;

(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; and

(e) a Certificate of the Authority as to the filing with the trustee under the 1983 Resolution of an Authority Request directing such trustee to make deposits of Transfer Amounts, if any, to the Revenue Fund as provided in the Series Resolution.

## **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**

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: (a) finance the making or acquisition of Mortgage Loans (the characteristics of which conform to the Series Program Determinations applicable to the applicable Series of Bonds) or (b) finance the purchase of one or more Mortgage-Backed Securities (for which the characteristics of the Mortgage Loans in the pool underlying such

Mortgage-Backed Security or Mortgage-Backed Securities conform to the Series Program Determinations applicable to that Series of Bonds), or (c) upon Authority Request, to pay costs of Supplemental Mortgage Coverage with regard to those Mortgage Loans, or (d) as otherwise provided within the applicable 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 and Mortgage-Backed Securities previously acquired by the Authority not as Pledged Property. Amounts in Authority Program Accounts shall be applied by the Trustee to (i) finance the making or acquisition of Mortgage Loans (the characteristics of which conform to the related Authority Program Determination), (ii) finance the making or acquisition of Mortgage Loans (the characteristics of which conform to the related Authority Program Determination) through the purchase of Mortgage-Backed Securities; (iii) upon Authority Request, to pay costs of Supplemental Mortgage Coverage with regard to those Mortgage Loans, or (iv) 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.

## **Revenue Fund**

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 or Authority 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 or Authority 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 or Authority 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 or Authority 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 the General 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 in the Reserve Fund 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 information under the caption "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 may make any and all such investments through its own investment department or that of its affiliates or subsidiaries and may charge it

ordinary and customary fees for such transactions including cash sweep account fees, 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, (v) amending the 1983 Resolution, or (vi) 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 or Mortgage-Backed Securities 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) or Mortgage-Backed Securities 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 and Mortgage-Backed Securities, (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 and Mortgage-Backed Securities, (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, and (viii) receipts of Transfer Amounts, if any. See information under the caption "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.

## **Mortgage-Backed Securities**

(a) Each Mortgage-Backed Security acquired by the Trustee on behalf of the Authority shall be held at all times by the Trustee or its designee in trust for the benefit of the Owners of the Bonds and shall be held in book-entry form as described in this subsection. A Mortgage-Backed Security will be issued in book-entry form through the book-entry system of the Federal Reserve System, pursuant to which the Mortgage-Backed Security shall have been registered on the books of the New York or other branch of the Federal Reserve Bank in the name of the Trustee or a depository acting on its behalf (in either case, acting as a “Participant” as defined in CFR §357.2, as made applicable to 24 CFR Part 81); and if held by a depository, the Trustee shall have received confirmation in writing that the Depository is holding such Mortgage-Backed Security on behalf of, and has identified such Mortgage-Backed Security on its records as belonging to, the Trustee. If the Trustee does not receive payment or advice of payment from the depository with respect to a Mortgage-Backed Security when due by the close of business on the day of the month specified in such Mortgage-Backed Security (or the next business day if the day so specified is not a business day), the Trustee shall make demand by telephone for payment in immediately available funds from the issuer of the Mortgage-Backed Security (in the case of Fannie Mae Securities or FHLMC Securities) or from GNMA in the case of GNMA Securities in accordance with the terms of the Mortgage-Backed Security, the GNMA Guaranty Agreement (in the case of GNMA Securities) or the guaranties made by Fannie Mae or FHLMC (in the case of Fannie Mae Securities and FHLMC Securities, respectively).

(b) The Authority will take whatever action is required by law from time to time to pledge the Mortgage-Backed Securities to the Trustee.

(c) The Authority shall diligently enforce and shall take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage-Backed Securities, including but not limited to the prompt payment of all amounts due to the Authority under the Mortgage-Backed Securities. The Authority shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority under or with respect to each Mortgage-Backed Security. This covenant shall not be construed to prevent the Authority from settling a default on any Mortgage-Backed Security on such terms as the Authority shall determine to be in the best interest of the Authority and the Owners of the Bonds.

(d) The Trustee shall diligently enforce all terms, covenants and conditions of the Mortgage-Backed Securities. The Trustee shall duly and punctually exercise its rights under the applicable GNMA Guaranty Agreements, guaranties by Fannie Mae of Fannie Mae Securities and guaranties by FHLMC of FHLMC Securities. The Trustee shall in a timely manner give all notices and take all actions necessary to preserve and protect the respective guaranties of the Mortgage-Backed Securities.

### **Unclaimed Money**

Any money held by the Trustee or any Fiscal Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date of deposit of such moneys if deposited with the Trustee or any Fiscal Agent after the date when the Bonds became due and payable shall, at the written request of the Authority, be repaid by the Trustee or any Fiscal Agent to the Authority, as its absolute property and free from trust, and the Trustee or any Fiscal Agent shall then be released and discharged with respect to such amounts and the Owners of the Bonds shall look only to the Authority for the payment of such Bonds.

### **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 the General 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 the General 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 in such Bonds 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 the General 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.

### **Duties of Trustee**

Prior to the occurrence of an Event of Default and after the curing of all Events of Default, the Trustee undertakes under the General Resolution to perform only those duties as are specifically set forth in the General Resolution, as from time to time supplemented and amended, and to perform such trusts as an ordinarily prudent trustee under a bond resolution or indenture. No implied covenants or obligations may be read into the General Resolution against the Trustee. If an Event of Default has occurred and is continuing, the Trustee is required, subject to certain rights of indemnification summarized below under the caption "Trustee Entitled to Indemnity", to exercise such of the rights and powers vested in it by the General Resolution, and to use the same degree of care a prudent person would exercise in the circumstances in the conduct of such person's own affairs.

### **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.

The Trustee may execute any of the trusts or powers of the General Resolution and perform any of its duties by or through attorneys, agents, receivers or employees but will be answerable for their conduct in accordance with the standard specified under the caption "Duties of Trustee" above. The Trustee is entitled to advice of counsel concerning all matters of trusts and duties under the General Resolution. The Trustee may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or, if selected or retained by the Authority, approved by the Trustee in the exercise of such care. The Trustee is not responsible for any loss or damage resulting from any action or non-action based on its good faith reliance upon such opinion or advice.

Except upon the happening of any payment default, the Trustee is not 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 twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds. All notices or other instruments required by the General Resolution to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default.

### **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 ten 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 a corporate trust 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 Special Tax Counsel Opinion

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Offered Bonds and on the 2009 Subseries B-1 Bonds (on and after their Release Date), respectively, is not included in gross income for federal income tax purposes. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code, that must be met subsequent to the issuance of the Offered Bonds and the release of proceeds related to the 2009 Subseries B-1 Bonds (on their Release Date). Failure to comply with such requirements could cause interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) to be included in gross income for federal income tax purposes retroactive to the date of issuance with respect to the Offered Bonds and the Release Date with respect to the 2009 Subseries B-1 Bonds. The Authority has covenanted to comply with such requirements. Special Tax Counsel is also of the opinion that interest on the 2011 Subseries A-2 Bonds is, and interest on the 2011 Subseries A-1 Bonds, the 2011 Series B Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) is not, a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2011 Subseries A-1 Bonds is, and interest on the 2011 Series B Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) is not, included in the “adjusted current earnings” of certain corporations.

Under the Act, in its present form, the Bonds and all income from the Bonds is free from all taxation of the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes.

The opinion of Special Tax Counsel is rendered in reliance of the opinion of co-Bond Counsel that the Series Bonds are duly authorized and validly issued obligations of the Authority.

### General

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Offered Bonds and the 2009 Subseries B-1 Bonds (on or after their Release Date). The Authority has covenanted and agreed to comply with certain guidelines designed to assure that interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on or after their Release Date) will not become includable in gross income for federal income tax purposes. Failure to comply with these covenants and agreements may result in interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) being included in federal gross income, possibly from the date of issuance with respect to the Offered Bonds and their Release Date with respect to the 2009 Subseries B-1 Bonds. The opinion of Special Tax Counsel assumes compliance with these covenants and agreements. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or of events occurring (or not occurring) after the date of issuance of the Offered Bonds and of the 2009 Subseries B-1 Bonds may affect the tax status of interest on such Bonds.

Section 103(a) of the Code provides that interest on a “qualified mortgage bond” is excluded from gross income for federal income tax purposes. Under Section 143 of the Code, a qualified mortgage bond is a bond which is issued as part of an issue the proceeds of which are used to finance owner-occupied residences meeting certain requirements relating to loan eligibility, targeted areas, arbitrage and other matters, or which refunds such a bond.

The mortgage loan (“mortgage loan” includes any mortgage loan underlying a mortgage-backed security) eligibility requirements of Section 143 of the Code applicable to the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) are that (1) the residence with respect to which the Mortgage Loan is made is a single family residence which is located in the State and can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the Mortgage Loan is made; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the acquisition cost of the completed residence meets certain limits; (4) with certain exceptions, most notably for certain veterans and with respect to residences in targeted areas, the mortgagor will not have had a present ownership interest in his principal residence during the preceding three years; (5) with certain exceptions, the family income of the mortgagor will not exceed 100 percent, in the case of a household of less than three persons, and 115 percent, in the case of a household of three or more persons, of median gross income for the area in which the residence is located or the State, whichever is greater; and (6) the loan will not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 of the Code if: (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95 percent or more of the proceeds of the issue used to finance loans was devoted to residences which met all such requirements at the time the loans were executed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The Code imposes additional non-mortgage loan eligibility requirements on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) to maintain the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date). For example, the Code limits the amount of the costs of issuance which may be paid from the proceeds of the Offered Bonds and the 2009 Subseries B-1 Bonds, limits the size of reserve funds established with the proceeds of such Bonds and requires earnings on non-mortgage investments in excess of the yield on such Bonds to be rebated to the United States. Mortgage Loan principal prepayments and repayments that are received more than ten years after the date of issuance of the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date), or the date of issuance of any bonds refunded thereby, must be used to redeem or retire the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) (the “Ten Year Rule”), and such amounts may not be recycled into new Mortgage Loan originations. Proceeds of the Offered Bonds and the Subseries B-1 Bonds in the amount of \$35,000,000 must either be used to acquire Mortgage Loans before September 10, 2014 or be used to redeem the Offered Bonds or the 2009 Subseries B-1 Bonds by such date. The Code also imposes limitations on the yield of the Mortgage Loans, and other investments, allocable to the Series Bonds, and requires that Mortgage Loans and other investments allocable to such Bonds be periodically reviewed and excess assets deallocated or (if the Bonds outstanding exceed allocated assets) certain

unrestricted assets be reallocated to such Bonds. Pursuant to each Series Resolution, the Authority will covenant, in substance, to take such actions as are necessary to comply with such requirements unless, in the opinion of nationally-recognized bond counsel, it is not necessary to comply with such requirements in order to assure the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date).

The terms and conditions of the Program documents have been designated to meet the requirements of the Code. The Authority covenants in each Series Resolution to meet these requirements and to take all steps necessary to comply with these requirements, including, but not limited to, initiating and pursuing foreclosure proceedings with respect to ineligible Mortgage Loans if repurchase obligations are either unavailable or prove to be unenforceable for any reason, so long as any Offered Bonds and 2009 Subseries B-1 Bonds (on and after their Release Date) issued to finance such Mortgage Loans are outstanding. Noncompliance with the requirements in the Program documents and such Series Resolutions could cause interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) to become includable in the gross income of the holders thereof retroactively to the date of issue with respect to the Offered Bonds or their Release Date with respect to the 2009 Subseries B-1 Bonds, and adversely affect the price of the Offered Bonds and the 2009 Subseries B-1 Bonds in the secondary market. The Authority has also covenanted in each such Series Resolution to meet any other applicable federal tax law requirements.

Although Special Tax Counsel has rendered an opinion that interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date) may otherwise affect a Bondowner's income tax liability. The nature and extent of these other tax consequences will depend upon the Bondowner's particular tax status and the Bondowner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such consequences. Purchasers of the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date), particularly purchasers that are corporations (including S corporations and United States branches of foreign corporations), property and casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to the earned income credit, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Offered Bonds and the 2009 Subseries B-1 Bonds (on and after their Release Date).

From time to time, there are legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be

impacted thereby. The opinions expressed by Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of the issuance and delivery of the Offered Bonds and the Release Date of the 2009 Subseries B-1 Bonds, and Special Tax Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation. In addition, there can be no assurance that legislation, regulatory initiatives or litigation that would adversely affect the exclusion of interest on the Offered Bonds, and the 2009 Subseries B-1 Bonds on and after their Release Date, from gross income for federal income tax purposes will not be introduced, enacted, announced, proposed, threatened or commenced after the issuance and delivery of the Offered Bonds, and with respect to the 2009 Subseries B-1 Bonds on and after their Release Date. Under such circumstances, the Authority has no obligation to redeem or to increase the rate of interest paid on the Series Bonds. Each purchaser of the Series Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation, regulatory initiatives or litigation.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number, to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Offered Bonds, and the 2009 Subseries B-1 Bonds on and after their Release Date, from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Interest on the Series Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. Each purchaser of the Series Bonds should consult his or her own tax advisor with regard to the tax status of the Series Bonds.

## **LEGAL MATTERS**

The legality of the Series Bonds will be approved by separate legal opinions of each of Foley & Lardner LLP and Tyson Strong Hill Connor, LLP, Chicago, Illinois, Co-Bond Counsel. The proposed form of the Co-Bond Counsel opinions is included in this Official Statement as Appendix F. Tax matters relating to the Series Bonds will be approved by Kutak Rock, LLP, Special Tax Counsel to the Authority. The proposed form of the opinion of Special Tax Counsel is included in this Official Statement as Appendix E. Certain legal matters will be passed upon for the Authority by its Acting General Counsel, Kristi S. Poskus, Esq., and by its counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Underwriters by their counsel, Shefsky & Froelich Ltd., 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 Series Bonds (including the release and interest rate conversion relating to the Program Bonds)



or that in any way contests the validity of the Series 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 Series 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 Series 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 Series Bonds and may also contain limitations that permit purchases of the Series Bonds only with specified percentages of their assets.

### **RATINGS**

The Series 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 “Aa3” from Moody’s Investors Service, Inc. (“Moody’s”). Ratings assigned to the Series 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 Series 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 Series Bonds.

### **UNDERWRITING**

The Offered Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement. The 2009 Subseries B-1 Bonds are not being offered or marketed by the Underwriters. The Underwriters will jointly and severally agree to purchase the Offered Bonds at a purchase price equal to \$25,106,326.00 (representing the aggregate principal amount of the Offered Bonds plus an original issue premium of \$106,326.00 with respect to the 2011 Series B PAC Bonds), pursuant to the terms of a purchase contract. The obligation to make the purchase of the 2011 Series B Bonds is subject to certain terms and conditions including, without limitation, the conversion and release of the 2009 Subseries B-1 Bonds and the approval of certain legal matters by counsel. The Underwriters will receive a fee of \$219,106.70 in connection with the sale of the Offered 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 inside front cover.

The underwriters did not act as placement agents, financial advisors or otherwise provide services with respect to the 2009 Subseries B-1 Bonds, and the 2009 Subseries B-1 Bonds are not being offered or remarketed hereby.

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

## FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2010, included in Appendix A, have been audited by McGladrey & Pullen 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 Financial 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 Financial Management Policy (the "Policy"), contains the following stated objectives:

- *Safety of principal.* Preservation and safety of principal is the foremost objective of the Authority's investments. 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. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.
- *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 in this Official Statement and prudent investment principles.

In addition, the Policy establishes guidelines for the use and management of all interest rate risk management agreements including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively, “Risk Management Agreements”) executed in connection with debt obligations.

For additional information regarding the Authority’s investments as of June 30, 2010, information under the caption “AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED) – Note 3 – Cash and Investments” included in Appendix A.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with certain amendments to Rule 15c2-12 (the “Rule”) 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 G to this Official Statement. This undertaking may be enforced by any beneficial owner of any Series Bonds, but the Authority’s failure to comply will not be a default under the Resolution. The Authority has not, during the past five years, failed to comply with its continuing disclosure obligations under Rule.

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. For its fiscal year ended June 30, 2010, the Authority was unable to deliver its audited financial statements until November 15, 2010 (138 days after the close of its Fiscal Year). The delay in delivery of the audited financial statements did not result in any adverse consequences of the Authority under its bond indentures.

### **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 700, 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 Series Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

### **ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

/s/ Gloria L. Materre  
Gloria L. Materre, Executive Director

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**APPENDIX A**

**AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED)**

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

Financial Statements

June 30, 2010

(With Independent Auditors' Report Thereon)

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

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## Independent Auditors' Report

The Honorable William G. Holland, Auditor  
General of the State of Illinois, and the Members of the Board 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, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, 2010, and the respective changes in financial position and, where applicable, cash flows 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 11 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 Schedules 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 Schedules 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.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
November 15, 2010

## **ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Management's Discussion and Analysis

June 30, 2010

(Unaudited)

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, 2010. Please read it in conjunction with the Authority's financial statements, which follow this section.

### **Financial Highlights**

- Net assets of the Authority increased \$48.5 million, to \$623.9 million as of June 30, 2010, from an increase in the Authority's business-type (\$16.0 million) and governmental (\$32.5 million) activities.
- The increase in net assets, after transfers, of the Authority's business-type activities increased \$2.2 million from the prior year due primarily to lower interest expense (\$8.5 million) and decreases (\$4.2 million) in the estimated losses on mortgage participation certificates, partially offset by lower investment income (\$2.7 million, primarily from lower investment yields), and a decline in interest earned on program loans (\$6.4 million).
- Authority debt issuances during fiscal year 2010 totaled \$385.7 million. The Authority's debt outstanding (net of discounts and premiums) of \$1,701.8 million as of June 30, 2010 was \$155.3 million above the amount outstanding as of June 30, 2009.
- With the cost of borrowing remaining high due to weakness in the economy, the United States Department of the Treasury ("Treasury") initiated a program ("Treasury Program") whereby the Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders. In December 2009, the Authority participated in the Treasury Program by issuing \$184 million of Multifamily Initiative Bonds and \$200 million of Homeowner Mortgage Revenue Bonds ("Bonds") held in escrow until conversion to long term fixed rate bonds and will be used to fund loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively. The Treasury Program also required the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, the Treasury amended the program by extending it from December 31, 2010 to December 31, 2011 providing the Authority the ability to convert three additional times (six in aggregate) to long term fixed rate bonds.
- Loan originations for the year totaled \$46.6 million and \$.1 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2009 loan originations of \$52.2 million and \$122.5 million, respectively. Current year originations in governmental activities include \$28.3 million of loans funded by the Federal American Recovery and Reinvestment Act Fund ("ARRA Fund"). The Authority has continued to add whole loans to its Single Family Program Fund during fiscal year 2010 through the purchase of Government National Mortgage Association ("GNMA") certificates secured with Illinois whole loans.
- During fiscal year 2010 the Authority has continued to implement programs within the Federal ARRA fund pursuant to Section 1602 and the Tax Credit Assistance Program ("TCAP") to award grants or loans to sub-grantees for the development of low income housing.

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### **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 the 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 four governmental funds, for which activities are funded from State appropriation (grants), HUD and U.S. Treasury Programs, and which the Authority follows the modified accrual basis of accounting, and three proprietary funds, which operate similar to business activities and for which the Authority follows the accrual basis of accounting.
- The basic financial statements also include notes to the financial statements that explain some of the information in the government-wide and fund financial statements and provide 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.

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.

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 four governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated annually to the Illinois Department of Revenue except for revenues received directly from HUD and the U.S. Treasury 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 three enterprise funds, which activities are accounted for in a manner similar to businesses operating in the private 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.

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**Financial Analysis of the Authority as a Whole**

**Net Assets** – The combined net assets of the Authority increased by \$48.5 million, or 8.4%, from the June 30, 2009 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.)	
	2010	2009	2010	2009	2010	2009	Amount	%
<b>Current assets:</b>								
Cash and investments – unrestricted	\$ 73.7	\$ 61.7	\$ 39.8	\$ 32.5	\$ 113.5	\$ 94.2	\$ 19.3	20.5 %
Program loans receivable	5.9	8.5	43.4	46.4	49.3	54.9	(5.6)	(10.2)
Other current assets	0.3	0.3	7.6	10.0	7.9	10.3	(2.4)	(23.3)
Total current assets	79.9	70.5	90.8	88.9	170.7	159.4	11.3	7.1
Investments – restricted	-	-	894.4	604.7	894.4	604.7	289.7	47.9
Net program loans receivable	522.7	484.3	1,258.2	1,390.4	1,780.9	1,874.7	(93.8)	(5.0)
Capital assets, net	-	-	27.8	28.6	27.8	28.6	(0.8)	(2.8)
Other assets	0.1	-	32.4	21.5	32.5	21.5	11.0	51.2
Total assets	602.7	554.8	2,303.6	2,134.1	2,906.3	2,688.9	217.4	8.1
<b>Current liabilities:</b>								
Due to State of Illinois	41.9	44.3	-	-	41.9	44.3	(2.4)	(5.4)
Bonds and notes payable	-	-	475.9	105.0	475.9	105.0	370.9	353.2
Deposits held in escrow	-	-	156.4	154.3	156.4	154.3	2.1	1.4
Other current liabilities	34.7	24.1	40.8	47.5	75.5	71.6	3.9	5.4
Total current liabilities	76.6	68.4	673.1	306.8	749.7	375.2	374.5	99.8
<b>Noncurrent liabilities</b>								
Due to State of Illinois	303.9	296.7	-	-	303.9	296.7	7.2	2.4
Bonds and notes payable	-	-	1,225.9	1,441.6	1,225.9	1,441.6	(215.7)	(15.0)
Other liabilities	-	-	2.9	-	2.9	-	2.9	100.0
Total noncurrent liabilities	303.9	296.7	1,228.8	1,441.6	1,529.8	1,738.3	(208.5)	(12.0)
Total liabilities	380.5	365.1	1,901.9	1,748.4	2,279.5	2,113.5	166.0	7.9
<b>Net assets:</b>								
Invested in capital assets, net of related debt	-	-	(8.0)	(8.2)	(8.0)	(8.2)	0.2	(2.4)
Restricted	222.2	189.7	327.4	311.8	549.6	501.5	48.1	9.6
Unrestricted	-	-	82.3	82.1	82.3	82.1	0.2	0.2
Total net assets	\$ 222.2	\$ 189.7	\$ 401.7	\$ 385.7	\$ 623.9	\$ 575.4	\$ 48.5	8.4 %

**Governmental Activities**

Net assets of the Authority's governmental activities increased \$32.5 million, or 17.1%, to \$222.2 million from an increase in the HOME program and Federal ARRA Fund, due to the conversion of grant revenues to program loans receivable. No net assets of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Affordable Housing Trust Fund (Housing Program) is recorded as due to the State of Illinois. All revenues of the Rental Housing Support Program are ultimately disbursed as grant or administrative expenses, and therefore no equity is recorded on the Authority's financial statements.

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Total program loans receivable (current and non-current), increased by \$35.8 million, or 7.3%, to \$528.6 million primarily due to the Federal ARRA Fund for loans to support low income housing. Cash and investments increased by \$12 million, or 19.4%, due primarily to timing differences in year-end collections and increased Rental Housing Support Program revenues pending disbursement as grants. State statute and federal regulations restrict the use of the Housing Program, the HOME program, the Rental Housing Support Program and Federal ARRA Fund to program activities.

Due to the State of Illinois (current and non-current) increased \$4.8 million. This item reflects a liability for the State of Illinois' interest in the equity of the Housing Program as the Authority acts only as the administrator of the Housing Program and accounts for the interest in the equity to be that of the State of Illinois.

### **Business-type Activities**

Net assets of the Authority's business-type activities increased \$16.0 million, to \$401.7 million consisting of an increase in net assets before transfers of \$10.8 million and the annual transfer (\$5.2 million) from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) decreased \$135.2 million, or 9.4%, to \$1,301.6 million from decreases in the Authority's Single Family Program Fund (\$100.9 million), decreases in the Authority's Administrative Funds (\$2.5 million) and the Mortgage Loan Program Funds (\$31.8 million). The decrease in program loans receivable in the Single Family Program was due to adverse market conditions and the purchase of GNMA certificates secured with Illinois whole loans.

Cash and investments (current and noncurrent) increased \$297 million, or 46.6% from increases within the Mortgage Loan Programs (\$204.1 million), Single Family Program Funds (\$80.6 million) and Administrative Funds (\$12.3 million) primarily due to funds held in escrow as a result of the issuance of Multifamily Initiative Bonds (\$184 million) and the issuance of Homeowner Mortgage Revenue Bonds (\$200 million) under the Treasury Program.

Total bonds and notes payable (current and noncurrent) increased \$155.2 million, or 10%, from increases of \$1.7 million in the Administrative Fund and \$159.4 million in the Mortgage Loan Programs, partially offset by a decrease of \$5.9 million in the Single Family Program Funds.

Deposits held in escrow increased \$2.1 million, or 1.4% due to additions in funding levels related to the implementation of programs within the Federal ARRA Fund.

Other current liabilities decreased \$3.8 million primarily due to the Single Family Program Fund bond redemptions and no accrued interest related to the issuance of the Homeowner Mortgage Revenue Bonds under the Treasury Program.

Restricted net assets of the Authority's business-type activities increased \$15.6 million, or 5.0%, of which \$12.5 million were from increases within the Authority's bond funds. Except for net assets invested in capital assets within the Mortgage Loan Program (\$8.0 million deficit) and the net assets (\$5.3 million deficit) of the Multifamily Housing Revenue Bonds (Marywood) and Multifamily Bonds (Turnberry), which are classified as unrestricted, all net assets of the Authority's bond funds are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

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**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. Four programs, the Illinois Affordable Housing Trust Fund, the HOME program, the Rental Housing Support Program and the Federal ARRA Fund are shown as governmental activities. The business-type activities consist of 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 summary of changes in net assets for the fiscal year ended June 30, 2010 is shown in the following table.

**Changes in Net Assets**

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2.0	\$ 2.9	\$ 99.3	\$ 108.3	\$ 101.3	\$ 111.2
Operating/grant/federal revenues	114.2	90.3	142.5	140.6	256.7	230.9
General revenues:						
Investment income	-	-	0.4	1.3	0.4	1.3
Total revenues	<u>116.2</u>	<u>93.2</u>	<u>242.2</u>	<u>250.2</u>	<u>358.4</u>	<u>343.4</u>
Expenses:						
Direct	78.5	68.4	216.0	225.7	294.5	294.1
Administrative	-	-	15.4	15.9	15.4	15.9
Total expenses	<u>78.5</u>	<u>68.4</u>	<u>231.4</u>	<u>241.6</u>	<u>309.9</u>	<u>310.0</u>
Increase in net assets before transfers	37.7	24.8	10.8	8.6	48.5	33.4
Transfers	(5.2)	(5.2)	5.2	5.2	-	-
Increase in net assets	<u>\$ 32.5</u>	<u>\$ 19.6</u>	<u>\$ 16.0</u>	<u>\$ 13.8</u>	<u>\$ 48.5</u>	<u>\$ 33.4</u>



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### **Governmental Activities**

Revenues of the Authority's governmental activities increased \$23 million from the prior year primarily due to Federal revenues of the ARRA Fund (\$58.7 million), partially offset by lower Federal revenues in the HOME Program of (\$14.7 million). Revenues from the Rental Housing Support Program decreased \$15.5 million based upon annual state appropriations (grants).

Direct expenses of the Authority's governmental activities increased \$10.1 million from the prior year, primarily due to new program initiatives within the Federal ARRA Fund (\$30.4 million), partially offset by decreases in the Rental Housing Support Program (\$15.5 million) and the Illinois Affordable Housing Trust Fund (\$5.6 million). 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 decreased \$8 million from the prior year from a decrease in charges for services (\$9 million) and unrestricted investment income (\$.9 million), partially offset by an increase in federal revenues (\$1.9 million). Charges for services consist primarily of interest income on program loans (\$69.6 million), program investment income (\$7.1 million), servicing fees (\$10.1 million), and other income (\$12.4 million). 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. Such income decreased by \$1.6 million from the prior year due primarily to lower investment yields and lower amounts invested.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense (\$67 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds (\$140.4 million), decreased \$9.7 million from the prior year, due mainly to lower interest expense (\$8.5 million) a decrease in estimated losses on mortgage participation certificates (\$4.2 million), partially offset by increases in estimated losses on program loans receivable (\$2.5 million) and professional fees (\$0.5 million).

The Authority's business-type activities also generated \$.4 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 \$22.5 million (See the Statement of Activities) and thus provided most of the Authority's increase in net assets.

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### Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2009 amount by \$16.0 million, to \$401.7 million. The following table summarizes the statement of revenues, expenses, and changes in fund net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2010 and 2009.

#### Changes in Net Assets/Proprietary Funds

(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	2010	2009	2010	2009	2010	2009
Operating revenues:						
Interest earned on program loans	\$ 4.0	\$ 5.6	\$ 27.8	\$ 28.0	\$ 37.7	\$ 42.5
Investment income	0.4	1.3	4.0	2.8	3.1	5.9
Federal assistance programs	136.4	134.5	4.1	4.4	-	-
Service fees	10.1	10.0	-	-	-	-
Development fees	0.1	0.6	-	-	-	-
HUD savings	2.2	1.7	-	-	-	-
Other	5.4	7.9	7.0	4.9	-	-
<b>Total operating revenues</b>	<b>158.6</b>	<b>161.6</b>	<b>42.9</b>	<b>40.1</b>	<b>40.8</b>	<b>48.4</b>
Operating expenses:						
Interest expense	0.1	0.2	25.5	27.9	41.4	47.4
Federal assistance programs	136.3	134.5	4.1	4.4	-	-
Salaries and benefits	14.7	13.7	-	-	-	-
Professional fees	1.0	1.2	-	-	0.3	0.6
Other general and administrative	3.0	3.1	-	-	0.1	0.1
Financing costs	0.3	0.3	0.8	0.7	0.5	0.8
Program grant	0.1	1.7	-	-	-	-
Provision for estimated losses on program loans receivable and mortgage certification program	(0.9)	3.1	2.8	1.8	1.3	-
<b>Total operating expenses</b>	<b>154.6</b>	<b>157.8</b>	<b>33.2</b>	<b>34.8</b>	<b>43.6</b>	<b>48.9</b>
<b>Operating income (loss)</b>	<b>4.0</b>	<b>3.8</b>	<b>9.7</b>	<b>5.3</b>	<b>(2.8)</b>	<b>(0.5)</b>
Transfers in (out), net	(0.4)	(0.5)	5.6	(29.3)	-	35.0
<b>Change in net assets</b>	<b>3.6</b>	<b>3.3</b>	<b>15.3</b>	<b>(24.0)</b>	<b>(2.8)</b>	<b>34.5</b>
Net assets at beginning of year	117.3	114.0	171.9	195.9	96.5	62.0
<b>Net assets at end of year</b>	<b>\$ 120.9</b>	<b>\$ 117.3</b>	<b>\$ 187.2</b>	<b>\$ 171.9</b>	<b>\$ 93.7</b>	<b>\$ 96.5</b>

Net assets of the Administrative Fund increased \$3.6 million, compared to the prior year increase of \$3.3 million. Administrative Fund operating income was \$4 million, an increase of \$.2 million from the prior year, and net operating transfers (out) were \$0.4 million compared to net transfers (out) of \$0.5 million in the prior year. The fiscal year 2010 increase in operating earnings was primarily from increases in the Federal assistance programs (\$1.9 million), HUD Savings (\$0.5 million) and Service fees (\$0.1 million), partially offset by a decrease in interest earned on program loans (\$1.6 million), reversals of provisions for estimated losses on mortgage participation certificate program and provisions for estimated losses on program loans receivable (\$0.9 million), compared to additions of \$3.1 million in the prior fiscal year, and lower investment income (\$0.9 million) due to lower yields on investments.

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Net assets of the Mortgage Loan Program Fund increased \$15.3 million, compared to a prior year decrease of \$24 million, due to operating income of \$9.7 million and net transfers in of \$5.6 million. Operating income was \$4.4 million above the prior year, primarily due to lower future rebate obligations (\$1.2 million) and higher other income (\$2.1 million), lower interest expense (\$2.4 million), partially offset by higher provisions (\$1 million) for estimated losses on program loans receivable. The net transfer in includes the annual transfer (in) of \$5.2 million from the Affordable Housing Trust Fund.

Net assets of the Single Family Program Fund decreased \$2.8 million, compared to a prior year increase of \$34.5 million. The prior year included a \$35 million net transfer (in) from the Mortgage Loan Program Fund to acquire single-family mortgage loans or mortgage backed securities. The Program Operating loss was \$2.3 million below the prior year operating loss due primarily to a \$2.8 million decline in investment income, \$4.8 million decrease in interest earned on program loans and lower interest expense of \$6 million partially offset by higher provisions (\$1.3 million) for estimated losses on program loans receivable.

### **Authority Debt**

Authority debt issuances during fiscal year 2010 totaled \$385.7 million (net of discounts and deferred gains and losses), with the issuance of Multifamily Initiative Bonds (\$184 million) within the Mortgage Loan Fund, Homeowner Mortgage Revenue Bonds (\$200 million) within the Single Family Fund, and a \$1.7 million increase in the Administrative Funds term loan. Debt retirements within the Mortgage Loan and Single Family Program Funds were \$26 million and \$205.7 million, respectively. Total bonds and notes payable increased \$155.3 million. For additional information, see Note 7, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2010, the Authority's Issuer Credit Ratings remained at A1/A+ by Moody's Investors Service and Standard & Poor's Ratings Services respectively. The Fitch Ratings upgraded the Authority's issuer rating from A+ to AA- on December 15, 2009.

### **Economic Factors**

The current financial state of the market with low investment yields has not proven to be economically feasible for the Authority to issue debt within the Mortgage Loan Fund and Single Family Fund.

With the cost of borrowing remaining high due to weakness in the economy, the U.S. Treasury initiated the Treasury Program whereby the Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders.

In December 2009, the Authority participated in the Treasury Program by issuing \$184 million of Multifamily Initiative Bonds and \$200 million of Homeowner Mortgage Revenue Bonds (Bonds). Proceeds from the Bonds upon conversion to long term fixed rate will be used to fund and finance loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively.

The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow into long term fixed rate bonds. The Treasury Program also requires the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender.

On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (six in the aggregate) to long term fixed rate bonds.

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The Authority operates its Homeowner Mortgage Revenue Bond Program (the "Program") to provide funds to purchase from selected lending institutions' mortgage loans made to eligible borrowers for owner-occupied, one-to-four-unit dwellings throughout the State of Illinois. The Authority recently completed a review of the outstanding Program mortgage loans and determined that the Authority does not have in place pool insurance for up to 680 mortgage loans otherwise eligible to be covered by pool insurance policies obtained by the Authority. Pool insurance premium payments relating to those loans were not received by the applicable pool insurer. The amount of mortgage loans not covered by pool insurance represents approximately 9.39% of the Program mortgage loans currently outstanding. The Authority attempted, but was unable, to secure coverage from the pool insurers that were in place at the time the mortgage loans were initially originated.

Investment yields of United States agency and United States Government obligations, which comprise over 97% of the Authority's investment portfolio, are remaining at historically low levels and continue to depress the Authority's investment income.

### **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 700, Chicago, IL 60611 or visit our website at: [www.ihda.org](http://www.ihda.org)

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Statement of Net Assets

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	Governmental activities	Business-type activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,019,811	\$ 5,801,130	\$ 6,820,941
Funds held by State Treasurer	1,388,592	-	1,388,592
Investments	71,254,579	33,998,818	105,253,397
Investment income receivable	13,569	56,617	70,186
Investment income receivable – restricted	-	1,021,176	1,021,176
Program loans receivable	5,901,000	43,401,000	49,302,000
Grant receivable	1,944,143	-	1,944,143
Interest receivable on program loans	310,888	4,591,207	4,902,095
Internal balances	(1,944,143)	1,944,143	-
Total current assets	<u>79,888,439</u>	<u>90,814,091</u>	<u>170,702,530</u>
Noncurrent assets:			
Investments – restricted	-	894,408,065	894,408,065
Program loans receivable, net of current portion	550,785,086	1,282,726,493	1,833,511,579
Less allowance for estimated losses	(28,056,609)	(24,518,246)	(52,574,855)
Net program loans receivable	<u>522,728,477</u>	<u>1,258,208,247</u>	<u>1,780,936,724</u>
Unamortized bond issuance costs	-	13,167,284	13,167,284
Real estate held for sale, net	-	13,093,849	13,093,849
Capital assets, net	-	27,752,051	27,752,051
Deferred outflow of resources	-	2,873,879	2,873,879
Other	73,059	3,322,309	3,395,368
Total noncurrent assets	<u>522,801,536</u>	<u>2,212,825,684</u>	<u>2,735,627,220</u>
Total assets	<u>602,689,975</u>	<u>2,303,639,775</u>	<u>2,906,329,750</u>
<b>Liabilities:</b>			
Current liabilities:			
Due to grantees	34,663,751	-	34,663,751
Due to State of Illinois	41,885,484	-	41,885,484
Bonds and notes payable	-	475,945,000	475,945,000
Accrued interest payable	-	25,008,252	25,008,252
Unearned revenue	-	5,921,200	5,921,200
Deposits held in escrow	-	156,444,691	156,444,691
Amounts held on behalf of others	-	599,363	599,363
Accrued liabilities and other	-	9,223,587	9,223,587
Total current liabilities	<u>76,549,235</u>	<u>673,142,093</u>	<u>749,691,328</u>
Noncurrent liabilities:			
Due to State of Illinois	303,912,716	-	303,912,716
Bonds and notes payable, net of current portion	-	1,225,880,275	1,225,880,275
Derivative instrument liability	-	2,873,879	2,873,879
Total noncurrent liabilities	<u>303,912,716</u>	<u>1,228,754,154</u>	<u>1,532,666,870</u>
Total liabilities	<u>380,461,951</u>	<u>1,901,896,247</u>	<u>2,282,358,198</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	-	(8,032,949)	(8,032,949)
Restricted for bond resolution purposes	-	294,317,797	294,317,797
Restricted for loan and grant programs	222,228,024	33,134,621	255,362,645
Unrestricted	-	82,324,059	82,324,059
Total net assets	<u>\$ 222,228,024</u>	<u>\$ 401,743,528</u>	<u>\$ 623,971,552</u>

See accompanying notes to financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Statement of Activities

Year ended June 30, 2010

Functions/programs	Expenses	Program revenues		Net (expenses) revenues and changes in net assets		
		Charges for services and interest income	Operating grant/federal revenues	Governmental activities	Business-type activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	\$ 8,315,564	\$ 53,617	\$ 13,461,947	\$ 5,200,000	\$ -	\$ 5,200,000
HOME Program	15,206,561	1,830,831	17,547,828	4,172,098	-	4,172,098
Rental Housing Support Program	24,643,008	142,740	24,500,268	-	-	-
ARRA Fund	30,375,081	-	58,718,635	28,343,554	-	28,343,554
Total governmental activities	<u>78,540,214</u>	<u>2,027,188</u>	<u>114,228,678</u>	<u>37,715,652</u>	<u>-</u>	<u>37,715,652</u>
Business-type activities:						
Administrative	15,447,982	942,280	-	-	(14,505,702)	(14,505,702)
Multi-Family Mortgage Loan Programs	30,271,520	52,816,358	-	-	22,544,838	22,544,838
Multi-Family Federal Assistance Programs	140,478,546	-	140,478,546	-	-	-
Single-Family Mortgage Loan Programs	44,738,903	41,376,035	-	-	(3,362,868)	(3,362,868)
Tax Credit Authorization and Monitoring	550,501	4,118,123	-	-	3,567,622	3,567,622
FAF Lending Program	-	55,652	2,168,418	-	2,224,070	2,224,070
Total business-type activities	<u>231,487,452</u>	<u>99,308,448</u>	<u>142,646,964</u>	<u>-</u>	<u>10,467,960</u>	<u>10,467,960</u>
Total Authority	<u>\$ 310,027,666</u>	<u>\$ 101,335,636</u>	<u>\$ 256,875,642</u>	<u>37,715,652</u>	<u>10,467,960</u>	<u>48,183,612</u>
General revenues:						
Unrestricted investment income				-	384,721	384,721
Transfers				(5,200,000)	5,200,000	-
Total general revenues and transfers				<u>(5,200,000)</u>	<u>5,584,721</u>	<u>384,721</u>
Change in net assets				32,515,652	16,052,681	48,568,333
Net assets at beginning of year				<u>189,712,372</u>	<u>385,690,847</u>	<u>575,403,219</u>
Net assets at end of year				<u>\$ 222,228,024</u>	<u>\$ 401,743,528</u>	<u>\$ 623,971,552</u>

See accompanying notes to financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Governmental Funds

Balance Sheet

June 30, 2010

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund	Total
<b>Assets</b>					
<b>Current assets:</b>					
Cash	\$ 999,022	\$ -	\$ 20,789	\$ -	\$ 1,019,811
Funds held by State Treasurer	-	1,388,592	-	-	1,388,592
Investments	36,625,186	-	34,629,393	-	71,254,579
Investment income receivable	-	-	13,569	-	13,569
Program loans receivable	4,021,000	1,880,000	-	-	5,901,000
Grant receivable	947,356	869,156	127,631	-	1,944,143
Interest receivable on program loans	167,217	143,671	-	-	310,888
Total current assets	<u>42,759,781</u>	<u>4,281,419</u>	<u>34,791,382</u>	<u>-</u>	<u>81,832,582</u>
<b>Noncurrent assets:</b>					
Program loans receivable, net of current portion	324,314,784	198,126,748	-	28,343,554	550,785,086
Less allowance for estimated losses	<u>(20,402,068)</u>	<u>(7,654,541)</u>	<u>-</u>	<u>-</u>	<u>(28,056,609)</u>
Net program loans receivable	303,912,716	190,472,207	-	28,343,554	522,728,477
Other	<u>73,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,059</u>
Total noncurrent assets	<u>303,985,775</u>	<u>190,472,207</u>	<u>-</u>	<u>28,343,554</u>	<u>522,801,536</u>
Total assets	<u>\$ 346,745,556</u>	<u>\$ 194,753,626</u>	<u>\$ 34,791,382</u>	<u>\$ 28,343,554</u>	<u>\$ 604,634,118</u>
<b>Liabilities and Fund Balances</b>					
<b>Current liabilities:</b>					
Deferred revenue	\$ -	\$ 143,671	\$ -	\$ -	\$ 143,671
Due to grantees	-	-	34,663,751	-	34,663,751
Due to other funds	947,356	869,156	127,631	-	1,944,143
Due to State of Illinois	<u>41,885,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,885,484</u>
Total current liabilities	<u>42,832,840</u>	<u>1,012,827</u>	<u>34,791,382</u>	<u>-</u>	<u>78,637,049</u>
<b>Noncurrent liabilities:</b>					
Due to State of Illinois	<u>303,912,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,912,716</u>
Total liabilities	<u>346,745,556</u>	<u>1,012,827</u>	<u>34,791,382</u>	<u>-</u>	<u>382,549,765</u>
<b>Fund balances:</b>					
Reserved for loans receivable	-	190,472,207	-	28,343,554	218,815,761
Unreserved	<u>-</u>	<u>3,268,592</u>	<u>-</u>	<u>-</u>	<u>3,268,592</u>
Total fund balances	<u>-</u>	<u>193,740,799</u>	<u>-</u>	<u>28,343,554</u>	<u>222,084,353</u>
Total liabilities and fund balances	<u>\$ 346,745,556</u>	<u>\$ 194,753,626</u>	<u>\$ 34,791,382</u>	<u>\$ 28,343,554</u>	

Amounts reported for governmental activities in the statement of net assets are different due to the deferral of interest receivable on certain program loans

143,671

Net assets of governmental activities

\$ 222,228,024

See accompanying notes to 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

Year ended June 30, 2010

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund	Total
Revenues:					
Grant from State of Illinois	\$ 13,461,947	\$ -	\$ 24,500,268	\$ -	\$ 37,962,215
Federal HOME funds	-	17,547,828	-	-	17,547,828
Federal ARRA funds	-	-	-	58,718,635	58,718,635
Interest and investment income	53,617	1,806,814	142,740	-	2,003,171
Total revenues	<u>13,515,564</u>	<u>19,354,642</u>	<u>24,643,008</u>	<u>58,718,635</u>	<u>116,231,849</u>
Expenditures:					
Grants	6,228,019	10,557,851	24,384,939	30,375,081	71,545,890
General and administrative	2,033,928	1,704,169	258,069	-	3,996,166
Program income transferred to State of Illinois	53,617	-	-	-	53,617
Provision for estimated losses on program loans receivable	-	2,944,541	-	-	2,944,541
Total expenditures	<u>8,315,564</u>	<u>15,206,561</u>	<u>24,643,008</u>	<u>30,375,081</u>	<u>78,540,214</u>
Excess of revenues over expenditures	5,200,000	4,148,081	-	28,343,554	37,691,635
Other financing uses:					
Transfer out	<u>(5,200,000)</u>	-	-	-	<u>(5,200,000)</u>
Net change in fund balances	-	4,148,081	-	28,343,554	32,491,635
Fund balances at beginning of year	-	189,592,718	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ 193,740,799</u>	<u>\$ -</u>	<u>\$ 28,343,554</u>	<u>\$ -</u>
Amounts reported for governmental activities in the statement of activities are different due to the deferral of interest receivable on certain program loans receivable					<u>24,017</u>
Change in net assets of governmental activities					<u>\$ 32,515,652</u>

See accompanying notes to financial statements.



**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Assets

June 30, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 237,845	\$ 625,978	\$ 4,937,307	\$ 5,801,130
Investments	33,998,818	-	-	33,998,818
Investment income receivable	56,617	-	-	56,617
Investment income receivable - restricted	178,574	226,699	615,903	1,021,176
Program loans receivable	1,485,000	23,143,000	18,773,000	43,401,000
Interest receivable on program loans	139,452	1,226,785	3,224,970	4,591,207
Due from other funds	6,261,524	15,728,806	351,293	22,341,623
Total current assets	<u>42,357,830</u>	<u>40,951,268</u>	<u>27,902,473</u>	<u>111,211,571</u>
Noncurrent assets:				
Investments – restricted	188,178,308	314,460,815	391,768,942	894,408,065
Program loans receivable, net of current portion	87,463,724	530,586,037	664,676,732	1,282,726,493
Less allowance for estimated losses	<u>(5,011,989)</u>	<u>(18,181,868)</u>	<u>(1,324,389)</u>	<u>(24,518,246)</u>
Net program loans receivable	82,451,735	512,404,169	663,352,343	1,258,208,247
Unamortized bond issuance costs	-	6,109,986	7,057,298	13,167,284
Real estate held for sale, net	-	123,558	12,970,291	13,093,849
Capital assets, net	112,005	27,640,046	-	27,752,051
Deferred outflow of resources	-	43,823	2,830,056	2,873,879
Other	1,360,556	28,461	1,933,292	3,322,309
Total noncurrent assets	<u>272,102,604</u>	<u>860,810,858</u>	<u>1,079,912,222</u>	<u>2,212,825,684</u>
Total assets	<u>314,460,434</u>	<u>901,762,126</u>	<u>1,107,814,695</u>	<u>2,324,037,255</u>
<b>Liabilities:</b>				
Current liabilities:				
Bonds and notes payable	-	260,475,000	215,470,000	475,945,000
Accrued interest payable	83,803	9,798,305	15,126,144	25,008,252
Deferred revenue	5,614,096	307,104	-	5,921,200
Deposits held in escrow	156,444,691	-	-	156,444,691
Amounts held on behalf of others	-	599,363	-	599,363
Accrued liabilities and other	7,492,519	1,151,201	579,867	9,223,587
Due to other funds	16,080,099	3,589,120	728,261	20,397,480
Total current liabilities	<u>185,715,208</u>	<u>275,920,093</u>	<u>231,904,272</u>	<u>693,539,573</u>
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	7,900,000	438,597,089	779,383,186	1,225,880,275
Derivative instrument liability	-	43,823	2,830,056	2,873,879
Total liabilities	<u>193,615,208</u>	<u>714,561,005</u>	<u>1,014,117,514</u>	<u>1,922,293,727</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	112,005	(8,144,954)	-	(8,032,949)
Restricted for bond resolution purposes	-	200,620,616	93,697,181	294,317,797
Restricted for loan and grant programs	33,134,621	-	-	33,134,621
Unrestricted	87,598,600	(5,274,541)	-	82,324,059
Total net assets	<u>\$ 120,845,226</u>	<u>\$ 187,201,121</u>	<u>\$ 93,697,181</u>	<u>\$ 401,743,528</u>

See accompanying notes to financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Year ended June 30, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	\$ 469,814	\$ 3,534,855	\$ 2,531,866	\$ 6,536,535
Net increase (decrease) in fair value of investments	<u>(85,093)</u>	<u>438,762</u>	<u>579,546</u>	<u>933,215</u>
Total investment income	384,721	3,973,617	3,111,412	7,469,750
Interest earned on program loans	4,029,420	27,840,349	37,737,873	69,607,642
Federal assistance programs	136,409,676	4,068,870	-	140,478,546
Service fees	10,109,565	-	-	10,109,565
Development fees	53,533	-	-	53,533
HUD savings	2,224,070	-	-	2,224,070
Other	<u>5,418,027</u>	<u>6,979,000</u>	<u>-</u>	<u>12,397,027</u>
Total operating revenues	<u>158,629,012</u>	<u>42,861,836</u>	<u>40,849,285</u>	<u>242,340,133</u>
Operating expenses:				
Interest expense	147,226	25,493,892	41,353,413	66,994,531
Federal assistance programs	136,299,640	4,068,870	-	140,368,510
Salaries and benefits	14,688,169	-	-	14,688,169
Professional fees	972,372	-	321,760	1,294,132
Other general and administrative	3,028,770	-	101,924	3,130,694
Financing costs	304,539	807,063	560,967	1,672,569
Program grant	110,036	-	-	110,036
Change in accrual for estimated losses on mortgage participation certificate program	(1,619,435)	-	-	(1,619,435)
Provision for estimated losses on program loans receivable	<u>676,989</u>	<u>2,846,868</u>	<u>1,324,389</u>	<u>4,848,246</u>
Total operating expenses	<u>154,608,306</u>	<u>33,216,693</u>	<u>43,662,453</u>	<u>231,487,452</u>
Operating income (loss)	<u>4,020,706</u>	<u>9,645,143</u>	<u>(2,813,168)</u>	<u>10,852,681</u>
Transfers in	26,685	5,654,120	-	5,680,805
Transfers out	<u>(454,120)</u>	<u>-</u>	<u>(26,685)</u>	<u>(480,805)</u>
Total transfers	<u>(427,435)</u>	<u>5,654,120</u>	<u>(26,685)</u>	<u>5,200,000</u>
Change in net assets	3,593,271	15,299,263	(2,839,853)	16,052,681
Net assets at beginning of year	<u>117,251,955</u>	<u>171,901,858</u>	<u>96,537,034</u>	<u>385,690,847</u>
Net assets at end of year	<u>\$ 120,845,226</u>	<u>\$ 187,201,121</u>	<u>\$ 93,697,181</u>	<u>\$ 401,743,528</u>

See accompanying notes to financial statements.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	\$ 21,822,364	\$ 56,764,309	\$ 128,572,966	\$ 207,159,639
Payments for program loans	(121,190)	-	-	(121,190)
Receipts for federal assistance programs	136,409,676	4,068,870	-	140,478,546
Payments for federal assistance programs	(136,299,640)	(4,068,870)	-	(140,368,510)
Payment for program grant	(110,036)	-	-	(110,036)
Payments to suppliers	(4,441,283)	(2,871,297)	(1,615,721)	(8,928,301)
Payments to employees	(14,727,093)	-	-	(14,727,093)
Payments for amounts held on behalf of others	(12,225)	-	-	(12,225)
Other receipts	7,642,097	7,741,516	-	15,383,613
Net cash provided by operating activities	<u>10,162,670</u>	<u>61,634,528</u>	<u>126,957,245</u>	<u>198,754,443</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	1,666,667	184,080,000	200,001,147	385,747,814
Principal paid on revenue bonds and notes	-	(25,985,000)	(205,874,887)	(231,859,887)
Interest paid on revenue bonds and notes	(139,788)	(24,452,952)	(43,128,272)	(67,721,012)
Due to other funds	1,735,094	512,839	(390,484)	1,857,449
Due from other funds	(985,126)	(1,396,254)	(351,293)	(2,732,673)
Transfers in	26,685	5,654,120	-	5,680,805
Transfers out	(454,120)	-	(26,685)	(480,805)
Net cash provided by (used in) noncapital financing activities	<u>1,849,412</u>	<u>138,412,753</u>	<u>(49,770,474)</u>	<u>90,491,691</u>
Cash flows from capital financing and related activities				
Acquisition of capital assets	(29,795)	-	-	(29,795)
Cash flows from investing activities:				
Purchase of investment securities	(693,665,828)	(1,380,812,414)	(2,324,206,243)	(4,398,684,485)
Proceeds from sales and maturities of investment securities	681,237,124	1,177,625,423	2,242,751,838	4,101,614,385
Interest received on investments	510,685	3,545,423	2,852,031	6,908,139
Net cash used in investing activities	<u>(11,918,019)</u>	<u>(199,641,568)</u>	<u>(78,602,374)</u>	<u>(290,161,961)</u>
Net increase (decrease) in cash and cash equivalents	64,268	405,713	(1,415,603)	(945,622)
Cash and cash equivalents at beginning of year	<u>173,577</u>	<u>220,265</u>	<u>6,352,910</u>	<u>6,746,752</u>
Cash and cash equivalents at end of year	<u>\$ 237,845</u>	<u>\$ 625,978</u>	<u>\$ 4,937,307</u>	<u>\$ 5,801,130</u>

(Continued)

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Cash Flows (Continued)

Year ended June 30, 2010

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 4,020,706	\$ 9,645,143	\$ (2,813,168)	\$ 10,852,681
Adjustments to reconcile operating income to net cash provided by operating activities:				
Investment income	(384,721)	(3,973,617)	(3,111,412)	(7,469,750)
Interest expense	147,226	25,493,892	41,353,413	66,994,531
Depreciation and amortization	47,697	800,000	-	847,697
Provision for estimated losses on program loans receivable	676,989	2,846,868	1,324,389	4,848,246
Changes in assets and liabilities:				
Program loans receivable	1,837,975	28,994,865	92,160,682	122,993,522
Interest receivable on program loans	13,214	(70,973)	607,703	549,944
Other liabilities	2,147,241	(2,064,234)	2,198,986	2,281,993
Other assets	(661,268)	(37,416)	(4,763,348)	(5,462,032)
Amounts held on behalf of others	(12,225)	-	-	(12,225)
Amounts due from brokers for securities matured	2,329,836	-	-	2,329,836
Total adjustments	<u>6,141,964</u>	<u>51,989,385</u>	<u>129,770,413</u>	<u>187,901,762</u>
Net cash provided by operating activities	<u>\$ 10,162,670</u>	<u>\$ 61,634,528</u>	<u>\$ 126,957,245</u>	<u>\$ 198,754,443</u>
Noncash investing, capital and financing activities:				
Transfer of foreclosed assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,410,079</u>	<u>\$ 7,410,079</u>
The fair value of investments increased (decreased)	<u>\$ (2,744)</u>	<u>\$ 669,113</u>	<u>\$ 907,146</u>	<u>\$ 1,573,515</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2010

**Note 1. 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, 2010, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see Note 7). 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, 2010, amounts outstanding against this limitation were approximately \$2,065,000,000.

**Note 2. 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 of America 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:

- (a) 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
- (b) 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.

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

Notes to Financial Statements

June 30, 2010

**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-counting 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 are presented as general revenues.

*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 (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 annually 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.

As the administrator of the Housing Program, the Authority considers the interest in equity of the Housing Program to be that of the State of Illinois and the Authority records a liability to the State of Illinois for their equity share. Additionally, the Authority records amounts received to administer the Housing Program as grant revenue.

*HOME Program Fund*

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 Illinois 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.

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#### *Rental Housing Support Program Fund*

The Authority is designated administrator of the Rental Housing Support Program (Support Program). The program is funded by a surcharge for the recording of any real estate-related document. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. The Authority awards funds to local administering agencies, which will contract with local landlords to make rental units affordable to households who earn less than 30% of the area median income.

As the administrator of the Support Program, the Authority initially records amounts received as revenue and a due to grantee liability is recorded. As funds are disbursed from the program, the Authority reduces the liability.

#### *ARRA Fund*

The Authority is designated program administrator for Section 1602 of the American Recovery and Reinvestment Act of 2009 ("ARRA") for grants appropriated to the State of Illinois by the United States Department of the Treasury to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits. In addition, HUD makes awards to the Authority under the Tax Credit Assistance Program ("TCAP") to facilitate the development of projects that received or will receive funding in order to be completed and placed in service in accordance with the requirements of Section 42 of the Internal Revenue Code of 1986 and the regulations promulgated there under. These awards are then allocated to sub-grantees and the Authority will be responsible for the monitoring and reporting of the use of these funds.

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 5), 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 12).

The Administrative Fund net assets that are classified as restricted by contractual agreement for loan and grant programs 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 Bonds, Multifamily Initiative Bonds, Multi-family Housing Revenue Bonds (Marywood), Multi-family Bonds (Turnberry II) 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 Program Trust Fund Bond accounts include a transfer of funds from the Illinois Affordable Housing Trust Fund.

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*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.

**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 federal and state grant revenue. 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 accounting policies and financial reporting practices of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, conform to generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB). Additionally, in the government-wide and proprietary fund financial statements, the Authority applies the pronouncements of the Financial Accounting Standards Board (FASB) issued before December 1, 1989, which are not in conflict with GASB pronouncements. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to not apply FASB pronouncements issued after November 30, 1989.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans by the Authority for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.



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A portion of the Authority's Administrative Fund unrestricted net assets as of June 30, 2010 are designated as follows:

Housing Partnership Program	\$ 4,400,000
To pay expenses for planned technology enhancements	1,000,000
To pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans	4,000,000
Provide funds to purchase single family loans which eventually will be purchased with proceeds from future issuances of Authority bonds	35,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase of loans within the Program	<u>40,000,000</u>
	<u>\$ 84,400,000</u>

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

### Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

**Invested in Capital Assets, net of related debt** – This consists of capital assets, net of accumulated depreciation and related debt.

**Restricted** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

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. Federal regulations restrict the use of the HOME Program. Accordingly, fund balances of the HOME Program are reserved for loans not due within one year, and assets of the Affordable Housing Trust Fund are due to the State. All net assets of the governmental activities column of the government-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 5 for schedules of aging for the loans made under these programs. In addition, see the governmental funds – balance sheet, fund balance).

**Unrestricted** – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

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### **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.

### **Risks and Uncertainties**

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the balance sheet and the statement of net assets.

The allowances for estimated losses are reported based on certain assumptions pertaining to the Authority's periodic review and evaluation of the loan portfolio, which is subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

### **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 with original maturity dates of three months or less 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. 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.

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### **Capital Assets**

Capital assets in the Administrative Fund consist of investments in furniture, fixtures, and equipment; computer hardware; computer software; and leasehold improvements and 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. Leasehold improvements are amortized over the term of the lease. Depreciation and amortization expenses for fiscal year 2010 were \$47,697. Capital assets in the Mortgage Loan Program Fund represents the 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, 2010, the net carrying value of ML-181 was \$27,640,046 and accumulated depreciation was \$13,411,000. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs. Depreciation expense for fiscal year 2010 was \$800,000.

### **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 plus accrued interest on the loans as of the date the loans become real estate owned, plus subsequent expenses incurred less any insurance or other loan related payments received. 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.

### **Bond Discount, Issuance Costs and Deferred Amounts on Refunding**

Discounts on bonds are 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. Deferred amounts on refunding are amortized over the shorter of the life of the old or new debt as a component of interest expense.

### **Operations**

Development fee and financing fee income are deferred and amortized over the contractual life of the loan as a yield adjustment using a method approximating 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 7), are recognized as income in the Administrative Fund generally at the time of initial closing.

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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, the HOME Program and the Rental Housing Support 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. Expenses 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, 2010, unused compensated absences, which are included in current other liabilities, were \$644,112. These amounts are recorded in and liquidated from the Administrative Fund. 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 economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverage, and such other factors as it deems necessary.

#### **New Accounting Pronouncements**

The Governmental Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Authority implemented this Statement for the year ended June 30, 2010.

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The Governmental Accounting Standards Board has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It will improve financial reporting by requiring governments to measure derivative instruments at fair value in their economic resource measurement focus financial statements and allow the users to more fully understand the government's resources available to provide services. The Authority implemented this Statement for the year ended June 30, 2010. (See Note 7)

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority is required to implement this Statement for the year ending June 30, 2011. The Authority has yet to determine the impact of implementing this Statement.

### Note 3. Cash and Investments

The Authority's Financial Management Policy (the Policy) contains the following stated objectives:

- *Safety of principal* – Preservation and safety of principal is the foremost objective of the Authority's investments. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they are from securities defaults or erosion of market value.
- *Liquidity* – The investments portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements which may be reasonably anticipated in any fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.
- *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.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The Authority's policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

As of June 30, 2010, the Authority had the following cash and cash equivalents held in investments:

Investment	Carrying amount	Investment maturities (in days)			
		Less than 7	Less than 30	Less than 60	Less than 90
Sweep Accounts-Repurchase Agreement	\$ 1,033,272	\$ 1,033,272	\$ -	\$ -	\$ -
Sweep Accounts-Money Market Fund	4,126,671	4,126,671	-	-	-
Other	1,660,998	1,660,998	-	-	-
	<u>\$ 6,820,941</u>	<u>\$ 6,820,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Repurchase agreements and money market funds are collateralized by obligations of the United States

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Government or its agencies, or direct investments of such obligations overnight and funds are available the next day.

As of June 30, 2010, the Authority had the following investments:

Investment	Carrying Amount	Investment maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Demand repurchase agreements	\$ 22,567,878	\$ -	\$ -	\$ 300,000	\$ 22,267,878
Federal Home Loan Bank Bonds	18,632,016	12,868,763	5,763,253	-	-
Federal Farm Credit Bank Bonds	5,637,706	4,305,833	-	1,331,873	-
Federal Home Loan Mortgage Corp.	7,513,845	6,111,600	-	-	1,402,245
Federal National Mortgage Assn. Benchmark Notes	6,053,372	1,288,607	3,227,313	-	1,537,452
Federal National Mortgage Assn. Discount Notes	85,566,080	85,566,080	-	-	-
Federal Home Loan Bank Discount Notes	202,329,184	202,329,184	-	-	-
Federal Home Loan Mortgage Corp. Discount Notes	48,532,900	48,532,900	-	-	-
Government National Mortgage Association	11,556,847	-	-	-	11,556,847
United States Treasury Strips	912,904	26,985	-	-	885,919
United States Treasury Bonds	8,652,905	19,638	248,610	-	8,384,657
United States Treasury Note	24,565,329	4,249,513	14,828,973	5,486,843	-
United States Treasury Bill	557,083,554	557,083,554	-	-	-
Metlife Inc. Common Stock	56,942	-	-	-	56,942
	<u>\$ 999,661,462</u>	<u>\$ 922,382,657</u>	<u>\$ 24,068,149</u>	<u>\$ 7,118,716</u>	<u>\$ 46,091,940</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% 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.

**Credit Risk**

Credit risk is the risk the Authority will not recover its investments due to the inability of the counterparty to fulfill its obligation. 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. All funds are held outside of the State Treasury in various banks and financial institutions, except for a portion of funds for the HOME program.

The Authority's investments in United States Agency Obligations are all rated Aaa by Moody's and/or AAA by Standard & Poors.

The counterparties to the demand repurchase agreements and 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

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short-term program fund investments, the highest short-term rating category. The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2010 are listed below.

<u>Counterparty</u>	<u>Rating (Outlook) S&amp;P / Moody's</u>	<u>Fair Value</u>
Morgan Stanley & Co., Inc.	A (Negative) / A2	\$ 1,856,937
Trinity Plus Funding Co.	AA+ (Stable) / Aaa	3,510,764
Westdeutsche Landesbank (1)	BBB+ (Negative) / A3	16,900,176
Total Investments		<u>\$ 22,267,877</u>
Bank of America		<u>\$ 1,033,272</u>
Total Cash and Cash Equivalents		<u>\$ 1,033,272</u>

(1) Ratings are in accordance with a grandfathering arrangement agreed to by the EU Commission and the German authorities.

### Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Authority's cash and cash equivalents at June 30, 2010, consisted of sweep accounts, held in the Authority's name, with the funds in these accounts invested in money market funds that invest in U.S. Treasury securities, or were held in accounts that were either FDIC insured or collateralized with U.S. government obligations. The Authority's investments at June 30, 2010 were held in the Authority's name in separate Authority custodial accounts. Collateral is pledged in the Authority's name and consists of U.S. Treasury obligations.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The Authority's policy does not limit the amounts the Authority may invest in any one issuer (other than the U.S. government). The Authority is considered to have a concentration of credit risk if its investment in any one single issuer is greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2010 are as follows:

<u>Investment</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 220,961,199
Federal National Mortgage Association	91,882,385
Federal Home Loan Mortgage Corporation	56,046,745

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**Note 4. 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 generally paid or received within the subsequent fiscal year.

Interfund accounts receivable (payable) balances at June 30, 2010 consisted of the following:

Receivable To	Payable From						Total
	Illinois Affordable Housing Trust	Home Program	Rental Housing Support Program	Administrative	Mortgage Loan Program	Single Family Program	
Administrative	\$947,356	\$869,156	\$127,631	\$ -	\$3,589,120	\$728,261	\$6,261,524
Mortgage Loan Program	-	-	-	15,728,806	-	-	15,728,806
Single Family Program	-	-	-	351,293	-	-	351,293
	<u>\$947,356</u>	<u>\$869,156</u>	<u>\$127,631</u>	<u>\$16,080,099</u>	<u>\$3,589,120</u>	<u>\$728,261</u>	<u>\$22,341,623</u>

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund 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 the real estate investment, ML-181, to these accounts, partially reversed by a \$5.4 million fiscal year 2006 transfer to the Administrative Fund, plus interfund accounts receivables related to mortgage assistance provided to two previously distressed loans, Innsbruck Apartments (\$4.4 million) and Larkin Village (\$2.8 million). The Authority intends to reverse the remaining amounts of the transfers upon the disposition of the properties.

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**

Transfers for the year ended June 30, 2010 consisted of the following:

Transfer in	Transfers Out			Total
	Illinois Affordable Housing Trust	Administrative	Single Family Program	
Administrative	\$ -	\$ -	\$ 26,685	\$ 26,685
Mortgage Loan Program	5,200,000	454,120	-	5,654,120
	<u>\$ 5,200,000</u>	<u>\$ 454,120</u>	<u>\$ 26,685</u>	<u>\$ 5,680,805</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, 2010 totaled \$5,200,000. The \$454,120 transfer from the Administrative Fund to the Mortgage Loan Program was to pay issuance and other costs of Multifamily Initiative Bonds.



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**Note 5. Program Loans Receivable**

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area. The following summarizes the Program Loans Receivable activity for the Authority for the year ended June 30, 2010:

	Net program loans receivable June 30, 2009	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2010
(Dollars in thousands)						
Governmental Funds:						
Illinois Affordable Housing Trust Fund	\$ 303,526	\$ 10,583	\$ (5,023)	\$ (1,152)	\$ -	\$ 307,934
HOME Program Fund	189,338	7,627	(1,668)	(2,945)	-	192,352
ARRA Program	-	28,344	-	-	-	28,344
Total Governmental Funds	<u>\$ 492,864</u>	<u>\$ 46,554</u>	<u>\$ (6,691)</u>	<u>\$ (4,097)</u>	<u>\$ -</u>	<u>\$ 528,630</u>
Proprietary Funds:						
Administrative Fund	\$ 86,451	\$ 131	\$ (2,130)	\$ (677)	\$ 162	\$ 83,937
Mortgage Loan Program Fund:						
Housing Bonds	498,897	-	(26,072)	(2,027)	269	471,067
Multifamily Housing Revenue Bonds (Marywood)	11,254	-	-	(321)	-	10,933
Multifamily Bonds (Turnberr Affordable Housing Program)	5,114	-	(52)	(304)	-	4,758
Trust Fund Bonds	52,123	-	(3,139)	(195)	-	48,789
Total Mortgage Loan Program Fund	<u>567,388</u>	<u>-</u>	<u>(29,263)</u>	<u>(2,847)</u>	<u>269</u>	<u>535,547</u>
Single Family Program Fund	783,021	-	(97,367)	(1,324)	(2,205)	682,125
Total Proprietary Funds	<u>\$ 1,436,860</u>	<u>\$ 131</u>	<u>\$ (128,760)</u>	<u>\$ (4,848)</u>	<u>\$ (1,774)</u>	<u>\$ 1,301,609</u>

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 8 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 Housing 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.

At June 30, 2010, 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 \$712,221 and \$1,329,708, respectively.

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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 \$4.4 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 or upon sale of the development.

The Authority's policy for converting mortgage loans, except for loans financed under the Single Family Mortgage Loan Program, to non-accrual status is to discontinue the accrual of interest when a loan becomes 90 days past due. In addition, the Authority does not accrue interest income on loans in which payments are to be made from residual receipts of the development. Payments on such loans are recognized only as received. For loans receivable within the Single Family Mortgage Loan Program, the Authority accrues interest income on all loans unless they become Real Estate Owned properties, at which time the accrual is suspended.

As of June 30, 2010, the accrual of interest and service fee income was suspended on approximately \$2.9 million of mortgage loans in the Mortgage Loan Program Fund and such income was recognized only as received. Interest and service fee income due but not accrued was approximately \$584,000 in the Mortgage Loan Program Fund and \$60,000 in the Administrative Fund. In addition, the Authority does not accrue interest income on approximately \$12.1 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 \$201,000.

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, 2010, loans receivable under this program were approximately \$1.6 million.

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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% of the loss, as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk. The program's service and insurance fee incomes are recorded in the Administrative Fund.

The Authority, as of June 30, 2010, has entered into forty Risk Sharing Loans totaling \$226,312,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Except for eleven loans totaling \$67,412,699 financed through the issuance of the Authority's Housing Bonds and one loan in the amount of \$15,460,000 financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

Marywood Apartments Homes, L.P., the borrower for the Marywood Apartment Homes development, has defaulted under the loans made by the Authority, which include the Risk Sharing Loan within the Authority's Multi-Family Housing Revenue Bonds (Marywood) and loans within the Administrative Fund and Housing Bond Fund Accounts. The Authority has filed a foreclosure action and a claim with HUD for payment of the Risk Share Insurance. HUD has paid to the Authority during the fiscal year the Risk Share Insurance and the Authority has taken the proceeds of the insurance and redeemed the Authority's Multi-Family Housing Revenue Bonds (Marywood). The Risk Share Insurance regulations required the Authority to issue to HUD a debenture, which bears interest at an annual rate of 5% and matures in five years, in the amount of \$14,884,996, which is the amount of the proceeds of the Risk Share Insurance provided by HUD.

Under the terms of the Risk Share insurance in respect to the above development, HUD will bear 50% of the loss on the Risk Sharing loan. The Authority has reviewed the program loans receivable pertaining to the Marywood Apartment Homes development, for the purpose of determining ultimate collectibility, and believes that the allowances for estimated losses at June 30, 2010 in the accompanying financial statements are adequate to cover estimated losses of the loans.

At June 30, 2010, for loans financed under the Risk Sharing Program where the Authority sold 100% participation interests in the loans to outside parties, 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.

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. The agreement allows (or provides) the Authority to share its risk with Ambac on the aggregate loan portfolio after the satisfaction of certain requirements and thresholds. As of June 30, 2010, the Authority has entered into eight Ambac Loans totaling \$32,392,200. Except for one loan in the amount of \$5,320,000 financed through the issuance of the Authority's Multifamily Bonds (Turnberry), these loans are not included in the Authority's financial statements as the Authority sold 100% participation interests in the loans to outside parties.

The Participation and Servicing Agreements for ten loans previously issued under the program contained a provision that, if Standard and Poor's Rating Services and Fitch IBCA, or their successors, both lowered the general obligation rating of Ambac to a level below AAA and Moody's Investor Service, Inc. or its successor also lowered the general obligation rating of Ambac to a level below Aaa, and if the Authority was unable within sixty business days to find a substitute guarantor of the payments due under the Participation Interest

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with a general obligation rating of AAA or Aaa by any nationally recognized rating agency maintaining a general obligation rating on such insurer; or the Participant had the right to require the repurchase of the Mortgage Loan, then the Participant may elect to require the Authority to repurchase the Ownership Interest from the Participant within ten business days.

As of June 30, 2008 the above three rating services had lowered their ratings of Ambac to below the prescribed levels. The Authority did not provide a substitute guarantor, and the holder of the participation interests of four of the above loans, with outstanding balances totaling approximately \$33.9 million, during fiscal year 2009 exercised its right to require the repurchase of the Mortgage Loans. The Authority recorded as of June 30, 2008 a short term liability to purchase the four loans that the Participant elected to require the Authority to repurchase, and during fiscal year 2009 completed the purchase. The owner of the participation interests in the remaining six loans requested, and the Authority granted, an extension of the sixty day time period for the above actions or determinations to be made. The owner subsequently exercised its right to require the repurchase of the Mortgage Loans, and the Authority in November 2008 completed the purchase, the outstanding principal balances of which totaled approximately \$81.9 million. The remaining eight loans for which outside parties hold 100% participation interests do not have a re-purchase provision.

The above loans were purchased from existing Authority cash and investment resources and are recorded within the Authority's Administrative Fund (\$49.7 million) and Housing Bond Fund (\$66.1 million) accounts.

At June 30, 2010, for loans financed under the Mortgage Participation Certificate Program where the Authority sold 100% participation interests in the loans to outside parties, 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, 2010, 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 0% 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 5.0%, 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, 2010 are as follows:

Interest rate %	Principal due by June 30				Total
	2011	2012 - 2016	2017 - 2026	After 2026	
	(Dollars in thousands)				
0 – 0.99	\$ 1,675	\$ 10,100	\$ 40,070	\$ 99,639	\$ 151,484
1 – 1.99	1,779	15,642	50,984	86,820	155,225
2 – 3.99	501	2,898	7,220	8,239	18,858
4 – 5.75	66	515	1,748	440	2,769
	<u>\$ 4,021</u>	<u>\$ 29,155</u>	<u>\$ 100,022</u>	<u>\$ 195,138</u>	<u>\$ 328,336</u>

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The approximate aging of the receivables of the HOME program as of June 30, 2010 are as follows:

Interest rate %	Principal due by June 30				Total
	2011	2012 - 2016	2017 - 2026	After 2026	
	(Dollars in thousands)				
0 – 0.99	\$ 296	\$ 3,568	\$ 22,006	\$ 29,033	\$ 54,903
1 – 1.99	1,266	10,916	54,449	65,910	132,541
2 – 3.99	315	1,787	3,637	494	6,233
4 – 6.50	3	1,149	3,844	1,334	6,330
	<u>\$ 1,880</u>	<u>\$ 17,420</u>	<u>\$ 83,936</u>	<u>\$ 96,771</u>	<u>\$ 200,007</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, 2010 in the accompanying financial statements are adequate to cover estimated losses of the various funds. The following summarizes the changes in the allowance for estimated losses on program loans receivable during the year ended June 30, 2010:

	Allowance for estimated losses June 30, 2009	Provision for estimated losses	Write-offs of uncollectible losses, net of Recoveries	Allowance for estimated losses June 30, 2010
	(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	\$ 19,250	\$ 1,240	\$ (88)	\$ 20,402
HOME Program Fund	4,710	2,945	-	7,655
Total governmental funds	<u>\$ 23,960</u>	<u>\$ 4,185</u>	<u>\$ (88)</u>	<u>\$ 28,057</u>
Administrative Fund	\$ 4,335	\$ 677	\$ -	\$ 5,012
Mortgage Loan Program Fund	15,335	2,847	-	18,182
Single Family Program Fund	-	1,324	-	1,324
Total proprietary funds	<u>\$ 19,670</u>	<u>\$ 4,848</u>	<u>\$ -</u>	<u>\$ 24,518</u>

State statute requires that all uncollected receivables due that exceed \$1,000 be submitted to the Attorney General to be certified as uncollectible before the Authority can delete such receivables from its records. As of June 30, 2010, the Authority has requested sixteen such certifications totaling \$2,805,905, all for loans within the Illinois Affordable Housing Trust Fund. Additional certification requests are anticipated to be filed as loss amounts are determined following the conclusion of foreclosure or other loss mitigation activities. The Authority has established provisions for estimated losses against such loans requested and to be requested for such certifications in amounts equal to the outstanding principal balances of the loans.

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Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2010 and thereafter are as follows (Dollars in thousands):

2011	\$	43,401
2012		47,105
2013		49,027
2014		90,251
2015		52,305
After 2015		1,044,038
	\$	<u>1,326,127</u>

**Note 6. Capital Assets – Business-Type Activities**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Cost</u></b>				
Capital Assets Being Depreciated:				
<u>Administrative Fund</u>				
Leasehold Improvements	\$ 1,805,108	\$ -	\$ 1,805,108	\$ -
Furniture and Equipment	1,863,239	29,795	161,529	1,731,505
Total Administrative Fund	<u>3,668,347</u>	<u>29,795</u>	<u>1,966,637</u>	<u>1,731,505</u>
<u>Mortgage Loan Program Fund</u>				
Real Estate	41,119,570	-	68,524	41,051,046
Total Capital Assets Being Depreciated	<u>44,787,917</u>	<u>29,795</u>	<u>2,035,161</u>	<u>42,782,551</u>
<b><u>Accumulated Depreciation</u></b>				
<u>Administrative Fund</u>				
Leasehold Improvements	1,805,108	-	1,805,108	-
Furniture and Equipment	1,733,332	47,697	161,529	1,619,500
Total Administrative Fund	<u>3,538,440</u>	<u>47,697</u>	<u>1,966,637</u>	<u>1,619,500</u>
<u>Mortgage Loan Program Fund</u>				
Real Estate	12,611,000	800,000	-	13,411,000
Total Accumulated Depreciation	<u>16,149,440</u>	<u>847,697</u>	<u>1,966,637</u>	<u>15,030,500</u>
<b><u>Capital Assets, Net of Depreciation</u></b>	<b><u>\$ 28,638,477</u></b>	<b><u>\$ (817,902)</u></b>	<b><u>\$ 68,524</u></b>	<b><u>\$ 27,752,051</u></b>

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**Note 7. 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 and Multi-family Bonds (Turnberry), 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.

The Authority has pledged future mortgage loan revenues, net of specified operating expenses, to repay the outstanding \$1,246.6 billion (principal) in S.L.O. Bonds as noted in the following schedules for our Mortgage Loan program and Single Family Program Funds. The total principal and interest remaining to be paid on the S.L.O. Bonds is \$1,837.3 billion. Interest paid for the current year was \$47,114,794, and total related mortgage loan principal and interest received were \$42,330,576 and \$100,556,999, respectively.

Bonds and notes outstanding at June 30, 2010 are as follows. The June 30, 2009 amounts are shown for comparative purposes only.

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***Mortgage Loan Program Fund***

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

	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2010	2009
Housing Bonds:					
1999 Series A	2010-2031	4.65-5.25 %	G.O.	\$ 8,765,000	\$ 10,415,000
2003 Series A	2010-2046	3.75-5.05	G.O.	18,715,000	19,155,000
2003 Series B	2010-2040	3.30-5.05	G.O.	41,250,000	44,415,000
2003 Series C	2010-2034	3.75-4.95	G.O.	4,775,000	5,055,000
2004 Series A	2013-2039	2.90-4.70	G.O.	19,515,000	20,555,000
2004 Series B(1)	2010-2034	Variable	G.O.	6,250,000	7,000,000
2004 Series C	2010-2045	4.10-5.45	G.O.	10,845,000	11,295,000
2005 Series A	2010-2035	3.25-4.60	G.O.	20,430,000	21,290,000
2005 Series B (Taxable)	2010-2012	4.79-5.02	G.O.	370,000	720,000
2005 Series C	2015-2042	4.38-5.00	G.O.	10,340,000	10,470,000
2005 Series D	2010-2047	4.88	G.O.	6,440,000	6,490,000
2005 Series E	2011-2036	3.65-4.80	G.O.	24,760,000	24,760,000
2005 Series F (Taxable)	2010-2029	4.89-5.84	G.O.	15,295,000	16,400,000
2006 Series A	2010-2038	4.10-5.05	G.O.	7,920,000	8,040,000
2006 Series B	2010-2046	4.75-5.00	G.O.	13,295,000	13,450,000
2006 Series D	2010-2042	4.85-5.00	G.O.	6,055,000	6,120,000
2006 Series E	2010-2042	4.00-4.95	G.O.	7,915,000	8,005,000
2006 Series F	2010-2047	4.00-5.00	G.O.	3,765,000	3,855,000
2006 Series G	2010-2037	3.90-4.85	G.O.	47,535,000	50,810,000
2006 Series H (Taxable)	2010-2028	5.21-6.06	G.O.	9,750,000	10,275,000
2006 Series I	2010-2048	4.70-4.85	G.O.	7,160,000	7,210,000
2006 Series J	2010-2048	4.50-5.00	G.O.	3,445,000	3,475,000
2006 Series K	2010-2023	3.90-4.60	G.O.	2,915,000	6,400,000
2006 Series M	2010-2047	3.70-4.50	G.O.	12,220,000	12,330,000
2007 Series A	2010-2048	3.80-5.55	G.O.	5,490,000	5,865,000
2007 Series C	2010-2044	3.80-5.38	G.O.	9,580,000	9,605,000
2007 Series D	2010-2043	3.65-5.05	G.O.	37,175,000	39,845,000
2007 Series E (Taxable)	2010-2033	5.66-6.54	G.O.	8,575,000	8,930,000
2007 Series F	2010-2044	4.70-5.35	G.O.	6,705,000	6,775,000
2007 Series G	2010-2044	4.70-5.35	G.O.	5,585,000	5,640,000
2008 Series A(1)	2027	Variable	G.O.	13,810,000	14,170,000
2008 Series B(1)	2010-2027	Variable	G.O.	35,785,000	36,885,000
2008 Series C(1)	2041	Variable	G.O.	5,425,000	5,500,000
				<u>437,855,000</u>	<u>461,205,000</u>
Less unamortized discount thereon				135,634	138,654
Less deferred loss on refunding				7,898,828	9,405,908
Plus deferred gain on refunding				916,555	1,080,931
Total Housing Bonds				<u>430,737,093</u>	<u>452,741,369</u>



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	<u>Maturity dates</u>	<u>Interest rate range %</u>	<u>Debt class</u>	<u>Amount</u>	
				<u>June 30</u>	
				<u>2010</u>	<u>2009</u>
Multifamily Initiative Bonds <sup>(2)</sup> :					
Series 2009A	2010	Variable	S.L.O.	\$ 184,080,000	\$ -
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes					
HUD Riskshare Debenture	2013	5.00	G.O	14,884,996	14,884,996
Multifamily Bonds:					
Turnberry Village II Apartments	2010-2045	4.50-4.75	S.L.O.	5,055,000	5,115,000
Affordable Housing Program					
Trust Fund Bonds:					
Series 2004	2010-2026	5.50-6.21	S.L.O.	37,945,000	39,375,000
Series 2005 A	2010-2027	5.60-6.35	S.L.O.	26,370,000	27,515,000
Total Affordable Housing Program Trust Fund Bonds				64,315,000	66,890,000
Total Mortgage Loan Program Fund				\$ 669,072,089	\$ 539,631,365

- (1) In accordance with the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from .30% to .40% at June 30, 2010. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing Agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Housing Bonds 2004 Series B, and the higher of 7%, Prime Rate or Federal Funds Rate plus 50 basis points for the Housing Bonds 2008 A, B and C. The liquidity agreements for Housing Bonds 2004 Series B and Housing Bonds 2008 A, B and C will expire on March 31, 2014 and April 30, 2011, respectively. The bonds and Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on the bonds and Bank Bonds are subject to the credit enhancement agreements with credit enhancement providers (Enhancement Providers). The Authority has a general obligation to reimburse the Liquidity Providers and Enhancement Providers for any such payments made.
- (2) In December 2009, the Authority participated in the Treasury Program by issuing \$184 million of Multifamily Initiative bonds held in escrow to be converted to long-term fixed rate and used to fund and finance multifamily developments within the Mortgage Loan Program fund. The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow. It also requires the Authority to convert all funds held in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate) to long-term fixed rate bonds and also allows for a lower rate to be paid on the roll out of the long-term fixed rate bonds.

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**Single Family Program Fund**

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

	<u>Maturity dates</u>	<u>Interest rate range %</u>	<u>Debt class</u>	<u>Amount</u>	
				<u>June 30</u>	
				<u>2010</u>	<u>2009</u>
Residential Mortgage Revenue					
Bonds:					
1983 Series A	2015	10.872 %	G.O.	\$ 3,077	\$ 2,768
1983 Series B	2015	10.746	G.O.	3,094	2,787
1984 Series B	2016	11.257	G.O.	2,713	2,431
1985 Series A	2017	10.75	G.O.	2,509	2,260
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
Total Residential Mortgage Revenue Bonds				<u>\$ 311,393</u>	<u>\$ 310,246</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:

<u>Series</u>	<u>Redemption basis and period</u>	<u>Original issue amount (1)</u>	<u>Accreted value</u>		<u>Aggregate value to be redeemed</u>
			<u>June 30</u>		
			<u>2010</u>	<u>2009</u>	
1983 Series A	Maturity 2/1/15	\$ 180	\$ 3,077	\$ 2,768	\$ 5,000
1983 Series B	Maturity 2/1/15	193	3,094	2,787	5,000
1984 Series B	Maturity 2/1/16	166	2,713	2,431	5,000
1985 Series A	Maturity 2/1/17	190	2,509	2,260	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2010.

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	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2010	2009
Homeowner Mortgage Revenue Bonds:					
1996 Series E	2008-2010	5.55-5.65 %	S.L.O.	\$ -	\$ 395,000
1996 Series F	2008-2010	5.05	S.L.O.	-	145,000
1997 Series B (remarketed 4/30/98)	2008-2028	4.90-5.50	S.L.O.	-	2,500,000
1997 Series B (remarketed 6/29/98)	2011-2028	5.20-5.40	S.L.O.	1,000,000	8,970,000
1997 Series D	2008-2009	5.05	S.L.O.	-	35,000
1997 Series D-3 (Taxable)	2022-2028	6.60	S.L.O.	-	795,000
1998 Series A (Taxable)	2010-2028	6.45-6.52	S.L.O.	1,645,000	2,555,000
1998 Series D (remarketed 10/7/98)	2010-2029	4.65-5.20	S.L.O.	10,610,000	11,650,000
1998 Series D (remarketed 12/17/98)	2012-2029	5.05-5.25	S.L.O.	5,910,000	6,565,000
1998 Series D (remarketed 4/29/99)	2010-2017	4.80-5.10	S.L.O.	10,005,000	11,360,000
1998 Series E (Taxable)	2008-2029	5.66-5.91	S.L.O.	-	4,360,000
1998 Series G	2010-2029	5.00-5.25	S.L.O.	11,375,000	11,950,000
1999 Series D	2010-2016	5.30	S.L.O.	335,000	4,570,000
1999 Series G	2010-2031	5.35	S.L.O.	95,000	775,000
2000 Series B	2008-2031	5.15	S.L.O.	-	40,000
2000 Series C-4 (Taxable)	2008-2031	8.19	S.L.O.	-	1,070,000
2000 Series D	2010-2012	5.10-5.35	S.L.O.	545,000	1,250,000
2000 Series E	2010-2013	5.00-5.30	S.L.O.	740,000	2,115,000
2001 Series A	2010-2032	4.60-5.35	S.L.O.	8,430,000	25,740,000
2001 Series C	2010-2032	4.45-5.10	S.L.O.	7,290,000	26,350,000
2001 Series D (Taxable)	2008-2032	Variable	S.L.O.	-	755,000
2001 Series E	2010-2033	4.80-5.20	S.L.O.	7,975,000	26,375,000
2001 Series F (Taxable) (1)	2016-2020	Variable	S.L.O.	10,000,000	10,000,000
2002 Series A	2008-2033	4.60-5.63	S.L.O.	4,845,000	23,025,000
2002 Series B (Taxable) (2)	2008-2023	Variable	S.L.O.	5,610,000	6,395,000
2002 Series C	2008-2033	3.70-5.40	S.L.O.	34,025,000	36,835,000
2003 Series B	2008-2034	3.00-5.15	S.L.O.	35,265,000	38,195,000
2004 Series A	2008-2034	2.40-4.75	S.L.O.	27,625,000	29,945,000
2004 Series A-3 (3)	2026-2034	Variable	S.L.O.	10,675,000	10,675,000
2004 Series C	2008-2034	4.00-5.35	S.L.O.	57,305,000	59,015,000
2004 Series C-3 (3)	2025-2034	Variable	S.L.O.	16,000,000	16,000,000
2005 Series A	2008-2035	3.00-5.00	S.L.O.	42,095,000	45,630,000
2005 Series A-3 (3)	2025-2035	Variable	S.L.O.	20,000,000	20,000,000
2005 Series C	2008-2035	3.25-5.25	S.L.O.	84,455,000	90,075,000
2006 Series A	2008-2036	3.55-5.00	S.L.O.	73,880,000	79,100,000
2006 Series B (Taxable)	2008-2036	5.01-5.31	S.L.O.	-	6,705,000
2006 Series C	2008-2037	3.88-5.15	S.L.O.	116,700,000	121,670,000

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	Maturity dates	Interest rate range %	Debt class	Amount	
				2010	2009
Homeowner Mortgage					
Revenue Bonds (continued):					
2007 Series A	2008-2037	3.85-4.90	S.L.O.	\$ 62,485,000	\$ 63,810,000
2007 Series D	2008-2038	4.00-5.35	S.L.O.	62,340,000	64,215,000
2007 Series H	2017-2039	1.85-1.98	S.L.O.	-	61,010,000
2007 Series H (remarketed 1/30/08)	2009-2039	3.05-5.20	S.L.O.	54,750,000	55,930,000
2008 Series A	2009-2038	2.95-5.20	S.L.O.	9,160,000	10,285,000
2009 Series B (4)	2010	Variable	S.L.O.	200,000,000	-
				993,170,000	998,835,000
Plus unamortized premium thereon				1,371,793	1,581,680
				994,541,793	1,000,416,680
				<u>\$ 994,853,186</u>	<u>\$ 1,000,726,926</u>
Total Single Family Program Fund					

(1) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.40% for 2001 Series F. The variable rates paid on the subject bonds was .75375% at June 30, 2010. The Authority has entered into pay-fixed, receive variable, interest rate swap agreements in connection with these bonds, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds.

(2) In accordance to the indenture, interest rates on the bonds are determined and paid monthly based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was .7688% at June 30, 2010.

(3) In accordance to the indenture, interest rates on the bonds are determined weekly and are paid monthly at a rate established by the Remarketing Agents on each Rate Determination Date. The variable rates paid on the subject bonds ranged from .25% to .35% at June 30, 2010. Pursuant to the liquidity agreements, the bonds are subject for purchase by liquidity providers (Liquidity Providers) in the event of a tender by bondholders (Bank Bonds). Subject to other provisions within the liquidity agreements, the Bank Bonds will bear interest at a rate specified within the agreements and continue to be subject for remarketing by Remarketing Agents. In the event the Remarketing agents are unable to remarket the Bank Bonds over a certain period of time, the Bank Bonds are subject to a put whereby the Authority is required to purchase and redeem the Bank Bonds over a period stated within the agreements. The Authority has a take-out agreement with the liquidity providers to convert the bonds to an installment loan payable over a three-to-five year period. The interest rate that is to be paid during the liquidity and the put periods is 1 Month LIBOR plus 50 basis points for the Homeowner Mortgage Revenue Bonds (HMRB) 2004 Subseries A-3, and 3 Month LIBOR plus 150 basis points for the HMRB 2004 Subseries C-3 and the HMRB 2005 Subseries A-3. The liquidity agreements for HMRB 2004 Subseries A-3, HMRB Subseries C-3 and HMRB 2005 Subseries A-3 will expire on March 16, 2014, July 13, 2012 and March 10, 2013, respectively.

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The Bank Bonds are general obligations of the Authority and the timely payment of principal and interest on some bonds are subject to the credit enhancement agreements with credit enhancement providers (Enhancement Providers). The Authority has a general obligation to reimburse the Liquidity Providers and Enhancement Providers for any such payments made.

(4) In December 2009, the Authority participated in the Treasury Program by issuing \$200 million of Homeowner Mortgage Revenue bonds held in escrow to be converted to long-term fixed rate and used to fund and finance single family loans within the Single Family Program Fund. The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow. It also required the Authority to convert all funds held in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender. On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate to long-term fixed rate bonds and also allows for a lower rate to be paid on the roll out of the long-term fixed rate bonds.

**Administrative Fund**

Outstanding debt of the Administrative Fund is as follows:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Debt class</u>	<u>Amount</u>	
				<u>June 30</u>	
				<u>2010</u>	<u>2009</u>
Term loans	2012	1.79-5.45%	Loan	\$ 7,900,000	\$ 6,233,333

The Authority has entered into an agreement with a bank to obtain one or more term loans up to a total of \$10,000,000, of which \$5,000,000 is collateralized by a lien and security interest in the Lakeshore Plaza Development. As of June 30, 2010, the Authority had loans totaling \$7,900,000 against this agreement, at an interest rate of 5.45% for a borrowing of \$1,666,667, 5.03% for a borrowing of \$2,900,000, 4.18% for a borrowing of \$1,666,667 and 1.79% for a borrowing of \$1,666,666.

The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2010:

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	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	<u>Amount due within one year</u>
Administrative Fund	\$ 6,233,333	\$ 1,666,667	\$ -	\$ 7,900,000	\$ -
Mortgage Loan Program Fund:					
Housing Bonds	461,205,000	-	(23,350,000)	437,855,000	73,630,000
Discount on Housing Bonds	(138,654)	-	3,020	(135,634)	-
Deferred loss on refunding Housing Bonds	(9,405,908)	-	1,507,080	(7,898,828)	-
Deferred gain on refunding Housing Bonds	1,080,931	-	(164,376)	916,555	-
Multifamily Initiative Bonds	-	184,080,000	-	184,080,000	184,080,000
Multifamily Housing Revenue Bonds (Marywood)	14,884,996	-	-	14,884,996	-
Multifamily Bonds (Turnberry II)	5,115,000	-	(60,000)	5,055,000	60,000
Affordable Housing Program Trust Fund Bonds	66,890,000	-	(2,575,000)	64,315,000	2,705,000
Total Mortgage Loan Program Fund	<u>539,631,365</u>	<u>184,080,000</u>	<u>(24,639,276)</u>	<u>699,072,089</u>	<u>260,475,000</u>
Single Family Program Fund:					
Residential Mortgage Revenue Bonds	310,246	1,147	-	311,393	-
Homeowner Mortgage Revenue Bonds	998,835,000	200,000,000	(205,665,000)	993,170,000	215,470,000
Premium on Homeowner Mortgage Revenue Bonds	1,581,680	-	(209,887)	1,371,793	-
Total Single Family Program Fund	<u>1,000,726,926</u>	<u>200,001,147</u>	<u>(205,874,887)</u>	<u>994,853,186</u>	<u>215,470,000</u>
Total Proprietary Funds	<u>\$ 1,546,591,624</u>	<u>\$ 385,747,814</u>	<u>\$ (230,514,163)</u>	<u>\$ 1,701,825,275</u>	<u>\$ 475,945,000</u>

**Debt Covenant Compliance**

The Authority covenants in its various bond indentures to provide audited financial statements to the trustees named by the bond indentures within 120 days following the end of its fiscal year. The delivery of the audited financial statements with respect to the fiscal year ended on June 30, 2010 was delayed by approximately 18 days for non-financial reasons. The delay does not result in any adverse consequences to the Authority under the bond indentures.

**Defeased Debt**

The Authority has defeased debt by placing the proceeds of new bonds and other amounts in an irrevocable trust to provide for all future debt service payments of the old bonds. At June 30, 2010, the following outstanding bonds are considered defeased.

<u>Issue</u>	<u>Amount</u>
Insured Mortgage Housing Development Bonds, 1976 Series A	\$ 3,015,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
	<u>\$ 25,055,000</u>

**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.

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Accordingly, the bonds and the related mortgage loans 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, 2010, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of \$357,418,786.

***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	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding.
Housing Bonds	The amount established by each series resolution, currently six months of maximum principal and interest payments.
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 of related mortgage loans and (ii) the amount on deposit to the credit of series program accounts of 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, 2010, these amounts, which were not less than the amounts required, are as follows:

Housing Bonds	\$ 20,376,381
Homeowner Mortgage Revenue Bonds	<u>29,714,077</u>
	<u>\$ 50,090,458</u>

In addition to the above, the debt service reserve requirements of the following bond issues are satisfied by surety arrangements.

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<u>Issue</u>	<u>Valuation</u>
Housing Bonds, 2003 Series C	\$ 260,000
Housing Bonds, 2004 Series B	500,000
Multifamily Bonds, Series 2003 (Turnberry II)	Not Applicable
Affordable Housing Program Trust Fund Bonds, Series 2004 and 2005A	7,231,723

***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>		
Housing Bonds, 1999 A	July 1, 2010	100.5	to	100
Homeowner Mortgage Revenue Bonds:				
1998 Series D remarketed October 7, 1998	July 1, 2010	100.5	to	100
1998 Series D remarketed December 17, 1998	July 1, 2010	100.5	to	100
1998 Series D remarketed April 29, 1999	July 1, 2010	100.5	to	100
1998 Series G	July 1, 2010	100.5	to	100



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Debt service requirements (dollars in millions) through 2015 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		Total	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal*	Interest
Year ending June 30:								
2011	\$ -	\$ 0.3	\$ 260.5	\$ 23.5	\$ 215.5	\$ 36.1	\$ 476.0	\$ 59.9
2012	7.9	0.3	20.7	21.4	23.3	35.4	51.9	57.1
2013	-	-	20.9	20.5	24.8	34.4	45.7	54.9
2014	-	-	36.0	19.6	25.8	33.4	61.8	53.0
2015	-	-	21.2	17.9	27.3	32.3	48.5	50.2
Five years ending June 30:								
2016-2020	-	-	87.5	75.6	136.3	141.6	223.8	217.2
2021-2025	-	-	66.2	57.1	126.4	110.6	192.6	167.7
2026-2030	-	-	52.9	40.0	158.3	78.5	211.2	118.5
2031-2035	-	-	56.4	27.4	184.5	40.2	240.9	67.6
2036-2040	-	-	48.0	13.7	71.3	6.5	119.3	20.2
2041-2045	-	-	28.3	4.8	-	-	28.3	4.8
2046-2049	-	-	7.6	0.3	-	-	7.6	0.3
	<u>\$ 7.9</u>	<u>\$ 0.6</u>	<u>\$ 706.2</u>	<u>\$ 321.8</u>	<u>\$ 993.5</u>	<u>\$ 549.0</u>	<u>\$ 1,707.6</u>	<u>\$ 871.4</u>

\*Includes capital appreciation bonds at their final redemption values.

**Derivatives**

The incurring of obligations by the Authority involves a variety of interest rate payments and other risks, for which a variety of financial instruments are available to offset, hedge, or reduce these payments and risks. It is the policy of the Authority to utilize Risk Management Agreements to better manage its assets and liabilities. The Authority may execute Risk Management Agreements if the transaction can be expected to result in at least one of, but not limited to, the following:

- a) The reduction of exposure to changes in interest rates on a particular financial transaction;
- b) A lower net cost of borrowing with respect to the Authority's debt;
- c) The management of variable interest rate exposure consistent with prudent debt practices;
- d) The achievement of more flexibility meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.

The Authority, as of June 30, 2010 has one active swap contract and four interest rate caps. Details are shown in the following tables.

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	Changes in Fair Value		Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	
Business-type activities					
Cash flow hedges:					
Pay-fixed interest rate swap:					
Series 2001 F	Deferred outflow	\$ (548,601)	Debt*	\$ (2,830,056)	\$ 10,000,000
Rate caps	Deferred outflow	(157,099)	Debt*	(43,823)	61,270,000

\* The fair value is classified as derivative instrument liability

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

The fair value of the interest rate swap and rate caps were estimated using data provided by the counterparties.

Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values(1)	Termination date	Counter-party credit rating(2)
Swap contracts:							
HMRB*:							
Series 2001 F	\$ 10,000,000	01/02	6.615	%1 mo LIBOR +40bp	\$ (2,830,056)	08/2020	A/A2
Interest Rate Caps:							
HB**:							
Series 2004 B	6,250,000	03/04	5.00	N/A	278	04/2012	A+/Aa3
Series 2008 A	13,810,000	01/08	5.75	N/A	2,967	12/2012	A+/Aa3
Series 2008 B	35,785,000	07/06	5.50	N/A	16	06/2011	A+/Aa3
Series 2008 C	5,425,000	06/06	4.75	N/A	(47,084)	06/2021	A/A2

\*Homeowner Mortgage Revenue Bonds

\*\*Housing Bonds

(1) includes accrued interest.

(2) Standard & Poors/Moody's

(3) Represents rate for swap and cap rate for interest rate caps.

To protect against the potential of rising interest rates, the Authority has entered into one pay-fixed, receive variable, interest rate swap agreement, 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 four interest rate cap agreements, the objective of which is 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, 2010 are shown in the above table. The notional amount of the swap and caps match the principal amount of the associated debt. The Authority's swap and cap agreements contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or an anticipated reduction in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreement, it had negative fair value as of June 30, 2010. The negative fair value 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

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Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2010, the Authority was not exposed to credit risk for the swap that had negative fair value. As interest rates change and the fair value becomes positive, the Authority is exposed to credit risk in the amount of the swap's or cap's fair value. The Authority is exposed to credit risk on the caps with positive fair value (2004 B, 2008 A, and 2008 B). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2010 was \$3,261. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. Fair value is a factor only upon termination.

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

The Authority or the counter-party may terminate the swap agreement if the other party fails to perform under the terms of the agreement. 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 agreement. The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the Authority will be re-exposed to the risks being hedged by the hedging derivative instrument. The Authority is exposed to rollover risk on the caps which have termination dates that occur prior to the final maturity of the related bonds.

As of June 30, 2010, 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 swap, net	Total
	Principal	Interest		
Year ending June 30:				
2011	\$ 2,435,000	\$ 277,773	\$ 586,125	\$ 3,298,898
2012	2,590,000	269,592	586,125	3,445,717
2013	1,845,000	261,738	586,125	2,692,863
2014	1,950,000	255,568	586,125	2,791,693
2015	2,060,000	249,079	586,125	2,895,204
Five years ending June 30:				
2020	20,695,000	1,002,708	1,875,600	23,573,308
2024	15,980,000	553,090	29,306	16,562,396
2030	19,285,000	211,073	-	19,496,073
2035	2,560,000	62,386	-	2,622,386
2040	1,365,000	25,620	-	1,390,620
Greater than 2040	505,000	2,090	-	507,090
Total	<u>\$ 71,270,000</u>	<u>\$ 3,170,717</u>	<u>\$ 4,835,531</u>	<u>\$ 79,276,248</u>

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

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**Note 8. 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 5). 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 9. Leases**

The Authority leases office facilities under a lease which extends through July 31, 2016, and which provides the Authority two successive five-year options to extend the lease beyond that date and, during certain time periods, to lease additional office facilities.

The office lease provides for annual base rent of approximately \$843,000 for fiscal year 2010, plus approximately \$882,000 for the Authority's 7.16% 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 2010, total rent expense of the Authority was \$1,608,968.

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The future minimum lease commitments in the five years subsequent to June 30, 2010 and thereafter are as follows:

2011	\$ 869,033
2012	895,434
2013	921,835
2014	948,236
2015	974,636
2016	<u>1,001,036</u>
	<u>\$ 5,610,210</u>

#### Note 10. Other Liabilities

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, 2010, is an estimated rebate liability of \$807,160.

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 11. 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 2010 was \$13,374,506. The Authority's contributions were calculated using the base salary amount of \$13,228,700. The Authority contributed \$793,722 or 6% of the base salary amount, in fiscal year 2010. Employee contributions amounted to \$884,527 in fiscal year 2010, or 6.7% of the base salary amount.

## ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Notes to Financial Statements

June 30, 2010

### **Note 12. Commitments**

At June 30, 2010, unexpended funds held by the Authority in the form of cash and investments amounting to \$260,049,904 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans. At June 30, 2010, unexpended bond proceeds held by the Authority in the form of cash and investments amounting to \$1,417,906 and \$184,136,077 in the Housing Bond and Multifamily Initiative Bond accounts were identified for the purpose of making various mortgage loans.

At June 30, 2010, the Authority had authorized commitments for loans and grants totaling \$9,629,881 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, \$397.2 million and \$24.2 million for federal fiscal years 1992 through 2009 and 2010, 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, 2010, the Authority had authorized commitments for loans and grants totaling \$29,822,584 for the HOME Program.

In accordance with an agreement (the "FAF 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. In November of 2006, the Authority entered into a new agreement (the "FAF Refunding Agreement") with HUD at the time of delivery of the Authority's Housing Bonds, 2007 Series G to refund the Multi-Family Housing Bonds, 1991 Series A, 1992 Series A, and 1993 Series A. 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, 2010, loans receivable under this program were approximately \$20.1 million.

### **Note 13. Subsequent Events**

The United States Department of the Treasury ("Treasury") initiated a program ("Treasury Program") whereby Treasury through Fannie Mae and Freddie Mac will purchase bonds directly from Housing Finance Authorities and act as bondholders. In December 2009, the Authority participated in the Treasury Program by issuing \$184 million of Multifamily Initiative Bonds and \$200 million of Homeowner Mortgage Revenue Bonds ("Bonds"). Proceeds from the Bonds upon conversion to long-term fixed rate will be used to fund and finance loans within the Mortgage Loan Fund and Single Family Loan Fund, respectively.

The Treasury Program provided the Authority the ability to convert up to three times the proceeds from the Bonds held in escrow into long-term fixed rate bonds. The Treasury Program also requires the Authority to convert all funds in escrow before December 31, 2010. Any funds remaining in escrow on December 31, 2010 are subject to a mandatory tender.

On September 1, 2010, Treasury amended the Treasury Program by extending it from December 31, 2010 to December 31, 2011. The amended Treasury Program also provides the Authority the ability to convert three additional times (or six in aggregate) to long-term fixed rate bonds.

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

Notes to Financial Statements

June 30, 2010

The Authority submitted a proposal on September 1, 2010 to Treasury and was approved to participate in the Federal housing program entitled the Housing Finance Agency Innovation fund for the Hardest Hit Housing Markets Program (the "HHF Program") created under the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time ("ESSA"). The state of Illinois was awarded \$445,603,557 to assist unemployed or substantially underemployed homeowners with interim mortgage payment assistance that will allow them to pursue sustainable income and homeownership through new employment or job training efforts without the immediate threat of default or foreclosure. The Authority will be the administrator of the HHF Program for Illinois and will be responsible for implementation and monitoring of the program throughout all areas of the State and all employment sectors as the foreclosure crisis and unemployment crisis in Illinois is diverse.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Net Assets

June 30, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 96,919	\$ 17,556	\$ -	\$ 27,570	\$ 483,933	\$ 625,978
Investment income receivable – restricted	171,211	-	-	-	55,488	226,699
Program loans receivable	19,424,000	-	-	55,000	3,664,000	23,143,000
Interest receivable on program loans	1,055,768	-	-	21,513	149,504	1,226,785
Due from other funds	15,706,866	-	-	21,940	-	15,728,806
Total current assets	<u>36,454,764</u>	<u>17,556</u>	<u>-</u>	<u>126,023</u>	<u>4,352,925</u>	<u>40,951,268</u>
Noncurrent assets:						
Investments – restricted	108,741,954	184,136,077	-	211,946	21,370,838	314,460,815
Program loans receivable, net of current portion	460,599,645	-	15,039,073	5,006,885	49,940,434	530,586,037
Less allowance for estimated losses	(8,956,598)	-	(4,106,574)	(303,713)	(4,814,983)	(18,181,868)
Net program loans receivable	<u>451,643,047</u>	<u>-</u>	<u>10,932,499</u>	<u>4,703,172</u>	<u>45,125,451</u>	<u>512,404,169</u>
Unamortized bond issuance costs	2,647,957	449,578	-	-	3,012,451	6,109,986
Real estate held for sale, net	123,558	-	-	-	-	123,558
Capital assets, net	27,640,046	-	-	-	-	27,640,046
Deferred outflow of resources	43,823	-	-	-	-	43,823
Other	-	-	-	-	28,461	28,461
Total noncurrent assets	<u>590,840,385</u>	<u>184,585,655</u>	<u>10,932,499</u>	<u>4,915,118</u>	<u>69,537,201</u>	<u>860,810,858</u>
Total assets	<u>627,295,149</u>	<u>184,603,211</u>	<u>10,932,499</u>	<u>5,041,141</u>	<u>73,890,126</u>	<u>901,762,126</u>
<b>Liabilities:</b>						
Current liabilities:						
Bonds and notes payable	73,630,000	184,080,000	-	60,000	2,705,000	260,475,000
Accrued interest payable	8,924,890	-	469,290	78,438	325,687	9,798,305
Deferred revenue	307,104	-	-	-	-	307,104
Amounts held on behalf of others	599,363	-	-	-	-	599,363
Accrued liabilities and other	931,016	17,125	-	-	203,060	1,151,201
Due to other funds	2,810,430	-	749,850	10,607	18,233	3,589,120
Total current liabilities	<u>87,202,803</u>	<u>184,097,125</u>	<u>1,219,140</u>	<u>149,045</u>	<u>3,251,980</u>	<u>275,920,093</u>
Noncurrent liabilities:						
Bonds and notes payable, net of current portion	357,107,093	-	14,884,996	4,995,000	61,610,000	438,597,089
Derivative instrument liability	43,823	-	-	-	-	43,823
Total liabilities	<u>444,353,719</u>	<u>184,097,125</u>	<u>16,104,136</u>	<u>5,144,045</u>	<u>64,861,980</u>	<u>714,561,005</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	(8,144,954)	-	-	-	-	(8,144,954)
Restricted for bond resolution purposes	191,086,384	506,086	-	-	9,028,146	200,620,616
Unrestricted	-	-	(5,171,637)	(102,904)	-	(5,274,541)
Total net assets	<u>\$ 182,941,430</u>	<u>\$ 506,086</u>	<u>\$ (5,171,637)</u>	<u>\$ (102,904)</u>	<u>\$ 9,028,146</u>	<u>\$ 187,201,121</u>



**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

Year ended June 30, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:						
Interest and other investment income	\$ 3,326,660	\$ 56,431	\$ -	\$ 507	\$ 151,257	\$ 3,534,855
Net increase (decrease) in fair value of investments	452,297	77	-	(79)	(13,533)	438,762
Total investment income	3,778,957	56,508	-	428	137,724	3,973,617
Interest earned on program loans	25,987,217	-	-	258,329	1,594,803	27,840,349
Federal assistance programs	4,068,870	-	-	-	-	4,068,870
Other	6,979,000	-	-	-	-	6,979,000
Total operating revenues	40,814,044	56,508	-	258,757	1,732,527	42,861,836
Operating expenses:						
Interest expense	20,182,406	4,542	744,249	236,438	4,326,257	25,493,892
Federal assistance programs	4,068,870	-	-	-	-	4,068,870
Financing costs	711,022	-	-	10,486	85,555	807,063
Provision for estimated losses on program loans receivable	2,026,598	-	321,574	303,713	194,983	2,846,868
Total operating expenses	26,988,896	4,542	1,065,823	550,637	4,606,795	33,216,693
Operating income (loss)	13,825,148	51,966	(1,065,823)	(291,880)	(2,874,268)	9,645,143
Transfers in	-	454,120	-	-	5,200,000	5,654,120
Total transfers	-	454,120	-	-	5,200,000	5,654,120
Change in net assets	13,825,148	506,086	(1,065,823)	(291,880)	2,325,732	15,299,263
Net assets (deficit) at beginning of year	169,116,282	-	(4,105,814)	188,976	6,702,414	171,901,858
Net assets (deficit) at end of year	\$ 182,941,430	\$ 506,086	\$ (5,171,637)	\$ (102,904)	\$ 9,028,146	\$ 187,201,121

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Mortgage Loan Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2010

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:						
Receipts for program loans, interest and service fees	\$ 51,793,002	\$ -	\$ -	\$ 312,075	\$ 4,659,232	\$ 56,764,309
Receipts for federal assistance programs	4,068,870	-	-	-	-	4,068,870
Payments for federal assistance programs	(4,068,870)	-	-	-	-	(4,068,870)
Payments to suppliers	(2,792,381)	17,125	-	(10,486)	(85,555)	(2,871,297)
Other receipts	7,741,516	-	-	-	-	7,741,516
Net cash provided by operating activities	<u>56,742,137</u>	<u>17,125</u>	<u>-</u>	<u>301,589</u>	<u>4,573,677</u>	<u>61,634,528</u>
Cash flows from noncapital financing activities:						
Proceeds from sale of revenue bonds and notes	-	184,080,000	-	-	-	184,080,000
Principal paid on revenue bonds and notes	(23,350,000)	-	-	(60,000)	(2,575,000)	(25,985,000)
Interest paid on revenue bonds and notes	(19,004,299)	(454,120)	(744,250)	(237,338)	(4,012,945)	(24,452,952)
Due to other funds	(228,508)	-	744,250	6,664	(9,567)	512,839
Due from other funds	(1,396,254)	-	-	-	-	(1,396,254)
Transfers in	-	454,120	-	-	5,200,000	5,654,120
Net cash provided by (used in) noncapital financing activities	<u>(43,979,061)</u>	<u>184,080,000</u>	<u>-</u>	<u>(290,674)</u>	<u>(1,397,512)</u>	<u>138,412,753</u>
Cash flows from investing activities:						
Purchase of investment securities	(226,767,149)	(1,104,596,384)	-	(471,868)	(48,977,013)	(1,380,812,414)
Proceeds from sales and maturities of investment securities	210,612,694	920,460,384	-	487,782	46,064,563	1,177,625,423
Interest received on investments	3,336,340	56,431	-	507	152,145	3,545,423
Net cash provided by (used in) investing activities	<u>(12,818,115)</u>	<u>(184,079,569)</u>	<u>-</u>	<u>16,421</u>	<u>(2,760,305)</u>	<u>(199,641,568)</u>
Net increase (decrease) in cash and cash equivalents	(55,039)	17,556	-	27,336	415,860	405,713
Cash and cash equivalents at beginning of year	151,958	-	-	234	68,073	220,265
Cash and cash equivalents at end of year	<u>\$ 96,919</u>	<u>\$ 17,556</u>	<u>\$ -</u>	<u>\$ 27,570</u>	<u>\$ 483,933</u>	<u>\$ 625,978</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 13,825,148	\$ 51,966	\$(1,065,823)	\$(291,880)	\$(2,874,268)	\$ 9,645,143
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Investment income	(3,778,957)	(56,508)	-	(428)	(137,724)	(3,973,617)
Interest expense	20,182,406	4,542	744,249	236,438	4,326,257	25,493,892
Depreciation and amortization	800,000	-	-	-	-	800,000
Provision for estimated losses on program loans receivable	2,026,598	-	321,574	303,713	194,983	2,846,868
Changes in assets and liabilities:						
Program loans receivable	25,803,643	-	-	52,458	3,138,764	28,994,865
Interest receivable on program loans	2,142	-	-	1,288	(74,403)	(70,973)
Other liabilities	(2,081,359)	17,125	-	-	-	(2,064,234)
Other assets	(37,484)	-	-	-	68	(37,416)
Total adjustments	<u>42,916,989</u>	<u>(34,841)</u>	<u>1,065,823</u>	<u>593,469</u>	<u>7,447,945</u>	<u>51,989,385</u>
Net cash provided by operating activities	<u>\$ 56,742,137</u>	<u>\$ 17,125</u>	<u>\$ -</u>	<u>\$ 301,589</u>	<u>\$ 4,573,677</u>	<u>\$ 61,634,528</u>
The fair value of investments increased (decreased)	<u>\$ 619,712</u>	<u>\$ 56,354</u>	<u>\$ -</u>	<u>\$ 428</u>	<u>\$ (7,381)</u>	<u>\$ 669,113</u>

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Net Assets

June 30, 2010

	<b>Homeowner Mortgage Revenue Bonds</b>	<b>Residential Mortgage Revenue Bonds</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 4,937,007	\$ 300	\$ 4,937,307
Investment income receivable – restricted	607,514	8,389	615,903
Program loans receivable	18,773,000	-	18,773,000
Interest receivable on program loans	3,224,970	-	3,224,970
Due from other funds	351,293	-	351,293
Total current assets	<u>27,893,784</u>	<u>8,689</u>	<u>27,902,473</u>
Noncurrent assets:			
Investments – restricted	391,309,945	458,997	391,768,942
Program loans receivable, net of current portion	664,676,732	-	664,676,732
Less allowance for estimated losses	<u>(1,324,389)</u>	<u>-</u>	<u>(1,324,389)</u>
Net program loans receivable	663,352,343	-	663,352,343
Unamortized bond issuance costs	7,057,298	-	7,057,298
Real estate held for sale, net	12,970,291	-	12,970,291
Deferred outflow of resources	2,830,056	-	2,830,056
Other	1,933,292	-	1,933,292
Total noncurrent assets	<u>1,079,453,225</u>	<u>458,997</u>	<u>1,079,912,222</u>
Total assets	<u>1,107,347,009</u>	<u>467,686</u>	<u>1,107,814,695</u>
<b>Liabilities:</b>			
Current liabilities:			
Bonds and notes payable	215,470,000	-	215,470,000
Accrued interest payable	15,116,029	10,115	15,126,144
Accrued liabilities and other	579,867	-	579,867
Due to other funds	728,261	-	728,261
Total current liabilities	<u>231,894,157</u>	<u>10,115</u>	<u>231,904,272</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	779,071,793	311,393	779,383,186
Derivative instrument liability	<u>2,830,056</u>	<u>-</u>	<u>2,830,056</u>
Total liabilities	<u>1,013,796,006</u>	<u>321,508</u>	<u>1,014,117,514</u>
<b>Net assets:</b>			
Restricted for bond resolution purposes	<u>93,551,003</u>	<u>146,178</u>	<u>93,697,181</u>
Total net assets	<u>\$ 93,551,003</u>	<u>\$ 146,178</u>	<u>\$ 93,697,181</u>

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

Year ended June 30, 2010

	<b>Homeowner Mortgage Revenue Bonds</b>	<b>Residential Mortgage Revenue Bonds</b>	<b>Total</b>
Operating revenues:			
Interest and other investment income	\$ 2,511,199	\$ 20,667	\$ 2,531,866
Net increase (decrease) in fair value of investments	<u>579,586</u>	<u>(40)</u>	<u>579,546</u>
Total investment income	3,090,785	20,627	3,111,412
Interest earned on program loans	<u>37,737,873</u>	<u>-</u>	<u>37,737,873</u>
Total operating revenues	<u>40,828,658</u>	<u>20,627</u>	<u>40,849,285</u>
Operating expenses:			
Interest expense	41,327,991	25,422	41,353,413
Professional fees	321,760	-	321,760
Other general and administrative	101,924	-	101,924
Financing costs	560,967	-	560,967
Provision for estimated losses on program loans receivable	<u>1,324,389</u>	<u>-</u>	<u>1,324,389</u>
Total operating expenses	<u>43,637,031</u>	<u>25,422</u>	<u>43,662,453</u>
Operating loss	<u>(2,808,373)</u>	<u>(4,795)</u>	<u>(2,813,168)</u>
Transfers out	<u>(26,685)</u>	<u>-</u>	<u>(26,685)</u>
Total transfers	<u>(26,685)</u>	<u>-</u>	<u>(26,685)</u>
Change in net assets	(2,835,058)	(4,795)	(2,839,853)
Net assets at beginning of year	<u>96,386,061</u>	<u>150,973</u>	<u>96,537,034</u>
Net assets at end of year	<u>\$ 93,551,003</u>	<u>\$ 146,178</u>	<u>\$ 93,697,181</u>

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Cash Flows

Year ended June 30, 2010

	<b>Homeowner Mortgage Revenue Bonds</b>	<b>Residential Mortgage Revenue Bonds</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Receipts for program loans, interest and service fees	\$ 128,572,966	\$ -	\$ 128,572,966
Payments to suppliers	(1,615,721)	-	(1,615,721)
Net cash provided by operating activities	<u>126,957,245</u>	<u>-</u>	<u>126,957,245</u>
<b>Cash flows from noncapital financing activities:</b>			
Proceeds from sale of revenue bonds and notes	200,000,000	1,147	200,001,147
Principal paid on revenue bonds and notes	(205,874,887)	-	(205,874,887)
Interest paid on revenue bonds and notes	(43,102,850)	(25,422)	(43,128,272)
Due to other funds	(390,484)	-	(390,484)
Due from other funds	(351,293)	-	(351,293)
Transfers out	(26,685)	-	(26,685)
Net cash used in noncapital financing activities	<u>(49,746,199)</u>	<u>(24,275)</u>	<u>(49,770,474)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	(2,323,887,360)	(318,883)	(2,324,206,243)
Proceeds from sales and maturities of investment securities	2,242,430,014	321,824	2,242,751,838
Interest received on investments	2,831,364	20,667	2,852,031
Net cash provided by (used in) investing activities	<u>(78,625,982)</u>	<u>23,608</u>	<u>(78,602,374)</u>
Net (decrease) in cash and cash equivalents	(1,414,936)	(667)	(1,415,603)
Cash and cash equivalents at beginning of year	6,351,943	967	6,352,910
Cash and cash equivalents at end of year	<u>\$ 4,937,007</u>	<u>\$ 300</u>	<u>\$ 4,937,307</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (2,808,373)	\$ (4,795)	\$ (2,813,168)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Investment income	(3,090,785)	(20,627)	(3,111,412)
Interest expense	41,327,991	25,422	41,353,413
Provision for estimated losses on program loans receivable	1,324,389	-	1,324,389
Changes in assets and liabilities:			
Program loans receivable	92,160,682	-	92,160,682
Interest receivable on program loans	607,703	-	607,703
Other liabilities	2,198,986	-	2,198,986
Other assets	(4,763,348)	-	(4,763,348)
Total adjustments	<u>129,765,618</u>	<u>4,795</u>	<u>129,770,413</u>
Net cash provided by operating activities	<u>\$ 126,957,245</u>	<u>\$ -</u>	<u>\$ 126,957,245</u>
<b>Noncash investing, capital and financing activities:</b>			
Transfer of foreclosed assets	\$ 7,410,079	\$ -	\$ 7,410,079
The fair value of investments increased (decreased)	<u>\$ 906,796</u>	<u>\$ 350</u>	<u>\$ 907,146</u>

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**APPENDIX B**

**CERTAIN PROGRAM INFORMATION**

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## Bonds Issued under the Program

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

<u>Series</u>	<u>Date of Issue</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of 09/30/2010</u>
1994 SERIES A	August 30, 1994	\$60,000,000	\$0
1994 SERIES B	December 13, 1994	41,100,000	0
1994 SERIES C	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	0
1995 SERIES C	April 24, 1995	22,660,000	0
1995 SERIES D	September 28, 1995	50,000,000	0
1995 SERIES E	December 21, 1995	65,000,000	0
1996 SERIES A	May 7, 1996	51,945,000	0
1996 SERIES B	June 12, 1996	40,000,000	0
1996 SERIES C	September 3, 1996	26,000,000	0
1996 SERIES D	September 3, 1996	11,315,000	0
1996 SERIES E	December 19, 1996	37,000,000	0
1996 SERIES F	December 19, 1996	51,500,000	0
1997 SERIES A	April 8, 1997	45,000,000	0
1997 SERIES B	July 7, 1997	126,425,000	1,000,000
1997 SERIES C	August 21 & November 4, 1997	77,320,000	0
1997 SERIES D	December 18, 1997	25,500,000	0
1997 SERIES E	December 18, 1997	24,855,000	0
1998 SERIES A	April 30, 1998	20,000,000	1,520,000
1998 SERIES B	April 30, 1998	11,215,000	0
1998 SERIES C	June 29, 1998	16,500,000	0
1998 SUBSERIES D1/D2 (1)	June 29, 1998	70,320,000	24,525,000
1998 SUBSERIES D3 (1)	July 9, 1998	28,120,000	1,185,000
1998 SERIES E	October 7, 1998	20,000,000	0
1998 SERIES F	October 7, 1998	20,305,000	0
1998 SERIES G	December 17, 1998	31,500,000	11,050,000
1999 SERIES A	January 20, 1999	25,740,000	0
1999 SERIES B	April 29, 1999	17,160,000	0
1999 SERIES C	April 29, 1999	5,000,000	0
1999 SERIES D	July 29, 1999	59,500,000	0
1999 SERIES E	July 29, 1999	24,305,000	0
1999 SERIES F	October 27, 1999	10,850,000	0
1999 SERIES G	October 27, 1999	19,060,000	0
2000 SERIES A	January 26, 2000	5,175,000	0
2000 SERIES B	January 26, 2000	15,900,000	0
2000 SERIES C	June 7, 2000	29,990,000	0
2000 SERIES D	July 26, 2000	48,600,000	240,000
2000 SERIES E	October 26, 2000	31,775,000	580,000
2000 SERIES F	October 26, 2000	5,000,000	0
2001 SERIES A (1)	March 27, 2001	42,120,000	8,205,000
2001 SERIES B	March 27, 2001	5,000,000	0
2001 SERIES C	July 24, 2001	48,310,000	7,000,000
2001 SERIES D	July 24, 2001	8,000,000	0
2001 SERIES E	January 23, 2002	56,895,000	7,680,000
2001 SERIES F	January 23, 2002	10,000,000	10,000,000
2002 SERIES A	May 2, 2002	40,000,000	4,845,000
2002 SERIES B	May 2, 2002	10,000,000	5,365,000
2002 SERIES C	July 30, 2002	50,000,000	33,685,000
2003 SERIES A	April 29, 2003	91,455,000	0
2003 SERIES B	September 30, 2003	50,000,000	34,850,000
2004 SERIES A	March 16, 2004	50,000,000	38,145,000
2004 SERIES B	March 16, 2004	91,290,000	0
2004 SERIES C	July 13, 2004	80,000,000	73,205,000
2004 SERIES D	July 13, 2004	43,405,000	0
2005 SERIES A	March 10, 2005	75,000,000	61,730,000
2005 SERIES B	March 10, 2005	39,805,000	0
2005 SERIES C	June 29, 2005	98,760,000	83,540,000
2006 SERIES A	January 26, 2006	84,555,000	73,880,000

<u>Series</u>	<u>Date of Issue</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of 09/30/2010</u>
2006 SERIES B	January 26, 2006	\$15,000,000	\$0
2006 SERIES C	July 27, 2006	125,000,000	116,700,000
2007 SERIES A	April 25, 2007	65,000,000	62,485,000
2007 SERIES C	April 25, 2007	57,990,000	0
2007 SERIES D	August 29, 2007	65,000,000	62,340,000
2007 SERIES H	October 31, 2007	117,010,000	54,750,000
2008 SERIES A	January 30, 2008	10,725,000	9,135,000
2009 SERIES B (2)	January 12, 2010	<u>200,000,000</u>	<u>200,000,000</u>
<b>TOTAL</b>		<b><u>\$3,035,775,000</u></b>	<b><u>\$987,640,000</u></b>

(1) Proceeds of the 2011 Series A Bonds are expected to be used to redeem and/or refund all or a portion of these outstanding bonds.

(2) Upon issuance of the 2011 Series B Bonds, a portion of these bonds (\$27,000,000) will re-designated as 2009 Subseries B-1 Bonds and the interest rate on such portion of bonds will be converted to a fixed as described in the Official Statement. See "PLAN OF FINANCE."

## Bond Redemptions and Purchases

The following table sets forth as of September 30, 2010 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 Series Bonds may be called for redemption, see information under the caption "THE SERIES BONDS – Redemption." For information regarding the date of issuance and the amount outstanding as of September 30, 2010, for each Series of Bonds, see information the under the caption "Bonds Issued under the Program" in this Appendix B.

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)	26,850,000	0	26,849,824	176
1995 Subseries B-3 (Taxable)	12,040,000	0	10,568,775	1,471,225
1995 Subseries C-1 (non-AMT)	7,380,000	0	7,380,000	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)	23,870,000	0	23,870,000	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)	21,000,000	0	18,185,000	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)	14,945,000	0	14,945,000	0
1996 Subseries E-3 (Taxable)	11,250,000	0	11,210,000	40,000
1996 Subseries F-1 (non-AMT)	6,775,000	0	6,775,000	0
1996 Subseries F-2 (AMT)	20,085,000	0	20,085,000	0
1997 Subseries A-1 (non-AMT)	8,515,000	0	4,640,000	3,875,000
1997 Subseries A-2 (AMT)	24,095,000	0	24,095,000	0
1997 Subseries A-3 (Taxable)	4,990,000	0	4,990,000	0
1997 Subseries B-1 (non-AMT)	5,995,000	0	5,995,000	0
1997 Subseries B-2 (AMT)	17,580,000	0	17,580,000	0
1997 Subseries B-1 (non-AMT)	6,470,000	0	6,470,000	0
1997 Subseries B-2 (AMT)	19,175,000	0	19,175,000	0
1997 Subseries C-1 (non-AMT)	10,795,000	0	10,795,000	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)	4,485,000	0	4,485,000	0
1997 Subseries D-2 (AMT)	11,965,000	0	11,965,000	0
1997 Subseries D-3 (Taxable)	4,985,000	0	4,985,000	0
1998 Series A (Taxable)	15,570,000	0	15,570,000	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)	13,705,000	0	13,705,000	0
1998 Subseries D-1 (non-AMT)	0	0	0	0
1998 Subseries D-2 (AMT)	8,020,000	0	8,020,000	0
1998 Subseries D-1 (non-AMT)	2,315,000	0	2,315,000	0
1998 Subseries D-2 (AMT)	6,470,000	0	6,470,000	0
1998 Subseries D-3 (AMT)	17,045,000	0	17,045,000	0

<u>Series</u>	<u>Principal Amount of Bonds Redeemed or Purchased</u>	<u>Source of Funds</u>		
		<u>Bond Proceeds not used to Purchase Mortgage Loans</u>	<u>Mortgage Loan Prepayments and Repayments</u>	<u>Excess Revenues</u>
1998 Series E (Taxable)	\$16,480,000	\$0	\$16,480,000	\$0
1998 Subseries G-1 (non-AMT)	0	0	0	0
1998 Subseries G-2 (AMT)	14,795,000	0	14,795,000	0
1999 Subseries A-1 (non-AMT)	3,820,000	0	3,820,000	0
1999 Subseries A-2 (AMT)	19,385,000	0	19,385,000	0
1999 Subseries B-1 (non-AMT)	4,315,000	0	4,315,000	0
1999 Subseries B-2 (AMT)	10,690,000	0	10,690,000	0
1999 Series C (Taxable)	4,840,000	0	4,840,000	0
1999 Subseries D-1 (non-AMT)	2,530,000	0	2,530,000	0
1999 Subseries D-2 (AMT)	30,620,000	0	30,620,000	0
1999 Subseries D-3 (Taxable)	19,540,000	0	19,540,000	0
1999 Subseries E-1 (non-AMT)	8,485,000	0	8,485,000	0
1999 Subseries E-2 (AMT)	13,655,000	0	13,655,000	0
1999 Series F (Taxable)	10,395,000	0	10,395,000	0
1999 Subseries G-1 (non-AMT)	3,400,000	0	3,400,000	0
1999 Subseries G-2 (AMT)	13,155,000	0	13,155,000	0
2000 Series A (Taxable)	5,175,000	0	5,175,000	0
2000 Subseries B-1 (non-AMT)	2,860,000	0	2,860,000	0
2000 Subseries B-2 (AMT)	11,710,000	0	11,710,000	0
2000 Subseries C-1 (non-AMT)	6,375,000	0	6,375,000	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)	5,390,000	0	5,390,000	0
2000 Subseries D-1 (non-AMT)	2,150,000	0	2,150,000	0
2000 Subseries D-2 (AMT)	9,315,000	0	9,315,000	0
2000 Subseries D-3 (non-AMT)	3,320,000	0	3,320,000	0
2000 Subseries D-4 (AMT)	21,270,000	0	21,270,000	0
2000 Subseries E-1 (non-AMT)	3,750,000	0	3,750,000	0
2000 Subseries E-2 (AMT)	2,745,000	0	2,745,000	0
2000 Subseries E-3 (non-AMT)	2,785,000	0	2,785,000	0
2000 Subseries E-4 (AMT)	17,290,000	0	17,290,000	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)	23,230,000	0	23,230,000	0
2001 Subseries A-3 (AMT)	4,870,000	0	4,870,000	0
2001 Series B (Taxable)	4,925,000	0	4,925,000	0
2001 Subseries C-1 (non-AMT)	75,000	0	75,000	0
2001 Subseries C-2 (AMT)	24,385,000	0	24,385,000	0
2001 Subseries C-3 (non-AMT)	6,540,000	0	6,540,000	0
2001 Subseries C-4 (AMT)	3,070,000	0	3,070,000	0
2001 Series D (Taxable)	7,320,000	0	6,535,000	785,000
2001 Subseries E-1 (non-AMT)	0	0	0	0
2001 Subseries E-2 (AMT)	32,780,000	0	32,780,000	0
2001 Subseries E-3 (AMT)	10,575,000	0	10,575,000	0
2001 Series F (Taxable)	0	0	0	0
2002 Subseries A-1 (non-AMT)	0	0	0	0
2002 Subseries A-2 (AMT)	34,285,000	0	34,285,000	0
2002 Subseries B (Taxable)	105,000	0	105,000	0
2002 Subseries C-1 (non-AMT)	690,000	0	690,000	0
2002 Subseries C-2 (AMT)	10,510,000	0	10,510,000	0
2003 Subseries B-1 (non-AMT)	195,000	0	195,000	0
2003 Subseries B-2 (AMT)	8,020,000	0	8,020,000	0
2004 Subseries A-1 (non-AMT)	370,000	0	370,000	0
2004 Subseries A-2 (AMT)	5,965,000	0	5,965,000	0
2004 Subseries A-3 (AMT)	0	0	0	0
2004 Subseries C-2 (AMT)	515,000	0	515,000	0
2005 Subseries A-1 (non-AMT)	390,000	0	390,000	0

<u>Series</u>	<u>Principal Amount of Bonds Redeemed or Purchased</u>	<u>Source of Funds</u>		
		<u>Bond Proceeds not used to Purchase Mortgage Loans</u>	<u>Mortgage Loan Prepayments and Repayments</u>	<u>Excess Revenues</u>
2005 Subseries A-2 (AMT)	\$5,340,000	\$0	\$5,340,000	\$0
2005 Subseries A-3 (AMT)	835,000	0	835,000	0
2005 Subseries C-1 (non-AMT)	0	0	0	0
2005 Subseries C-2 (AMT)	6,870,000	0	6,870,000	0
2006 Subseries A-1 (non-AMT)	990,000	0	990,000	0
2006 Subseries A-2 (AMT)	7,205,000	0	7,205,000	0
2006 Series B (Taxable)	11,155,000	0	11,155,000	0
2006 Subseries C-1 (non-AMT)	855,000	0	855,000	0
2006 Subseries C-2 (AMT)	2,580,000	0	2,580,000	0
2007 Series A-1 (non-AMT)	0	0	0	0
2007 Series A-2 (AMT)	455,000	0	455,000	0
2007 Subseries H-2 RMKT1 (AMT)	475,000	0	475,000	0
2007 Series D (Taxable)	1,170,000	0	1,170,000	0
2008 Subseries A-1 (non-AMT)	395,000	0	395,000	0
2008 Subseries A-2 (AMT)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$1,184,585,000</u></b>	<b><u>\$11,203,457</u></b>	<b><u>\$1,153,060,698</u></b>	<b><u>\$20,320,845</u></b>

## Mortgage Loan Interest Rate Information

Set forth in the following table is certain information regarding the interest rates borne by Mortgage Loans held under the Program (including Contributed Mortgage Loans and Second Mortgage Loans) as of September 30, 2010. 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.

<u>Funding Series</u>	<u>No. of Mortgage Loans</u>	<u>Original Principal Purchased of Mortgage Loans Outstanding</u>	<u>Remaining Principal Purchased of Mortgage Loans Outstanding</u>	<u>Range of Mortgage Loan Interest Rates<sup>(1)</sup> (%)</u>	<u>Weighted Average of Mortgage Loans Outstanding Interest Rates (%)</u>
CONTRIBUTED AND OTHER MORTGAGE LOANS <sup>(2)</sup>	832	\$51,687,469.13	\$35,874,399.73	3.000 – 10.780	6.701
HOMEOWNER GENERAL RECYCLE I	34	2,826,544.07	2,758,063.70	4.800 – 6.750	6.067
SERIES 1996E	29	1,527,107.72	1,089,363.06	5.000 – 8.000	7.603
SERIES 1996F	44	2,793,630.52	2,059,460.26	4.250 – 7.240	6.689
SERIES 1997A	46	2,825,264.47	2,083,327.27	6.000 – 8.250	7.153
SERIES 1997C	62	4,227,602.10	3,123,956.47	4.000 – 7.250	6.040
SERIES 1997D	8	574,488.39	363,986.78	4.000 – 6.990	5.117
SERIES 1997D/1995C	18	1,087,006.39	799,771.21	6.990 – 7.510	7.260
SERIES 1998A/1997Bi	67	5,082,572.04	3,725,592.72	4.000 – 7.240	6.075
SERIES 1998A/1997Bi/1995E	19	1,253,032.31	920,360.21	6.000 – 7.000	6.756
SERIES 1998C/1997Biii	68	3,877,726.28	2,974,845.52	5.000 – 7.350	6.412
SERIES 1998C/1997Bii/1996A	31	1,939,222.43	1,459,454.08	6.000 – 7.000	6.737
SERIES 1998Dii	30	1,962,698.88	1,501,971.59	5.000 – 7.100	5.724
SERIES 1998Dii/1996C	15	1,026,082.88	778,221.79	6.000 – 7.100	6.753
SERIES 1998E/1998Di	104	6,906,579.10	5,296,637.63	5.000 – 8.550	6.070
SERIES 1998E/1998Di/1996B	19	1,107,700.93	752,825.30	6.000 – 6.760	6.361
SERIES 1998G	46	3,428,594.22	2,639,408.60	5.000 – 7.350	6.276
SERIES 1998G/1996E	8	396,187.93	310,245.33	3.000 – 7.100	6.717
SERIES 1999B	21	2,084,213.32	1,597,291.46	4.375 – 8.200	5.701
SERIES 1999G	33	2,677,882.73	2,145,777.12	5.000 – 8.550	6.089
SERIES 1999C/1998Diii	114	7,545,932.18	5,833,055.47	3.000 – 7.990	5.374
SERIES 1999C/1998Diii/1996F	22	1,396,629.74	1,079,069.08	3.000 – 7.350	6.741
SERIES 1999D	26	1,805,771.77	1,408,151.40	5.000 – 8.300	6.525
SERIES 1999D/1997A	41	2,673,170.68	2,135,696.28	5.000 – 7.500	6.537
SERIES 1999F/1997C	76	8,002,596.30	5,808,159.83	3.000 – 4.250	4.031

<u>Funding Series</u>	<u>No. of Mortgage Loans</u>	<u>Original Principal Purchased of Mortgage Loans Outstanding</u>	<u>Remaining Principal Purchased of Mortgage Loans Outstanding</u>	<u>Range of Mortgage Loan Interest Rates<sup>(1)</sup> (%)</u>	<u>Weighted Average of Mortgage Loans Outstanding Interest Rates (%)</u>
SERIES 1999F/1997D	43	\$3,490,265.00	\$2,603,914.76	4.000 – 4.250	4.043
SERIES 1999D/ 1998C/1997Bii	14	997,092.70	800,030.19	6.000 – 7.950	7.024
SERIES 2000B	27	1,860,887.04	1,571,546.95	5.375 – 8.250	6.759
SERIES 2000C4/1999D	13	1,158,038.81	921,663.41	6.000 – 7.100	6.210
SERIES 2000C3	4	218,250.00	171,512.44	6.990 – 7.240	7.117
SERIES 2000C3/1999E	58	4,952,561.98	3,859,136.60	0.000 – 8.800	5.701
SERIES 2000D4	66	4,254,741.30	2,927,043.26	5.000 – 8.400	6.320
SERIES 2000D/1998G	69	5,597,989.04	4,417,052.09	5.000 – 8.240	5.559
SERIES 2000E/2000F	87	8,147,245.00	6,616,423.99	5.000 – 8.300	5.699
SERIES 2000A/1998Diii/1999C	37	3,300,152.52	2,497,777.50	3.000 – 8.300	4.605
SERIES 2001A1/A2/2001B	119	8,488,899.79	6,754,664.76	5.000 – 8.550	5.883
SERIES 2001C1/C2/2001D3/D4	185	12,732,369.08	9,845,199.50	3.000 – 8.210	6.042
SERIES 2001E1/E2/2001F	177	12,237,370.94	9,965,412.80	3.000 – 8.100	6.336
SERIES 2002C	215	16,338,531.56	13,741,606.36	3.000 – 6.750	5.880
SERIES 2002A1/A2/2002B	175	14,470,088.65	12,395,330.39	4.875 – 7.000	5.786
SERIES 2003B	295	25,307,933.91	21,743,685.44	3.000 – 6.375	5.353
SERIES 2004A	305	28,738,927.91	24,999,317.26	3.000 – 6.240	5.341
SERIES 2004C	480	45,589,829.61	40,160,642.34	4.250 – 6.100	5.467
SERIES 2005A	469	48,617,794.44	43,970,222.17	3.000 – 6.050	5.474
SERIES 2005C	691	71,013,301.88	64,679,045.74	3.000 – 6.400	5.503
SERIES 2006A1/A2/2006B	597	63,472,124.96	58,722,727.68	4.250 – 6.800	5.986
SERIES 2006C1/C2	760	81,959,485.24	77,194,684.71	3.000 – 7.000	6.093
SERIES 2007A1/A2	428	44,987,654.92	42,661,894.13	5.050 – 7.150	6.122
SERIES 2007 H1/H2 RMKTD	470	47,631,955.82	45,765,197.16	4.800 – 6.900	6.069
SERIES 2007D	497	51,694,181.15	49,231,834.92	4.750 – 6.990	6.212
SERIES 2008 A1/A2	<u>77</u>	<u>8,232,324.72</u>	<u>7,903,250.83</u>	5.500 – 7.250	<u>5.964</u>
<b>TOTAL<sup>(3)</sup></b>	<b><u>8,171</u></b>	<b><u>\$736,205,704.48</u></b>	<b><u>\$644,639,909.27</u></b>		<b><u>5.892</u></b>

(1) 0.00% interest rates represent interest rates on Second Mortgage Loans.

(2) The amounts shown in this row include the \$11,519,558 principal amount of Contributed Mortgage Loans noted herein under the caption "SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Transfer Amounts" as well as mortgage loans funded by Prior Bonds but for which the Prior Bonds have been redeemed and are no longer outstanding.

(3) Includes three First Mortgage Loans (with an aggregate outstanding principal balance of \$320,533.97) having amortization beyond 30 years.

## Mortgage Pool Insurers

For each Series of Bonds, the following table sets forth (i) the initial Mortgage Pool Insurers for Mortgage Loans purchased with their proceeds (excluding Contributed Mortgage Loans and Second Mortgage Loans), (ii) the principal amount of Mortgage Loans subject to the Pool Policy, as of September 30, 2010, (iii) the principal amount of Mortgage Loans outstanding, as of September 30, 2010, (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.

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>HOMEOWNER GENERAL RECYCLE I</b>					
Genworth	\$1,722,640.16	\$1,203,276.53	\$60,292.41	\$0.00	\$0.00
RMIC	233,444.93	0.00	8,170.57	0.00	0.00
<b>SERIES 1994 A1/A2</b>					
Radian	54,648,915.09	1,856,675.08	1,912,712.03	546,489.15	130,812.11
<b>SERIES 1994B</b>					
Genworth	26,676,993.45	660,723.46	933,694.77	266,769.93	46,580.35
<b>SERIES 1995A</b>					
MGIC	35,576,212.84	324,478.50	1,245,167.45	355,762.13	43,179.62
<b>SERIES 1995B</b>					
Genworth	49,053,582.76	2,257,851.42	1,716,875.40	490,535.83	168,553.78
MGIC	404,225.00	91,422.37	14,147.88	4,042.25	0.00
USDA	134,000.00	0.00	0.00	0.00	0.00
<b>SERIES 1995C</b>					
MGIC	16,125,849.46	827,460.91	564,404.73	161,258.49	0.00
<b>SERIES 1995D</b>					
UGI	45,207,544.26	2,172,004.85	1,582,264.05	452,075.44	99,529.94
<b>SERIES 1995D/1996A</b>					
UGI	2,785,375.12	32,566.68	97,488.13	27,853.75	562.82
<b>SERIES 1995E</b>					
MGIC	6,194,701.35	245,717.91	216,814.55	61,947.01	0.00
<b>SERIES 1996A</b>					
UGI	35,579,857.11	1,370,737.09	1,245,295.00	355,798.57	92,752.70
<b>SERIES 1996B</b>					
UGI	37,302,285.81	1,518,856.45	1,305,580.00	373,022.86	105,266.47
<b>SERIES 1996C</b>					
MGIC	23,546,292.74	908,427.60	824,120.25	235,462.93	95,783.46



<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 1996E</b>					
Genworth	\$134,292.70	\$0.00	\$4,700.24	\$1,342.93	\$0.00
MGIC	33,987,035.04	1,089,363.06	1,189,546.23	339,870.35	82,117.54
<b>SERIES 1996F</b>					
Genworth	28,567,455.30	2,059,460.26	999,860.94	0.00	64,462.86
<b>SERIES 1997A</b>					
MGIC	40,892,283.57	2,015,094.71	1,431,229.92	408,922.84	165,993.93
FHA	87,604.00	0.00	0.00	0.00	0.00
<b>SERIES 1997C</b>					
Genworth	40,826,052.64	3,123,956.47	1,428,911.84	0.00	58,011.78
<b>SERIES 1997D</b>					
Genworth	5,095,061.50	363,986.78	178,327.15	0.00	42,829.54
<b>SERIES 1997D/1995C</b>					
Genworth	17,193,257.96	799,771.21	601,764.03	0.00	75,680.36
<b>SERIES 1998A/1997Bi</b>					
Genworth	16,454,375.82	2,079,271.65	575,903.15	0.00	41,915.83
MGIC	16,408,259.41	1,551,787.10	574,289.08	0.00	67,900.27
<b>SERIES 1998A/1997Bi/1995E</b>					
Genworth	14,986,391.93	920,360.21	524,523.72	0.00	34,115.60
<b>SERIES 1998C/1997Biii</b>					
Genworth	37,900.00	0.00	1,326.50	0.00	0.00
MGIC	11,240,425.67	855,399.32	393,414.90	0.00	4,303.95
PMI	6,342,293.62	1,237,889.05	221,980.28	0.00	50,013.40
UGI	11,638,772.01	881,557.15	407,357.02	0.00	25,602.42
<b>SERIES 1998C/1997Bii/1996A</b>					
MGIC	7,479,535.59	450,946.97	261,783.75	0.00	49,742.95
PMI	2,585,802.92	110,998.89	90,503.10	0.00	16,459.57
UGI	5,985,428.45	897,508.22	209,490.00	0.00	517.74
<b>SERIES 1998Dii</b>					
MGIC	7,317,585.36	1,207,469.00	256,115.49	0.00	5,850.36
PMI	1,335,338.44	136,865.66	46,736.85	0.00	0.00
UGI	1,880,861.79	157,636.93	65,830.16	0.00	0.00
USDA	143,600.00	0.00	0.00	0.00	0.00

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 1998Dii/1996C</b>					
MGIC	\$2,863,591.39	\$397,671.00	\$100,225.70	\$0.00	\$13,565.09
PMI	2,368,589.28	263,636.89	82,900.62	0.00	0.00
UGI	2,449,594.95	116,913.90	85,735.82	0.00	0.00
<b>SERIES 1998E/1998Di</b>					
MGIC	18,981,399.90	3,502,019.67	664,349.00	0.00	56,041.00
PMI	8,335,949.09	1,061,915.07	291,758.22	0.00	13,312.16
UGI	13,428,967.47	732,701.63	470,013.86	0.00	23,207.27
USDA	47,000.00	0.00	0.00	0.00	0.00
<b>SERIES 1998E/1998Di/1996B</b>					
MGIC	6,483,801.13	557,138.26	226,933.04	0.00	0.00
PMI	1,055,286.65	64,683.61	36,935.03	0.00	0.00
UGI	2,419,456.73	103,575.50	84,680.99	0.00	10,794.90
<b>SERIES 1998G</b>					
MGIC	11,338,675.24	1,434,468.25	396,853.63	0.00	5,305.62
PMI	3,949,608.06	174,211.87	138,236.28	0.00	17,312.07
UGI	7,569,518.10	898,282.37	264,933.13	0.00	0.00
Radian	225,800.00	132,446.11	7,903.00	0.00	0.00
<b>SERIES 1998G/1996E</b>					
MGIC	3,343,040.41	206,834.41	117,006.41	0.00	0.00
PMI	69,710.19	0.00	2,439.86	0.00	0.00
UGI	2,273,828.28	103,410.92	79,583.99	0.00	3,844.03
<b>SERIES 1999A</b>					
MGIC	11,012,453.18	1,257,896.31	385,435.86	0.00	23,864.00
PMI	7,171,947.05	384,660.92	251,018.15	0.00	30,763.70
UGI	6,421,568.00	737,970.54	224,754.88	0.00	0.00
<b>SERIES 1999B</b>					
MGIC	7,811,062.10	760,311.72	273,387.17	0.00	108,219.99
PMI	4,355,231.50	479,712.76	152,433.10	0.00	0.00
UGI	4,143,606.89	357,266.98	145,026.24	0.00	12,665.74
<b>SERIES 1999G</b>					
MGIC	8,618,061.79	1,395,499.77	301,632.16	0.00	4,965.38
PMI	3,173,545.64	258,842.47	111,074.10	0.00	0.00
UGI	4,488,825.49	491,434.88	157,108.89	0.00	0.00
Radian	1,884,772.50	0.00	65,967.04	0.00	0.00

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 1999C/1998Diii</b>					
MGIC	\$16,772,502.48	\$4,262,410.63	\$587,037.59	\$0.00	\$76,268.36
PMI	7,057,700.93	365,404.96	247,019.53	0.00	15,942.70
UGI	9,596,034.56	1,205,239.88	335,861.21	0.00	33,048.60
USDA	282,658.38	0.00	0.00	0.00	0.00
<b>SERIES 1999C/1998Diii/1996F</b>					
MGIC	2,526,128.71	188,715.07	88,414.50	0.00	22,162.18
PMI	5,827,438.11	596,692.74	203,960.33	0.00	5,452.40
UGI	4,636,263.54	293,661.27	162,269.22	0.00	9,580.85
<b>SERIES 1999D</b>					
MGIC	8,502,839.66	513,573.09	297,599.39	0.00	79,606.62
PMI	4,150,908.97	158,486.78	145,281.81	0.00	0.00
UGI	9,664,708.59	736,091.53	338,264.80	0.00	82,928.68
<b>SERIES 1999D/1997A</b>					
MGIC	11,625,414.27	683,056.91	406,889.50	0.00	43,352.09
PMI	8,099,365.57	797,169.36	283,477.79	0.00	59,397.85
UGI	3,250,900.68	569,900.33	113,781.52	0.00	39,220.59
USDA	46,600.00	0.00	0.00	0.00	0.00
<b>SERIES 1999F/1997C</b>					
MGIC	5,643,985.92	2,165,443.87	197,539.51	0.00	0.00
PMI	5,149,181.31	1,869,898.51	180,221.35	0.00	11,822.77
UGI	4,801,743.76	1,772,817.45	168,061.03	0.00	0.00
<b>SERIES 1999F/1997D</b>					
MGIC	2,467,161.81	969,242.23	86,350.66	0.00	0.00
PMI	1,955,344.60	570,670.24	68,437.06	0.00	5,006.45
UGI	2,290,077.66	1,064,002.04	80,152.72	0.00	10,785.56
<b>SERIES 1999D/1998C/1997Bii</b>					
MGIC	2,360,608.09	220,721.27	82,621.28	0.00	0.00
PMI	5,258,531.48	224,265.63	184,048.60	0.00	7,638.83
UGI	4,475,572.71	355,043.29	156,645.04	0.00	10,491.48
<b>SERIES 2000B</b>					
MGIC	6,213,975.69	588,520.23	217,489.15	0.00	12,054.07
PMI	2,055,964.15	266,308.58	71,958.75	0.00	0.00
UGI	2,349,262.56	301,874.63	82,224.19	0.00	0.00
Radian	4,493,562.05	414,843.51	157,274.67	0.00	19,684.94

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 2000C4/1999D</b>					
MGIC	\$2,948,394.17	\$245,346.42	\$103,193.80	\$0.00	\$0.00
PMI	2,368,765.24	466,128.24	82,906.78	0.00	2,716.09
UGI	1,462,322.74	0.00	51,181.30	0.00	4,273.05
<b>SERIES 2000C3</b>					
MGIC	2,529,938.07	0.00	88,547.83	0.00	0.00
UGI	1,258,471.87	171,512.44	44,046.52	0.00	0.00
Radian	275,391.04	0.00	9,638.69	0.00	0.00
<b>SERIES 2000C3/1999E</b>					
MGIC	15,506,484.55	2,353,526.66	542,726.96	0.00	22,100.02
PMI	6,145,228.04	533,323.22	215,082.98	0.00	39,052.25
UGI	5,916,524.14	0.00	207,078.34	0.00	1,472.31
USDA	42,844.34	0.00	0.00	0.00	0.00
<b>SERIES 2000D4</b>					
MGIC	4,603,809.30	1,258,074.23	161,133.33	0.00	22,728.91
PMI	2,227,975.01	478,488.39	77,979.13	0.00	0.00
UGI	2,508,483.24	396,127.15	87,796.91	0.00	0.00
Radian	532,264.50	0.00	18,629.26	0.00	0.00
<b>SERIES 2000D/1998G</b>					
MGIC	12,968,142.02	2,334,573.07	453,884.97	0.00	22,234.67
PMI	3,410,770.86	1,074,271.95	119,376.98	0.00	2,293.31
UGI	6,318,808.49	737,086.20	221,158.30	0.00	40,148.43
Radian	2,601,915.22	142,283.68	91,067.03	0.00	0.00
<b>SERIES 2000E/2000F</b>					
MGIC	12,874,535.71	3,534,361.40	450,608.75	0.00	25,130.78
PMI	1,546,675.45	240,865.55	54,133.64	0.00	0.00
UGI	5,968,728.80	1,659,617.32	208,905.51	0.00	16,223.49
Radian	5,451,499.82	991,343.39	190,802.49	0.00	0.00
<b>SERIES 2000A/1998Diii/1999C</b>					
MGIC	6,232,784.81	1,823,477.09	218,147.47	0.00	10,542.50
PMI	736,462.30	241,994.38	25,776.18	0.00	20,426.66
UGI	2,043,481.70	432,306.03	71,521.86	0.00	0.00
USDA	174,369.06	0.00	0.00	0.00	0.00

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 2001A1/A2/2001B</b>					
MGIC	\$25,689,059.89	\$5,081,531.51	\$899,117.10	\$0.00	\$133,546.25
PMI	210,566.00	178,198.62	7,369.81	0.00	0.00
UGI	4,201,527.04	478,187.21	147,053.45	0.00	5,859.66
Radian	7,664,767.56	624,013.24	268,266.86	0.00	0.00
USDA	40,950.73	0.00	0.00	0.00	0.00
<b>SERIES 2001C1/C2/2001D3/D4</b>					
MGIC	24,343,358.08	5,104,792.62	852,017.53	0.00	34,906.42
PMI	240,699.38	0.00	8,424.48	0.00	0.00
UGI	7,253,093.82	1,901,071.58	253,858.28	0.00	0.00
Radian	7,912,722.37	1,614,429.24	276,945.28	0.00	23,129.46
<b>SERIES 2001E1/E2/2001F</b>					
MGIC	21,269,791.45	4,982,400.07	744,442.70	0.00	28,960.10
UGI	8,725,071.39	1,292,247.31	305,377.50	0.00	0.00
Radian	20,696,924.69	2,704,394.42	724,392.36	0.00	46,001.65
<b>SERIES 2002C</b>					
MGIC	29,171,399.12	9,569,311.40	1,020,998.97	0.00	80,883.71
UGI	8,313,844.94	2,404,215.66	290,984.57	0.00	12,190.08
Radian	9,684,576.33	1,751,767.78	338,960.17	0.00	73,286.51
<b>SERIES 2002A1/A2/2002B</b>					
MGIC	29,020,781.39	8,619,901.53	1,015,727.35	0.00	90,783.05
UGI	8,767,533.84	2,110,195.39	306,863.68	0.00	6,250.41
Radian	8,411,996.26	1,415,079.91	294,419.87	0.00	0.00
FHA	176,000.00	0.00	0.00	0.00	0.00
<b>SERIES 2003B</b>					
MGIC	21,936,031.97	9,479,367.67	767,761.12	0.00	151,414.04
UGI	9,437,533.16	4,474,413.22	330,313.66	0.00	0.00
Radian	16,942,041.52	7,147,761.41	592,971.45	0.00	75,415.42
<b>SERIES 2004A</b>					
MGIC	22,368,512.49	10,951,864.41	782,897.94	0.00	50,896.24
UGI	12,881,110.32	6,230,278.54	450,838.86	0.00	217,440.64
Radian	12,989,989.18	6,932,064.17	454,649.62	0.00	2,686.83
FHA	191,797.52	107,963.43	0.00	0.00	0.00

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 2004C</b>					
MGIC	\$30,085,111.49	\$15,075,131.97	\$1,052,978.90	\$0.00	\$71,166.70
RMIC	5,420,209.88	2,384,934.76	189,707.35	0.00	17,315.05
UGI	30,627,066.89	15,103,306.02	1,071,947.34	0.00	207,243.66
Radian	5,681,633.14	2,676,034.85	198,857.16	0.00	748.93
FHA	388,149.88	245,673.00	0.00	0.00	0.00
<b>SERIES 2005A</b>					
MGIC	35,146,384.00	20,777,363.09	1,230,123.44	0.00	138,207.24
RMIC	5,156,593.02	2,759,609.84	180,480.76	0.00	0.00
UGI	24,110,796.10	13,759,177.73	843,877.86	0.00	153,378.15
Radian	2,913,893.00	1,139,465.14	101,986.26	0.00	0.00
USDA	52,691.45	0.00	0.00	0.00	0.00
FHA	392,651.08	263,795.66	0.00	0.00	0.00
<b>SERIES 2005C</b>					
MGIC	56,201,297.13	37,906,012.83	1,967,045.40	0.00	150,632.68
RMIC	5,482,304.48	3,113,501.08	191,880.66	0.00	29,516.09
UGI	32,670,204.00	20,205,519.60	1,143,457.14	0.00	108,411.11
USDA	139,848.20	127,703.56	0.00	0.00	0.00
<b>SERIES 2006 A1/A2/2006B</b>					
MGIC	59,717,552.50	36,042,314.88	2,090,114.34	0.00	234,114.31
RMIC	6,266,902.14	3,081,009.16	219,341.57	0.00	0.00
UGI	28,693,527.05	17,177,665.00	1,004,273.45	0.00	67,139.45
USDA	34,900.00	31,790.11	0.00	0.00	0.00
<b>SERIES 2006C1/C2</b>					
MGIC	68,824,792.79	45,184,924.00	2,408,867.75	0.00	278,199.66
RMIC	9,256,208.48	4,220,114.11	323,967.30	0.00	77,614.67
UGI	29,799,285.38	15,538,303.32	1,042,974.99	0.00	69,163.14
Radian	3,905,789.80	2,866,634.31	136,702.64	0.00	0.00
USDA	263,307.42	127,033.49	0.00	0.00	0.00
<b>SERIES 2007A1/A2</b>					
MGIC	28,714,314.84	19,785,330.41	1,005,001.02	0.00	92,221.87
RMIC	640,684.98	274,994.43	22,423.97	0.00	0.00
UGI	10,283,621.00	6,773,597.93	359,926.74	0.00	0.00
Radian	11,035,458.23	6,003,016.08	386,241.04	0.00	0.00
USDA	940,840.10	785,536.68	0.00	0.00	0.00

<b>Funding Series/Mortgage Pool Insurer</b>	<b>Principal Amount of Mortgage Loans Subject to Pool Policy</b>	<b>Principal Amount of Mortgage Loans Outstanding</b>	<b>Amount of Loss Coverage</b>	<b>Amount of Deductible</b>	<b>Claims Against Deductible or Pool Policy</b>
<b>SERIES 2007H1/H2</b>					
<b>RMTKD</b>					
Genworth	\$3,042,339.30	\$1,824,122.91	\$106,481.88	\$0.00	\$0.00
MGIC	22,353,099.56	19,186,458.58	782,358.48	0.00	49,148.17
RMIC	310,648.96	0.00	10,872.71	0.00	0.00
UGI	800,492.32	530,076.07	28,017.23	0.00	0.00
Radian	24,528,721.37	20,372,788.80	858,505.25	0.00	0.00
<b>SERIES 2007D</b>					
MGIC	35,086,769.69	27,886,444.49	1,228,036.94	0.00	3,633.46
RMIC	400,800.00	386,063.52	14,028.00	0.00	0.00
UGI	3,131,054.39	1,615,344.87	109,586.90	0.00	0.00
Radian	10,846,073.41	8,171,128.24	379,612.57	0.00	30,020.66
<b>SERIES 2008A1/A2</b>					
Genworth	1,396,835.36	1,076,209.80	48,889.24	0.00	0.00
MGIC	386,751.14	186,099.13	13,536.29	0.00	0.00
RMIC	894,989.63	0.00	31,324.64	0.00	0.00
Radian	1,389,166.96	1,219,094.11	48,620.84	0.00	0.00
<b>TOTAL<sup>(1)</sup></b>	<b><u>\$1,918,261,372.52</u></b>	<b><u>\$560,590,562.04</u></b>	<b><u>\$67,013,854.61</u></b>	<b><u>\$4,081,154.46</u></b>	<b><u>\$5,477,713.26</u></b>

(1) Excludes Mortgage Loans having an outstanding principal amount, as of September 30, 2010, of \$22,894,634.77 which were originally purchased with proceeds of bonds issued under the Authority's 1983 Residential Mortgage Revenue Bond General Resolution, provided, however, that bonds are no longer outstanding and these Mortgage Loans have been transferred to the Program.

For purposes of the chart above, the following abbreviations have the following meanings:

“FHA” means Federal Housing Administration.

“Genworth” means Genworth Mortgage Insurance Company.

“MGIC” means Mortgage Guaranty Insurance Corporation.

“PMI” means PMI Mortgage Insurance Company.

“Radian” means Radian Guaranty, Inc.

“RMIC” means Republic Mortgage Insurance Co.

“UGI” means United Guaranty Residential Insurance Company.

“USDA” means U.S. Department of Agriculture.

## Mortgage Pool Insurers Under the Program

Certain information regarding the mortgage pool insurance coverage for Mortgage Loans purchased under the Program (including Contributed Mortgage Loans but excluding Second Mortgage Loans) as of September 30, 2010, is provided below:

<u>Mortgage Pool Insurance Provider</u>	<u>No. of Mortgage Loans</u>	<u>Original Principal Amount of Mortgage Loans Covered</u>	<u>Remaining Principal Amount of Mortgage Loans Covered</u>	<u>Percentage of Mortgage Loans Covered (%)<sup>(1)</sup></u>
Genworth Mortgage Insurance Corporation	572	\$33,452,162.90	\$22,095,481.19	3.79%
Mortgage Guaranty Insurance Corporation	3,901	362,686,649.46	322,382,224.22	55.25
PMI Mortgage Insurance Company	212	15,985,685.20	12,235,584.34	2.10
Republic Mortgage Insurance Co.	167	17,851,229.06	16,489,778.96	2.83
United Guaranty Residential Insurance Company	1,649	153,609,512.48	134,629,513.69	23.07
Radian Guaranty, Inc.	1,001	84,641,284.66	73,949,891.36	12.67
USDA Rural Development	16	1,143,616.51	1,072,063.84	0.18
Federal Housing Administration	<u>7</u>	<u>682,270.06</u>	<u>617,432.09</u>	<u>0.11</u>
<b>Total <sup>(2)</sup></b>	<b><u>7,525</u></b>	<b><u>\$670,052,410.33</u></b>	<b><u>\$583,471,969.69</u></b>	<b><u>100.00%</u></b>

(1) Percentage is determined by dividing the remaining principal amount of mortgage loans covered by the total remaining principal amount of mortgage loans covered.

(2) On September 15, 2010, the Authority announced that it completed a review of outstanding Mortgage Loans under the Program and determined that it does not have in place pool insurance for up to 680 Mortgage Loans otherwise eligible to be covered by pool insurance policies obtained by the Authority. Pool insurance premium payments relating to these Mortgage Loans were not received by the applicable pool insurer. The amount of Mortgage Loans not covered by pool insurance represented approximately 9.39% of the Mortgage Loans outstanding under the Program as of such date. The Authority attempted, but was unable, to secure coverage from the pool insurers that were in place at the time the Mortgage Loans were initially originated. As reflected in the table above, as of September 30, 2010, there were 629 Mortgage Loans (having a principal amount of \$60,902,814.34) not insured with pool insurance.



## Primary Mortgage Insurers under the Program

Certain information regarding the primary mortgage insurance coverage for Mortgage Loans purchased under the Program (including Contributed Mortgage Loans but excluding Second Mortgage Loans), as of September 30, 2010, is summarized in the following table:

<u>Primary Mortgage Insurance Provider</u>	<u>No. of Mortgage Loans</u>	<u>Original Principal Amount of Mortgage Loans Covered</u>	<u>Remaining Principal Amount of Mortgage Loans Covered</u>	<u>Percentage of Mortgage Loans Covered<sup>(1)</sup> (%)</u>
Mortgage Loans not requiring primary mortgage insurance	2,128	\$188,799,160.46	\$166,197,378.04	25.79%
Genworth Mortgage Insurance Corporation	445	25,517,850.33	17,739,803.39	2.75
Mortgage Guaranty Insurance Corporation	2,383	241,458,011.51	215,278,374.99	33.41
PMI Mortgage Insurance Company	164	12,869,934.76	9,765,004.51	1.52
Republic Mortgage Insurance Co.	271	28,792,280.21	26,636,300.77	4.13
United Guaranty Residential Insurance Company	1,346	127,856,892.23	113,045,706.80	17.54
Radian Guaranty, Inc.	711	63,021,951.98	55,125,270.25	8.55
USDA Rural Development	699	46,934,275.36	39,969,513.19	6.20
Federal Housing Administration	<u>7</u>	<u>682,270.06</u>	<u>617,432.09</u>	<u>0.10</u>
<b>Total<sup>(2)</sup></b>	<b><u>8,154</u></b>	<b><u>\$735,932,626.90</u></b>	<b><u>\$644,374,784.03</u></b>	<b><u>100.00%</u></b>

(1) Percentage is determined by dividing the remaining principal amount of mortgage loans covered by the total remaining principal amount of mortgage loans covered.

(2) Excludes 17 Second Mortgage Loans having an outstanding principal amount, as of September 30, 2010, of \$265,125.24.

## Delinquency Information

Certain information regarding payment delinquencies with respect to Mortgage Loans purchased under the Program including Contributed Mortgage Loans is summarized in the following table. The information is based upon the September 30, 2010 reports from the Servicer.

	<b>Number of Mortgage Loans Outstanding</b>	<b>Mortgage Loans Outstanding</b>	<b>Percentage of Total Number of Mortgage Loans Outstanding</b>
<b>Current</b>	7,490	\$576,668,266.11	89.46%
<b>Two Payment Delinquencies</b>	172	13,014,096.41	2.02
<b>Three or More Payment Delinquencies*</b>	<u>509</u>	<u>54,957,546.75</u>	<u>8.53</u>
<b>Total<sup>(1)</sup></b>	<b><u>8,171</u></b>	<b><u>\$644,639,909.27</u></b>	<b><u>100.00%</u></b>

\* Excludes loans in foreclosure and REO loans.

(1) Includes three First Mortgage Loans (with an aggregate outstanding principal balance of \$320,533.97) having amortization beyond 30 years.

<b>Of Mortgage Loans Outstanding, Number of Loans in Foreclosure*</b>	<b>Mortgage Loans In Foreclosure*</b>	<b>Number of REO Loans</b>	<b>REO Mortgage Loans</b>
188	\$22,519,536.37	195	\$22,250,451.18

\* Excludes REO 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>	<u>Series of Bonds</u>	<u>Date 100% Subject to 10-Year Rule</u>
1994 Series A	8/30/2004	2000 Subseries C-3	6/7/2010
1994 Series B	12/13/2004	2000 Subseries D-1 & D-2	7/26/2000
1994 Series C-2	11/14/2004	2000 Subseries D-3 & D-4	7/26/2010
1995 Series A	3/8/2005	2000 Subseries E-1 & E-2	10/26/2000
1995 Subseries B-1 & B-2	11/14/2004	2000 Subseries E-3 & E-4	10/26/2010
1995 Series C	7/30/2001	2001 Subseries A-1 & A-2	3/27/2011
1995 Series D	9/28/2005	2001 Subseries A-3	3/27/2001
1995 Series E	12/21/2005	2001 Subseries C-1 & C-2	7/24/2011
1996 Series A	12/21/2005	2001 Subseries C-3 & C-4	7/30/2001
1996 Series B	6/12/2006	2001 Subseries E-1 & E-2	1/23/2012
1996 Subseries C-1	9/3/2006	2001 Subseries E-3	1/23/2002
1996 Subseries E-1 & E-2	12/21/2005	2002 Subseries A-1 & A-2	5/2/2012
1996 Series F	12/19/2006	2002 Subseries C-1 & C-2	7/30/2012
1997 Subseries A-1 & A-2	4/8/2007	2003 Subseries B-1 & B-2	9/30/2013
1997 Series B	7/7/2007	2004 Subseries A-1, A-2 & A-3	3/11/2013
1997 Subseries C-1 & C-3	8/21/2007	2004 Subseries C-1, C-2 & C-3	7/13/2014
1997 Subseries C-2 & C-4	11/4/1997	2005 Subseries A-1, A-2 & A-3	3/10/2015
1997 Subseries D-1 & D-2	12/19/2006	2005 Subseries C-1 & C-2	6/29/2015
1998 Subseries D-1 & D-2	7/7/2007	2006 Subseries A-1 & A-2	1/26/2016
1998 Subseries D-3	7/7/2007	2006 Subseries C-1 & C-2	7/27/2016
1998 Series G	12/17/2008	2007 Subseries A-1 & A-2	4/25/2017
1999 Subseries D-1 & D-2	7/29/2009	2007 Series D	8/29/2017
1999 Series E	7/7/2007	2007 Subseries H-1 & H-2	10/31/2017
1999 Series G	10/27/2009	2008 Series A-1 & A-2	1/30/2018
2000 Subseries B-1 & B-2	1/26/2010		
2000 Subseries C-1 & C-2	6/7/2000		

## Summary of Investment Obligations

The following table sets forth, as of September 30, 2010, for each Series of Outstanding 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.

<u>Series</u>	<u>Investment</u>	<u>Maturity Date</u>	<u>Interest Rate</u> <sup>(1)</sup>
<b><u>SERIES PROGRAM ACCOUNT</u></b>			
Series 2009B	Government Obligations	10/21/2010	Discount Note
General	GSE Securities	02/01/2011	Discount Note
<b><u>REVENUE FUND</u></b>			
Series 2000D	Westdeutsche Landesbank	08/01/2031	6.25%
Series 2000E	GSE Securities	11/01/2010	Discount Note
Series 2001A	GSE Securities	11/01/2010	Discount Note
Series 2001C	Trinity Plus Funding Company LLC	08/01/2032	5.00%
Series 2001E	GSE Securities	11/01/2010	Discount Note
Series 2001F (taxable)	GSE Securities	02/01/2011	Discount Note
Series 2002A	GSE Securities	11/01/2010	Discount Note
Series 2002B (taxable)	GSE Securities	02/01/2011	Discount Note
Series 2002C	GSE Securities	11/01/2010	Discount Note
Series 2003B	GSE Securities	11/01/2010	Discount Note
Series 2004A	GSE Securities	11/01/2010	Discount Note
Series 2004C	GSE Securities	11/01/2010	Discount Note
Series 2005A	GSE Securities	11/01/2010	Discount Note
Series 2005C	GSE Securities	11/01/2010	Discount Note
Series 2006A/B	GSE Securities	11/01/2010	Discount Note
Series 2006C	GSE Securities	11/01/2010	Discount Note
Series 2007 A/C	GSE Securities	11/01/2010	Discount Note
Series 2007D	GSE Securities	11/01/2010	Discount Note
Series 2007H1 (remarketed 1/30/08)	GSE Securities	11/01/2010	Discount Note
Series 2008A	GSE Securities	11/01/2010	Discount Note
Series 1997B2	Westdeutsche Landesbank	08/01/2029	5.00%
Series 1998A	Westdeutsche Landesbank	08/01/2028	5.31%
Series 1998D1	Westdeutsche Landesbank	08/01/2029	4.37%
Series 1998D2	Westdeutsche Landesbank	08/01/2029	4.73%
Series 1998D3	Westdeutsche Landesbank	08/01/2029	5.21%
Series 1998G	Westdeutsche Landesbank	08/01/2029	4.73%
Series 1999D	Westdeutsche Landesbank	02/01/2030	5.77%
<b><u>RESERVE FUND</u></b>			
Series 2000D	Westdeutsche Landesbank	08/01/2031	6.38%
Series 2000E	Government Obligations	01/20/2011	Discount Note
Series 2001A	Government Obligations	01/20/2011	Discount Note
Series 2001C	Trinity Plus Funding Company LLC	08/01/2032	5.32%
Series 2001E	GSE Securities	05/15/2029	6.25%
Series 2002A	GSE Securities	07/15/2032	6.25%
Series 2007A/C	Government Obligations	05/15/2017	4.50%
Series 2007D	Government Obligations	05/15/2017	4.50%
Series 1997B1	Trinity Plus Funding Company LLC	08/01/2028	5.25%
Series 1997B2	Trinity Plus Funding Company LLC	08/01/2028	5.25%
Series 1998D1	Westdeutsche Landesbank	08/01/2029	6.77%
Series 1998D2	Westdeutsche Landesbank	08/01/2029	6.77%
Series 1998D3	Westdeutsche Landesbank	08/01/2029	5.28%
<b><u>AUTHORITY PROGRAM ACCOUNT</u></b>			
General	GSE Securities	10/14/2010	Discount Note

(1) These interest rates are not guarantees of future rates of interest.

## APPENDIX C

### SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES

#### **General**

The following provides information relating to mortgage insurance requirements applicable to Mortgage Loans purchased under the Program with the proceeds of Prior Bonds. A description of the Authority's Mortgage Loan purchase program financed with the proceeds of Prior Bonds is found in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Mortgage-Backed Securities and Mortgage Loans—Mortgage Loans". As described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Mortgage-Backed Securities and Mortgage Loans", the Authority is converting the Program from a Mortgage Loan purchase program to a program primarily, if not exclusively, financed through the purchase of Mortgage-Backed Securities. Pools of Mortgages Loans underlying Mortgage-Backed Securities are not Pledged Property under the General Resolution and the following information does not apply to such Mortgage Loans.

The Series Program Determinations for the Prior Bonds established mortgage insurance requirements applicable to Mortgage Loans purchased under the Program with the proceeds of Prior Bonds. These requirements are summarized in the Official Statement under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Mortgage-Backed Securities and Mortgage Loans—Mortgage Loans—First Mortgage Loans", "—Second Mortgage Loans" and "—Supplemental Mortgage Coverage".

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.

The following description of certain mortgage insurance policies and loan guarantees applicable to Mortgage Loans purchased with the proceeds of Prior Bonds 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.

#### **Primary Mortgage Insurance Programs**

*Private Mortgage Insurance.* Private mortgage insurance was required to be issued by a mortgage insurer that was: (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 would not result in a reduction of the Ratings of the Bonds.

The Authority could choose to permit Eligible Borrowers to maintain private mortgage insurance issued by a mortgage insurer whose rating was subsequently reduced below the two highest rating categories of the Rating Agencies. Coverage was 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 was required to remain in force until the principal balance of the First Mortgage Loan was reduced to 80 percent of the original Property Value, at which time the coverage requirement could 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) required cancellation or termination of private mortgage insurance, including automatic termination on the date on which the principal balance of the mortgage loan was first scheduled to reach 78 percent of the original value of the property (so long as mortgage loan payments were current). The Homeowners Protection Act of 1998 also provided 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 did not affect 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 down payments. 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 the information under the caption “CERTAIN PROGRAM INFORMATION—Primary Mortgage Insurers under the Program” included in Appendix B for certain additional information regarding Primary Mortgage Insurers under the Program.

### **Mortgage Pool Insurance Policies**

Each conventional First Mortgage Loan purchased with proceeds attributable to the Prior Bonds (including Transferred First Mortgage Loans) was required to 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 Prior Bonds may also cover some First Mortgage Loans insured by FHA or guaranteed by VA or USDA. For information concerning certain of such First Mortgage Loans that are not covered by Pool Policies, see the footnote to the table included under the caption “CERTAIN PROGRAM INFORMATION – Mortgage Pool Insurers Under the Program” provided in Appendix B.

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” included in 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. Under both alternatives, 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 or interest on the Bonds.

### **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 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.*, and in particular by the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15-1101 *et seq.* A mortgagor in almost all cases 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 summons or by publication in a foreclosure action, or have otherwise submitted to the jurisdiction of the foreclosure 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 summons or by publication in a foreclosure action 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 also generally must expire before a foreclosure sale is held, but residential mortgagors also have an additional right to redeem in certain cases where the mortgagee or its nominee has purchased the Mortgaged Property at the foreclosure sale. This additional right of redemption must be exercised within thirty days after the foreclosure sale is confirmed by the foreclosure court.

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

### GNMA, FANNIE MAE AND FHLMC PROGRAMS

#### GNMA and the GNMA Certificates

The summary and explanation of the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), GNMA’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to the *Ginnie Mae Mortgage-Backed Securities Guide* (HUD Handbook 5500.3) (the “GNMA Guide”) and to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, the GNMA Guide can be accessed at <http://www.ginniemae.gov/guide/guidtoc.asp>, and general information regarding GNMA can be accessed at <http://www.ginniemae.gov>. The Illinois Housing Development Authority (the “Authority”) makes no representations regarding the content or accuracy of the information provided at either of such websites, and such websites are not part of this Official Statement. Further, the procedures and fees described below and in the GNMA Guide are those currently in effect and are subject to change at any time by GNMA.

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

GNMA is authorized by Section 306(g) of Title III of the National Housing Act, as amended, to guarantee the timely payment of the principal of and interest on certificates (“GNMA Certificates” or “GNMA Securities”) that represent an undivided ownership interest in a pool of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen’s Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the USDA/RD pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of Housing and Urban Development (“HUD”) under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The GNMA Certificates are issued by approved servicers and not by GNMA. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 9, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed certificates of the type being delivered to the Trustee on behalf of the Authority (“GNMA Guaranty Agreements”) are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.” In order to meet its obligations under such guaranties, GNMA, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranties of the timely payment of the principal of or interest on all GNMA

Certificates. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970 from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement GNMA's guaranties. Under the terms of its guaranties, GNMA warrants that, in the event it is called upon at any time to make payment on its guaranties, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

GNMA administers two guarantee programs the "Ginnie Mae I MBS Program" and the "Ginnie Mae II MBS Program." The Ginnie Mae I MBS Program is based on single-issuer pools in which the underlying mortgage loans generally have the same or similar maturities and bear the same interest rate. Ginnie Mae I payments are made to holders on the 15th day of each month. The Ginnie Mae II MBS Program permits multiple-issuer as well as single-issuer pools. Loans with different interest rates, within a one percent range, may be included in the same pool or loan package under the Ginnie Mae II MBS Program. Ginnie Mae II MBS payments are made to holders on the 20<sup>th</sup> day of each month.

To issue GNMA Certificates, the Servicer must apply for and receive from GNMA a Commitment to Guarantee Mortgage-Backed Securities ("GNMA Commitment"). A GNMA Commitment authorizes the Servicer to issue GNMA Certificates up to a stated amount during a one year period following the date thereof. The Servicer is obligated to pay GNMA commitment fees and guaranty fees.

Each GNMA Certificate is to be backed by a mortgage pool consisting of mortgage loans in a minimum aggregate amount of \$1,000,000 (or such lesser amount as may be approved by GNMA). Each GNMA I Certificate will be a "mortgage loan pass-through" certificate which will require the Servicer to pass through to the paying and transfer agent therefor (the "GNMA Paying Agent") by the fifteenth day of each month (or the sixteenth day, if fifteenth day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, then the first business day prior to the fifteenth day of the month), the regular monthly payments on the mortgage loans (less the GNMA guaranty fee and the Servicer's servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the mortgage loans received by the Servicer in the previous month. Each GNMA II Certificate will require the Servicer to pass through to the central paying and transfer agent for the GNMA II Program, by the nineteenth day of each month (or the twentieth day, if such nineteenth day is not a business day, provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the mortgage loans (less the GNMA guaranty fee and the Servicer's servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the mortgage loans received by the Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA, upon execution of the GNMA Guaranty Agreement (defined below), issuance of a GNMA Certificate by the Servicer and subsequent sale of such GNMA Certificate to the

Trustee, will have guaranteed to the Trustee as holder of such GNMA Certificate the timely payment of principal of and interest on such GNMA Certificate.

Under contractual arrangements to be made between the Servicer and GNMA, and pursuant to the GNMA Guaranty Agreement, the Servicer is responsible for servicing the mortgage loans constituting GNMA Pools in accordance with FHA, RD or VA regulations, as applicable, and GNMA regulations.

The monthly remuneration of the Servicer for its servicing functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the GNMA Certificates outstanding. In compliance with GNMA regulations and policies, the total of these servicing and guaranty fees equals 0.50% per annum calculated on the principal balance of each mortgage loan outstanding on the last day of the month preceding such calculation. The Pass-Through Rate is determined by deducting from the Mortgage Rate the 0.50% servicing and guaranty fees because the servicing and guaranty fees are deducted from payments on the mortgage loans before payments are passed through to the Trustee.

It is expected that interest and principal payments on the mortgage loans received by the Servicer will be the source of money for payments on the GNMA Certificates. If such payments are less than the amount then due, the Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments on the GNMA Certificates. GNMA guarantees such timely payment in the event of the failure of the Servicer to pass through an amount equal to the scheduled payments (whether or not made by the mortgagors). If such payments are not received as scheduled the Trustee has recourse directly to GNMA.

The Servicer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled in accordance with the GNMA Mortgage-Backed Securities Guide (the "GNMA Guide").

The GNMA guaranty agreement to be entered into by GNMA and the Servicer upon issuance of the GNMA Certificates (the "GNMA Guaranty Agreement") will provide that, in the event of a default by the Servicer, including (i) a request to GNMA to make a payment of principal of or interest on a GNMA Certificate when the mortgagor is not in default under the mortgage note, (ii) insolvency of the Servicer, or (iii) default by the Servicer under any other guaranty agreement with GNMA, GNMA shall have the right, by letter to the Servicer, to effect and complete the extinguishment of the Servicer's interest in the related mortgage loans, and the related mortgage loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Certificates. In such event, all power and authority of the Servicer with respect to the servicing of such GNMA Pools, including the right to collect the servicing fee, also will terminate and expire. The authority and power of the Servicer under the terms of the GNMA Guide will be required to pass to and be vested in GNMA, and GNMA will be the successor in all respects to the Servicer in its capacity as servicer, and will be subject to all duties placed on the Servicer by the GNMA Guide. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such

agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

### **Treasury and Federal Housing Finance Agency Action Regarding Fannie Mae and Freddie Mac and Potential Future Legislation Affecting Fannie Mae and Freddie Mac**

The recently enacted Housing and Economic Recovery Act of 2008 (“HERA”) establishes the Federal Housing Finance Agency (“FHFA”), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac are subject to the supervision and regulation of FHFA to the extent provided in HERA, and the Director of FHFA has general regulatory authority over Fannie Mae and Freddie Mac to ensure that the purposes of HERA, the authorizing statutes and any other applicable laws are carried out.

On September 7, 2008, the U.S. Treasury released a statement (the “Statement”) by the Secretary of the Treasury entitled “Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers.” According to the Statement, Fannie Mae and Freddie Mac are both placed into conservatorship by the FHFA and certain other actions are taken by the Treasury and FHFA. The Authority cannot predict the long term consequences of the conservatorship of these entities and the corresponding impact on the participants and the Program. For the full text of the Statement and related documents see [www.treas.gov](http://www.treas.gov).

Additionally, on February 11, 2011, President Barack Obama proposed a housing plan which outlines three broad options for changing the housing finance system in the United States. The proposal includes various alternatives for the future of the federal government’s role in the housing market, including options which impact the future of Fannie Mae and Freddie Mac. The Authority cannot predict the long term consequences of the federal conservatorship of Fannie Mae and Freddie Mac or of the future status of Fannie Mae and Freddie Mac and cannot predict the impact of the President’s proposal or of any future proposal or legislation on the housing market or the corresponding impact on the Authority or the Program.

### **Fannie Mae and the Fannie Mae Certificates**

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

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. §1716 *et seq.*). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. Fannie Mae became a stockholder-owned and



privately managed corporation in 1968. The Federal Housing Finance Agency 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. Fannie Mae operates a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the “MBS Program”).

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’s obligations or to assist Fannie Mae in any manner.

*The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae are not backed by, or entitled to, the full faith and credit of the United States of America.*

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides published by Fannie Mae (the “Fannie Mae Guides”), as modified by the Pool Purchase Contract, and in the case of mortgage loans such as the 2008 Series 2 Program Loans, a Trust Indenture dated as of November 1, 1981, as amended (the “Trust Indenture”), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in the MBS Prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The Fannie Mae Prospectus is updated and supplemented 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 Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at [http://www.fanniemae.com/markets/mbssecurities/prospectuses/pro\\_role.jhtml](http://www.fanniemae.com/markets/mbssecurities/prospectuses/pro_role.jhtml). However, information on the Fannie Mae’s website is not part of this Official Statement.

The summary of the MBS Program set forth under this caption does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides, the Fannie Mae Certificates, the Fannie Mae Prospectus and the other documents referred to herein.

Each Fannie Mae Certificate represents the entire interest in a specified pool of conventional mortgage loans purchased by Fannie Mae and identified in records maintained by Fannie Mae. The Pool Purchase Contract will require that each Fannie Mae Certificate be in a minimum amount of \$500,000. Each Fannie Mae Certificate will bear interest at the pass-through rate specified thereon.

Fannie Mae will guarantee 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 pools represented by such Fannie Mae Certificates, whether or not received, and the full principal balance of any foreclosed or other finally

liquidated mortgage loans, 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 full faith and credit of the United States.* If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying conventional mortgage loans, and accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Certificates, and payments on the Bonds could be adversely affected by prepayments, delinquent payments and defaults on such conventional mortgage loans.

Payments on a Fannie Mae Certificate will be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the Trustee an amount equal to the total of (1) the principal due on the mortgage loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution, (2) 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 any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest or because of Fannie Mae's election to repurchase such mortgage loan under certain other circumstances as permitted by the Trust Indenture), (3) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (4) one month's interest at the Pass-Through Rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, on 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 before the month of distribution but is under no obligation to do so.

### **FHLMC and the FHLMC Certificates**

The following summary of the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), the Freddie Mac Guarantor Program, the Freddie Mac Certificates and Freddie Mac's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, Freddie Mac's Information Statement, any Information Statement Supplements and any other documents made available by Freddie Mac. Copies of these documents can be obtained by writing, calling or e-mailing Freddie Mac's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (800-336-FMPC; e-mail: [Investor\\_Inquiry@freddiemac.com](mailto:Investor_Inquiry@freddiemac.com)). The Authority does not and will

not participate in the preparation of Freddie Mac's Mortgage Participation Certificates Offering Circular, Information Statement or Supplements. At the time of printing this Official Statement, general information regarding Freddie Mac can be accessed at <http://www.freddiemac.com>. The Authority makes no representations regarding the content or accuracy of the information provided at such website, and such website is not part of this Official Statement.

Freddie Mac 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 (12 U.S.C. §§ 1451-1459)) (the "Freddie Mac Act"). Freddie Mac is also regulated by the Federal Housing Finance Authority.

Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages, (ii) to respond appropriately to the private capital market, (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families) 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.

*The obligations of Freddie Mac, including its obligations under the Freddie Mac Certificates, are obligations solely of Freddie Mac and are not backed by, or entitled to, the full faith and credit of the United States America.*

Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

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

Freddie Mac Certificates will be mortgage pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Certificates are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each Freddie Mac Certificate represents an undivided interest in a pool of mortgages. Payments by borrowers on the mortgages in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Certificates representing interests in that pool. The minimum original principal balance for a pool of mortgages is generally \$1,000,000. All of the mortgages are either conventional mortgages or mortgages guaranteed or insured by FHA, the Department of Veterans Affairs or the Rural Housing Service. Conventional mortgages are pooled separately from mortgages guaranteed or insured by FHA, the Department of Veterans Affairs or the Rural Housing Service.

Freddie Mac issues two types of Freddie Mac Certificates – Gold PCs and ARM PCs. Gold PCs are backed by fixed-rate, level payment, fully amortizing mortgages or balloon/reset mortgages. ARM PCs are backed by adjustable rate mortgages.

Payments on Freddie Mac Certificates begin on or about the fifteenth day of the first month following issuance for a Gold PC and on or about the 15<sup>th</sup> day of the second month after issuance for an ARM PC. Each month, Freddie Mac passes through to record holders of Freddie Mac Certificates their proportionate share of principal payments on the mortgages in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for a Freddie Mac Certificate is determined by subtracting from the lowest interest rate on any of the mortgages in the pool the applicable servicing fee and Freddie Mac's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under Freddie Mac's Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac Certificate plus the minimum required servicing fee through the pass-through rate plus any additional amount determined by Freddie Mac.

Freddie Mac guarantees to each holder of a Freddie Mac 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 Freddie Mac Certificate will be made no later than the payment date that occurs in the month in which the last monthly payment on the Freddie Mac Certificate is scheduled to be made.

The obligations of Freddie Mac under its guarantees of the Freddie Mac Certificates are obligations of Freddie Mac only. The Freddie Mac Certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Certificates would consist solely of payments and other recoveries on the related mortgages; accordingly, prepayments, delinquencies and defaults on the mortgages would affect distributions on the Freddie Mac Certificates and could adversely affect payments on the Bond of such Series.

All mortgages purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. In addition, Freddie Mac has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage and the credit worthiness of the borrower. Freddie Mac'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 and age of the mortgages, the type of property securing the mortgages and other factors.

Freddie Mac has also established 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 Freddie Mac administration of escrow accounts; collection

of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. Freddie Mac 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, Freddie Mac 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, Freddie Mac seeks to minimize the costs that may be incurred in servicing the mortgage, as well as Freddie Mac's possible exposure under its guarantees. However, the measures that Freddie Mac may choose to pursue to resolve a default will not affect Freddie Mac's guarantees. Freddie Mac 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.

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## APPENDIX E

### FORM OF OPINION OF SPECIAL TAX COUNSEL

[Closing Date]

Illinois Housing Development Authority  
401 North Michigan Avenue, Suite 700  
Chicago, Illinois 60611

\$46,000,000

Illinois Housing Development Authority  
Homeownership Mortgage Revenue Bonds  
\$6,140,000 2011 Subseries A-1  
\$4,860,000 2011 Subseries A-2  
\$14,000,000 2011 Series B  
\$21,000,000 2009 Subseries B-1

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$6,140,000 aggregate principal amount of Illinois Housing Development Authority Homeownership Mortgage Revenue Bonds, 2011 Subseries A-1 (the “2011 Subseries A-1 Bonds”), \$4,860,000 aggregate principal amount of Illinois Housing Development Authority Homeownership Mortgage Revenue Bonds, 2011 Subseries A-2 (the “2011 Subseries A-2 Bonds”), and \$14,000,000 aggregate principal amount of the Illinois Housing Development Authority Homeownership Mortgage Revenue Bonds 2011 Series B (the “2011 Series B Bonds”), concurrent with the conversion to a step interest rate of \$21,000,000 aggregate principal amount of Illinois Housing Development Authority Homeownership Mortgage Revenue Bonds, 2009 Subseries B-1 (the “2009 Subseries B-1 Bonds”; together with the 2011 Subseries A-1 Bonds, the 2011 Subseries A-2 Bonds and the 2011 Series B Bonds, the “Bonds”). The 2009 Subseries B-1 Bonds have been issued pursuant to, and the interest rate thereon will be converted pursuant to, the Amended and Restated Homeowner Mortgage Revenue Bonds General Resolution, adopted by the Illinois Housing Development Authority (the “Authority”) on September 19, 2008 (the “General Resolution”), and the Amended and Restated 2009 Series B Resolution, adopted by the Authority on December 18, 2009, as further amended by the First Supplemental Resolution adopted on January 22, 2010 and by the Second Supplemental Resolution adopted on December 3, 2010 (the “2009 Series B Resolution”); the 2011 Subseries A-1 Bonds and the 2011 Subseries A-2 Bonds will be issued pursuant to the 2011 Series A Resolution (the “2011 Series A Resolution”), and the 2011 Series B Bonds will be issued pursuant to the 2011 Series B Resolution (the “2011 Series B Resolution”, and together with the General Resolution, the 2009 Series B Resolution and the 2011 Series A Resolution, the “Resolutions”), both adopted by the Authority on December 3, 2010. Capitalized terms not otherwise defined herein are used as defined in the Resolutions.

In connection with the issuance of the 2011 Subseries A-1 Bonds, the 2011 Subseries A-2 Bonds and the 2011 Series B Bonds and the conversion of the interest rate on the 2009 Subseries B-1 Bonds, we have examined the Resolutions and the Tax Regulatory Agreement and No Arbitrage Certificates (the “Arbitrage Certificates”) of the Authority and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Authority with certain restrictions, conditions and requirements contained in the Resolutions and the Arbitrage Certificates designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the 2011 Subseries A-1 Bonds, the 2011 Subseries A-2 Bonds and the 2011 Series B Bonds from their date of issuance, and interest on the 2009 Subseries B-1 Bonds from their Release Date, is excluded from gross income for federal income tax purposes. Interest on the 2011 Subseries A-2 Bonds is, and interest on the 2011 Subseries A-1 Bonds, the 2011 Series B Bonds and the 2009 Subseries B-1 Bonds from their Release Date is not, a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

We are further of the opinion that interest on the 2011 Series B Bonds from their date of issuance, and interest on the 2009 Subseries B-1 Bonds from their Release Date, is not included in adjusted current earnings of corporations for purposes of the alternative minimum tax provisions imposed on such corporations by the Code.

Interest on the 2011 Subseries A-1 Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation’s earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We express no opinion regarding any other consequences affecting the federal income tax liability of a recipient of interest on the Bonds.

Under the Illinois Housing Development Act in its present form, the Bonds and all income from the Bonds is free from all taxation by the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes.

The opinions expressed herein are rendered in reliance upon the opinion of Foley & Lardner LLP and Tyson Strong Hill Connor, LLP, co-Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Illinois.

Very truly yours,



## APPENDIX F

### FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

Illinois Housing Development Authority  
401 North Michigan Avenue, Suite 700  
Chicago, Illinois 60611

Ladies and Gentlemen:

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 \$11,000,000 aggregate principal amount of its Homeowner Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"), \$14,000,000 aggregate principal amount of its Homeowner Mortgage Revenue Bonds, 2011 Series B (the "2011 Series B Bonds") and the conversion of the interest rate on \$21,000,000 aggregate principal amount of its Homeowner Mortgage Revenue Bonds 2009 Series B (Taxable Program Bonds) and the redesignation of such converted Bonds as "Homeowner Mortgage Revenue Bonds, 2009 Subseries B-1 (non-AMT)" (the "2009 Subseries B-1 Bonds") (collectively, the "Bonds"). The record of proceedings includes the Authority's Amended and Restated Homeowner Mortgage Revenue Bonds General Resolution, amended and restated on September 19, 2008 (the "General Resolution"), an Amended and Restated 2009 Series B Resolution pertaining to the Bonds adopted on December 18, 2009, as further amended by a First Supplemental Resolution adopted on January 22, 2010 and by a Second Supplemental Resolution adopted on December 3, 2010, and the related Initial Determination and Conversion Determination made by authorized officers of the Authority (together, the "2009B Series Resolution"), a 2011 Series A Resolution adopted on December 3, 2010, together with a Determination made by authorized officers of the Authority relating thereto (the "2011 Series A Resolution") and a 2011 Series B Resolution adopted on December 3, 2010, together with a Determination made by authorized officers of the Authority relating thereto (the "2011 Series B Resolution" and together with the 2009B Series Resolution and the 2011 Series A Resolution, the "Series Resolutions"). The General Resolution, the 2009B Series Resolution, the 2011A Series Resolution and the 2011B Series Resolution are collectively referred to as the "Resolution." 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 Resolutions. The 2011 Series A Bonds and 2011 Series B 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 2009 Subseries B-1 Bonds are issuable only as fully registered bonds in the denomination of \$10,000, or any integral multiple thereof. The Bonds are subject to redemption prior to their maturity as provided in the Series Resolutions.

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 Resolutions) 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. 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.

We express no opinion in this letter as to (i) the exclusion of interest on the Bonds from federal or State of Illinois income taxes or (ii) the accuracy, adequacy or completeness of the Official Statement dated February 24, 2011.

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 truly yours,

## APPENDIX G

### 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 Series Bonds.

(b) Annual Financial Information. Each year the Authority shall provide annual financial information concerning the Series Bonds to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or through such other electronic format or system prescribed by the MSRB or the SEC for purposes of Rule 15c2-12. 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, 2011. Copies of the annual financial information shall also be made available to any beneficial or registered owner of Series 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 Series Bonds, including information relating to:

- (i) the outstanding principal amounts of the Bonds;
- (ii) the nature and status of the Mortgage Loans and the Mortgage-Backed Securities, including amounts, rates and delinquencies;
- (iii) the amounts available to purchase Mortgage Loans or Mortgage-Backed Securities;
- (iv) the Supplemental Mortgage Coverage;
- (v) the Reserve Fund; and
- (vi) the Transfer Amounts and Contributed Assets.

The annual financial information may include any or all information by incorporating, by specific reference, other documents which have been provided to EMMA. If the incorporated information is in an Official Statement, it must be available from the MSRB. 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 Series Bonds, the Authority shall report the event to EMMA in a timely manner and within ten (10) business days of the occurrence of such event:

- (i) principal and interest payment delinquencies;

- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements (if any 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series Bonds, or other material events affecting tax status of the Series Bonds;
- (vii) modifications to rights of Owners of the Series Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (xiv) the appointment of a successor or additional trustee or the change of the name of a trustee, if material.

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, and to EMMA of any failure to timely provide the annual financial information as provided in the continuing disclosure undertaking.

(d) Enforcement. The agreements of the Authority in the continuing disclosure undertaking are a contract between the Authority and the beneficial and registered owners from time to time of the Series Bonds. Such agreements may be enforced by any beneficial or registered owner of Series Bonds. The sole remedy with respect to the Authority's compliance with its undertaking shall be to require compliance. The continuing disclosure undertaking shall be solely for the benefit of the beneficial or registered owners of the Series Bonds from time to time, and shall create no right in anyone else. The Trustee shall have no powers or duties under

the continuing disclosure undertaking. No violation by the Authority of any provision described in the 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 the continuing disclosure undertaking.

(e) Termination. The obligation of the Authority under the continuing disclosure undertaking shall end upon the Series 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)(vi) or (c)(viii) above.

(f) Amendment. The Authority may by resolution amend the 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 the 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 to that effect delivered by counsel with significant federal securities law expertise as selected by the Authority. Any such amendment shall be described in the Authority's next annual financial information disclosure provided to EMMA and the Trustee.

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