

In the opinion of Kutak Rock LLP, Chicago, Illinois, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds and the 2014 Series B Bonds (collectively, the “2014 Series AB Tax Exempt Bonds”) is excludable from gross income for federal income tax purposes. Interest on the 2014 Subseries A-1 Bonds is not a specific preference item but is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax, interest on the 2014 Subseries A-2 Bonds is a specific preference item and is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax, and interest on the 2014 Series B Bonds is neither a specific preference item nor included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that under the Act (as defined below), in its present form, the Tax-Exempt Bonds, the 2014 Subseries A-3 Bonds, the 2014 Subseries A-4 Bonds and the 2014 Subseries A-5 Bonds (collectively, the “Bonds”) and all income from the Bonds are free from all taxation of the State of Illinois or its political subdivisions except for estate, transfer and inheritance taxes. For a more complete description, see “TAX MATTERS” herein.



\$111,250,000
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
\$94,050,000 Homeowner Mortgage Revenue Bonds, 2014 Series A
 consisting of

\$17,720,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-1 (Non-AMT)
\$41,280,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-2 (AMT)
\$4,375,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-3 (Federally Taxable)
\$10,675,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-4 (Federally Taxable Variable Rate)
\$20,000,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-5 (Federally Taxable Variable Rate)
 and
\$17,200,000 Homeowner Mortgage Revenue Bonds, 2014 Series B (Non-AMT)

Dated: Date of Delivery

Due: See inside cover.

The Homeowner Mortgage Revenue Bonds, 2014 Series A, issued in five separate Subseries as set forth above, and the Homeowner Mortgage Revenue Bonds, 2014 Series B (Non-AMT) (collectively, the “2014 Series AB Bonds”) will be issued by the Illinois Housing Development Authority (the “Authority”) as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2014 Series AB Bonds. Purchases of 2014 Series AB Bonds will be made in book-entry form through DTC participants only in authorized denominations described herein and no physical delivery of 2014 Series AB Bonds will be made to the purchasers thereof, except as otherwise provided herein. Principal of and interest on the 2014 Series AB Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois (the “Trustee”), to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the 2014 Series AB Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2014 Series AB Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See “THE 2014 Series AB BONDS – Book-Entry Only System.”

The 2014 Subseries A-1 Bonds, 2014 Subseries A-2 Bonds, 2014 Subseries A-3 Bonds and 2014 Series B 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 February 1, 2015. See “THE 2014 Series AB BONDS.”

The 2014 Subseries A-4 Bonds and 2014 Subseries A-5 Bonds (collectively, the “Variable Rate Bonds”) initially bear interest for a Weekly Interest Rate Period. The Variable Rate Bonds may be adjusted to bear interest for a Daily Interest Rate Period, a Short-Term Interest Rate Period or a Long-Term Interest Rate Period, with the first interest payment date being August 1, 2014. This Official Statement is not intended to describe the terms of any Variable Rate Bond after its conversion to a Long-Term Interest Rate Period.

During a Weekly Interest Rate Period, the Variable Rate Bonds are subject to tender for purchase on any Business Day at the option of the registered owners thereof upon seven days’ prior notice given to The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois (the “Tender Agent”). The Variable Rate Bonds are subject to mandatory tender for purchase (i) on the first day of each Interest Rate Period, (ii) upon the termination, expiration, reduction, modification or replacement of a related Liquidity Facility or any related Alternate Liquidity Facility, and (iii) in certain circumstances following an event of default under a related Liquidity Facility. See “THE 2014 Series AB BONDS—The Variable Rate Bonds,” Appendix G—“THE VARIABLE RATE BONDS” and Appendix H—“THE INITIAL LIQUIDITY FACILITIES.”

Funds for the timely payment of the purchase price of Variable Rate Bonds tendered for purchase and not remarketed will be provided pursuant to separate Standby Bond Purchase Agreements, each related to a Subseries (each an “Initial Liquidity Facility”), entered into among the Authority, the Tender Agent and the Federal Home Loan Bank of Chicago (the “Initial Liquidity Provider”). The Initial Liquidity Facility relating to the 2014 Subseries A-4 Bonds is scheduled to expire on March 15, 2019 and the Initial Liquidity Facility relating to the 2014 Subseries A-5 Bonds is scheduled to expire on March 10, 2019, in each case subject to earlier termination or extension as described herein. Variable Rate Bonds of a Subseries will be subject to mandatory tender for purchase upon the expiration of the related Initial Liquidity Facility if it is not extended and an Alternate Liquidity Facility is not substituted for it. The obligations of the Initial Liquidity Provider to purchase Bonds under an Initial Liquidity Facility may be terminated, in some circumstances without notice to the Trustee, as described herein. See Appendix H—“THE INITIAL LIQUIDITY FACILITIES.”

The 2014 Series AB Bonds are subject to redemption, including redemption at par without premium, as described under the caption “THE 2014 SERIES AB BONDS—Redemption.”

Proceeds of the 2014 Series A Bonds together with other funds of the Authority are expected to be used to: (a) refund at or in advance of maturity all or any portion of the Authority’s outstanding Homeowner Mortgage Revenue Bonds, 2003 Series B, 2004 Series A, 2004 Series C, 2005 Series A and 2005 Series C Bonds (collectively, the “Refunded Bonds”) as more fully described herein; (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 2014 Series A Bonds and refunding and/or redemption of the Refunded Bonds. See information under the captions “SOURCES AND USES OF FUNDS” and “THE GENERAL RESOLUTION PROGRAM.”

Proceeds of the 2014 Series B Bonds together with other funds of the Authority 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 or Fannie Mae; (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 2014 Series B Bonds. The General Resolution permits the proceeds of the 2014 Series AB Bonds to be used for other purposes at the election of the Authority. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “THE GENERAL RESOLUTION PROGRAM.”

The 2014 Series AB Bonds are special limited obligations of the Authority. Together with the Prior Bonds and Additional Bonds (as defined herein), the 2014 Series AB 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.

The 2014 Series AB 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 2014 Series AB Bonds.

The 2014 Series AB 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 Kutak Rock LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Authority by its General Counsel, Maureen G. Ohle, Esq., and by its special counsel, Schiff Hardin LLP, Chicago, Illinois, for the Initial Liquidity Provider by its in-house counsel and for the Underwriters by their special counsel, Burke Burns & Pinelli, Ltd., Chicago, Illinois. See information under the caption “LEGAL MATTERS.” It is expected that the 2014 Series AB Bonds will be available and delivered in book entry only form through DTC on or about July 24, 2014.

MORGAN STANLEY*

CITIGROUP CASTLEOAK	J.P. MORGAN PNC CAPITAL MARKETS LLC	RAMIREZ & Co. MESIROW	RBC CAPITAL MARKETS RAYMOND JAMES	WELLS FARGO SECURITIES
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This Official Statement is dated July 16, 2014.

* Sole underwriter and remarketing agent for the Variable Rate Bonds

MATURITY SCHEDULES

\$17,720,000 Homeowner Mortgage Revenue Bonds, 2014 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>
8/1/2021	\$ 250,000	2.750%	45201YYT8	8/1/2023	\$1,960,000	3.250%	45201YYQ4
2/1/2022	1,565,000	3.000	45201YYM3	2/1/2024	2,020,000	3.400	45201YYR2
8/1/2022	1,850,000	3.050	45201YYN1	8/1/2024	2,075,000	3.400	45201YYSS
2/1/2023	1,905,000	3.250	45201YYP6				

\$6,095,000 3.600% due August 1, 2026; CUSIP No. 45201YYU5

\$41,280,000 Homeowner Mortgage Revenue Bonds, 2014 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>
2/1/2015	\$ 900,000	0.500%	45201YYV3	8/1/2018	\$1,180,000	2.000%	45201YZC4
8/1/2015	940,000	0.600	45201YYW1	2/1/2019	1,225,000	2.350	45201YZD2
2/1/2016	975,000	0.800	45201YYX9	8/1/2019	1,270,000	2.400	45201YZE0
8/1/2016	1,015,000	0.950	45201YYY7	2/1/2020	1,315,000	2.650	45201YZF7
2/1/2017	1,055,000	1.450	45201YYZ4	8/1/2020	1,365,000	2.750	45201YZG5
8/1/2017	1,095,000	1.550	45201YZA8	2/1/2021	1,415,000	3.000	45201YZH3
2/1/2018	1,135,000	1.900	45201YZB6	8/1/2021	1,290,000	3.050	45201YZJ9

\$25,105,000 (PAC Term Bond) 4.000% due February 1, 2035 at 107.560%; CUSIP No. 45201YZK6

\$4,375,000 Homeowner Mortgage Revenue Bonds, 2014 Series A-3 (Federally Taxable)

<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>
2/1/2015	\$635,000	0.580%	45201YZL4	8/1/2016	\$ 675,000	0.870%	45201YZP5
8/1/2015	650,000	0.680	45201YZM2	2/1/2017	690,000	1.050	45201YZQ3
2/1/2016	665,000	0.775	45201YZN0	8/1/2017	1,060,000	1.230	45201YZR1

\$10,675,000 Homeowner Mortgage Revenue Bonds, 2014 Series A-4 (Federally Taxable Variable Rate)

\$10,675,000 due August 1, 2034; CUSIP No. 45201YB97

\$20,000,000 Homeowner Mortgage Revenue Bonds, 2014 Series A-5 (Federally Taxable Variable Rate)

\$20,000,000 due August 1, 2035; CUSIP No. 45201YC21

\$17,200,000,000 Homeowner Mortgage Revenue Bonds, 2014 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>
8/1/2015	\$175,000	0.500%	45201YZS9	8/1/2020	\$195,000	2.450%	45201YA49
2/1/2016	185,000	0.600	45201YZT7	2/1/2021	190,000	2.700	45201YA56
8/1/2016	180,000	0.700	45201YZU4	8/1/2021	200,000	2.750	45201YA64
2/1/2017	180,000	1.050	45201YZV2	2/1/2022	200,000	3.000	45201YA72
8/1/2017	185,000	1.150	45201YZW0	8/1/2022	200,000	3.050	45201YA80
2/1/2018	180,000	1.500	45201YZX8	2/1/2023	210,000	3.250	45201YA98
8/1/2018	185,000	1.600	45201YZY6	8/1/2023	210,000	3.250	45201YB22
2/1/2019	185,000	1.950	45201YZZZ3	2/1/2024	210,000	3.400	45201YB30
8/1/2019	190,000	2.050	45201YA23	8/1/2024	215,000	3.400	45201YB48
2/1/2020	190,000	2.350	45201YA31				

\$2,455,000 Homeowner Mortgage Revenue Bonds, 2014 Series B Non-AMT Term Bond

\$2,455,000 3.850% due August 1, 2029; CUSIP No. 45201YB55

\$2,975,000 Homeowner Mortgage Revenue Bonds, 2014 Series B Non-AMT Term Bond

\$2,975,000 4.150% due August 1, 2034; CUSIP No. 45201YB63

\$3,615,000 Homeowner Mortgage Revenue Bonds, 2014 Series B Non-AMT Term Bond

\$3,615,000 4.350% due August 1, 2039; CUSIP No. 45201YB89

\$4,490,000 Homeowner Mortgage Revenue Bonds, 2014 Series B Non-AMT Term Bond

\$4,490,000 4.450% due August 1, 2044; CUSIP No. 45201YB71

*Copyright 2014; American Bank Association. CUSIP data used herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the Bondowners only at the time of issuance of the 2014 Series AB Bonds and neither the Authority nor the Underwriter make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014 Series AB Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014 Series AB Bonds.

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 2014 Series AB 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 2014 SERIES AB BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS RELATING TO THE 2014 SERIES AB 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 2014 SERIES AB BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE 2014 SERIES AB 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 2014 SERIES AB 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 2014 SERIES AB BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2014 SERIES AB 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 2014 SERIES AB BONDS, SUBJECT TO APPLICABLE SECURITY LAWS. THE UNDERWRITERS, HOWEVER, ARE NOT OBLIGATED TO REPURCHASE ANY OF SUCH 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

\$111,250,000

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

\$94,050,000 Homeowner Mortgage Revenue Bonds, 2014 Series A

consisting of

\$17,720,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-1 (Non-AMT)

\$41,280,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-2 (AMT)

\$4,375,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-3 (Federally Taxable)

\$10,675,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-4 (Federally Taxable Variable Rate)

\$20,000,000 Homeowner Mortgage Revenue Bonds, 2014 Subseries A-5 (Federally Taxable Variable Rate)

and

\$17,200,000 Homeowner Mortgage Revenue Bonds, 2014 Series B (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 \$94,050,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds 2014 Series A, to be issued in five Subseries, consisting of: the \$17,720,000 2014 Subseries A-1 Bonds (Non-AMT) (the "2014 Subseries A-1 Bonds"), the \$41,280,000 2014 Subseries A-2 Bonds (AMT) (the "2014 Subseries A-2 Bonds"), the \$4,375,000 2014 Subseries A-3 Bonds (Federally Taxable) (the "2014 Subseries A-3 Bonds"), the \$10,675,000 2014 Subseries A-4 Bonds (Federally Taxable Variable Rate) (the "2014 Subseries A-4 Bonds"), and the \$20,000,000 2014 Subseries A-5 Bonds (Federally Taxable Variable Rate) (the "2014 Subseries A-5 Bonds" and, together with the 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds, the 2014 Subseries A-3 Bonds and the 2014 Subseries A-4 Bonds, the "2014 Series A Bonds") and the Authority's \$17,200,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, 2014 Series B (Non-AMT) (the "2014 Series B Bonds" and, together with the 2014 Series A Bonds, the "2014 Series AB Bonds"). The 2014 Series B Bonds, 2014 Subseries A-1 Bonds and 2014 Subseries A-2 Bonds are collectively defined as the "2014 Series AB Tax-Exempt Bonds." Proceeds of the 2014 Series AB Bonds will be used as described herein under the caption "PLAN OF FINANCE."

The 2014 Series AB Bonds are being issued by the Authority pursuant to the Illinois Housing Development Act, as amended (the "Act"), in furtherance of its single-family housing mortgage loan program, and pursuant to the Authority's Homeowner Mortgage Revenue Bonds General Resolution, adopted on July 15, 1994, as amended and restated on September 19, 2008 (the "General Resolution").

The issuance of the 2014 Series AB Bonds is authorized by the General Resolution and the Authority's Homeowner Mortgage Revenue Bonds 2014 Series Resolution adopted on June 27, 2014 (together with the determination or determinations of the Authority with respect to the 2014 Series AB Bonds, the "2014 Series AB Resolution").

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 (“Mortgage-Backed Securities”) issued by Government National Mortgage Association (“GNMA”), Fannie Mae or Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”). 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 General Resolution Program, see information under the captions “THE AUTHORITY” and “THE GENERAL RESOLUTION PROGRAM- General.”

The Authority is authorized to issue \$3,600,000,000 aggregate original principal amount of bonds under the Act. As of March 31, 2014, \$444,430,000 aggregate principal amount of Bonds were Outstanding under the General Resolution (collectively, the “Prior Bonds”). Prior to 2011, the Authority used proceeds of the Prior Bonds to purchase Mortgage Loans. The Authority has also purchased Mortgage-Backed Securities with proceeds of Prior Bonds and other funds under the General Resolution. As of March 31, 2014, Mortgage Loans outstanding in the Program Account total \$356,750,229 and Mortgage-Backed Securities outstanding in the Program Account total \$15,646,616.

The 2014 Series AB Bonds are subject to redemption, including redemption at par without premium, as described under the caption “THE 2014 SERIES AB BONDS – Redemption.”

The 2014 Series AB 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 2014 Series AB 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 2014 Series AB Bonds are special limited obligations of the Authority. The Bonds are secured under the General Resolution by “Pledged Property” which includes, without limitation, all right, title and interest of the Authority in Revenues derived from the Mortgage Loans and the Mortgage-Backed Securities and other Funds held by the Trustee. 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 purchased or 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 2014 Series B Bonds, see information under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans and Mortgage-Backed Securities.” Information concerning Mortgage Loans and Mortgaged-Backed Securities outstanding under the General Resolution is included in Appendix B.

The 2014 Series AB 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 2014 Series AB 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.

THE 2014 SERIES AB BONDS

The Fixed Rate Bonds

General

The 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds, the 2014 Subseries A-3 Bonds and the 2014 Series B Bonds are referred to collectively in this Official Statement as the “Fixed Rate Bonds.” The Fixed Rate Bonds will be dated the date of their delivery. The Fixed Rate Bonds will bear interest from their respective dates at the respective rates set forth on the inside cover page of this Official Statement, payable semiannually on each February 1 and August 1, with the first interest payment date being February 1, 2015. The Fixed Rate Bonds are issuable only in registered form in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

The Fixed Rate Bonds initially will be registered in the name of Cede & Co., as Owner and nominee of DTC, which will act as securities depository for the Fixed Rate Bonds. Purchasers of the Fixed Rate Bonds will not receive physical delivery of the bond certificates representing their beneficial ownership interests. See “THE 2014 SERIES AB BONDS – Book-Entry Only System.”

Interest on the Fixed Rate Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal of and redemption premium, if any, on the Fixed Rate Bonds shall be payable at the principal corporate trust office of the Fiscal Agent. Interest due on the Fixed Rate Bonds will be paid to the registered owners thereof by the Trustee by check or, in the case of owners of Fixed Rate Bonds in a principal amount equal to or exceeding \$1 million upon request by wire transfer to the person in whose name the Fixed Rate Bond is registered as of the first day of the month in which each Interest Payment Date occurs (the “Record Date”).

The Variable Rate Bonds

The following information is furnished solely to provide summary information regarding the terms of the 2014 Subseries A-4 Bonds and the 2014 Subseries A-5 Bonds (also sometimes referred to as the “Variable Rate Bonds”), the Initial Liquidity Facilities, and the Initial Liquidity Provider and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions and definitions appearing in Appendices G and H to this Official Statement and by reference to the portions of the Resolution relating to the Variable Rate Bonds and should be read together therewith.

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

General

The Variable Rate Bonds will be dated the date of their delivery and will mature on the maturity date set forth on the inside cover page of this Official Statement. The Variable Rate Bonds are issuable only in registered form in authorized denominations of \$100,000 or any integral multiple of \$5,000 in

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

The Variable Rate Bonds initially will be registered in the name of Cede & Co., as Owner and nominee of DTC, which will act as securities depository for the Variable Rate Bonds. Purchasers of the Variable Rate Bonds will not receive physical delivery of the bond certificates representing their beneficial ownership interests. See “THE 2014 SERIES AB BONDS – Book-Entry Only System.”

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

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

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

See “THE VARIABLE RATE BONDS – Purchase of Bonds” in Appendix G for certain other information regarding circumstances under which the Variable Rate Bonds are subject to optional and mandatory tender for purchase and the purchase price of Variable Rate Bonds that are tendered for purchase.

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

Weekly Interest Rate Period

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

The Weekly Interest Rate shall be a rate determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum rate, which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell such Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110 percent of One Month LIBOR made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 125 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Weekly Interest Rate Period, in either case as determined by the Tender Agent.

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

Monthly Interest Payment. Interest shall accrue from the date of delivery through and including July 31, 2014, and thereafter from an Interest Payment Date through and including the calendar day immediately preceding the next Interest Payment Date. Until an adjustment from the Weekly Interest Rate Period, the Interest Payment Date shall be the first Business Day of each calendar month. The initial Interest Payment Date for the Variable Rate Bonds is August 1, 2014.

Bondholder Election to have Variable Rate Bonds Purchased. The Beneficial Owners of Variable Rate Bonds bearing interest at a Weekly Interest Rate may elect to have any of their Variable Rate Bonds purchased in whole on any Business Day by giving irrevocable written notice, or telephonic notice promptly confirmed in writing, to the Tender Agent, with a copy to the Remarketing Agent, on a Business Day at least seven days prior to the Business Day selected by the owner for such purchase. Variable Rate Bonds to be purchased must be delivered to the Tender Agent by 12:00 Noon, New York City time, on the date designated for purchase.

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

Daily Interest Rate Period

Interest Rate. The Daily Interest Rate shall be determined by the Remarketing Agent on each Business Day. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the preceding

Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110 percent of the One Month Libor made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 125 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided in the Resolution for such Daily Interest Rate Period, in either case as determined by the Tender Agent.

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

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

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

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

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

Short-Term Interest Rate Period

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

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

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

The Bond Interest Term Rate for any Variable Rate Bond shall be a rate determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such Variable Rate Bond, would enable the Remarketing Agent to sell such Variable Rate Bond on the date and at the time determined at a price (without regarding accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Variable Rate Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 125 percent of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated, as determined by the Tender Agent.

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

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

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

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

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

The Variable Rate Bonds are subject to mandatory tender for purchase upon notice from the Trustee that the Variable Rate Bonds shall, on the date specified in such notice, cease to be payable from such Liquidity Facility as a result of (i) (A) the termination or expiration of the term of such Liquidity Facility, or (B) the Liquidity Facility being reduced, suspended, replaced or modified (other than a reduction or modification in connection with the redemption of Variable Rate Bonds) with the effect that

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

Duration of Interest Rate Periods

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

Initial Liquidity Facility

The Authority, the Trustee and the Federal Home Loan Bank of Chicago (the “Initial Liquidity Provider”) intend to enter into two separate Standby Bond Purchase Agreements each dated as of July 21, 2014 (the “Initial Liquidity Facilities” and each an “Initial Liquidity Facility”) with respect to each series of the Variable Rate Bonds. The terms of the two Initial Liquidity Facilities are substantially similar. A summary of the Initial Liquidity Facilities appears in Appendix H to this Official Statement and is qualified in its entirety by reference to the Initial Liquidity Facilities, copies of which are available from the Trustee.

Purchased Bonds

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

Redemption

Under the conditions described below, the 2014 Series AB Bonds may be subject to redemption prior to maturity. As described below, a particular Series or Subseries of the 2014 Series AB Bonds may be subject to redemption pursuant to optional redemption, mandatory sinking fund redemption or special redemption.

Optional Redemption

Fixed Rate Bonds. The Fixed Rate Bonds are subject to redemption at the option of the Authority at any time on or after February 1, 2024, 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 at the price of par, plus accrued interest, if any, to the date fixed for redemption.

Variable Rate Bonds. The Variable Rate Bonds are subject to 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 interest payment date, from any moneys available for such purpose at the price of par, plus accrued interest, if any, to the date fixed for redemption.

Sinking Fund Redemption

2014 Subseries A-1 Bonds. The 2014 Subseries A-1 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 2014 Subseries A-1 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund
Requirement	
2/1/2025	\$1,670,000
8/1/2025	1,720,000
2/1/2026	1,770,000
8/1/2026 (maturity)	935,000

2014 Subseries A-2 Bonds - Premium PAC Term Bonds. The 2014 Series A-2 Bonds that are Premium PAC Term Bonds maturing on February 1, 2035 (the “2014 Series A 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 2014 Series A PAC Bonds so redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund
Requirement	
8/1/2026	\$ 445,000
2/1/2027	1,730,000
8/1/2027	1,725,000
2/1/2028	1,755,000
8/1/2028	1,735,000
2/1/2029	1,715,000
8/1/2029	1,695,000
2/1/2030	1,735,000
8/1/2030	1,745,000
2/1/2031	1,715,000
8/1/2031	1,580,000
2/1/2032	1,420,000
8/1/2032	1,380,000
2/1/2033	1,405,000
8/1/2033	1,445,000
2/1/2034	1,030,000
8/1/2034	305,000
2/1/2035 (maturity)	545,000

2014 Subseries A-4 Bonds. The 2014 Subseries A-4 Bonds maturing on August 1, 2034, 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 2014 Subseries A-4 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date Requirement	Sinking Fund
8/1/2026	\$ 435,000
2/1/2027	530,000
8/1/2027	540,000
2/1/2028	555,000
8/1/2028	570,000
2/1/2029	580,000
8/1/2029	600,000
2/1/2030	610,000
8/1/2030	630,000
2/1/2031	645,000
8/1/2031	660,000
2/1/2032	675,000
8/1/2032	690,000
2/1/2033	715,000
8/1/2033	725,000
2/1/2034	745,000
8/1/2034(maturity)	770,000

2014 Subseries A-5 Bonds. The 2014 Subseries A-5 Bonds maturing on August 1, 2035, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to 100 percent of the principal amount of such 2014 Subseries A-5 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date Requirement	Sinking Fund
2/1/2025	\$ 700,000
8/1/2025	715,000
2/1/2026	730,000
8/1/2026	750,000
2/1/2027	770,000
8/1/2027	785,000
2/1/2028	805,000
8/1/2028	825,000
2/1/2029	845,000
8/1/2029	865,000
2/1/2030	885,000
8/1/2030	910,000
2/1/2031	935,000
8/1/2031	955,000
2/1/2032	980,000

8/1/2032	1,005,000
2/1/2033	1,025,000
8/1/2033	1,050,000
2/1/2034	1,075,000
8/1/2034	1,100,000
2/1/2035	1,130,000
8/1/2035 (maturity)	1,160,000

2014 Series B Bonds. The 2014 Series B Bonds maturing on August 1 of the years 2029, 2034, 2039 and 2044, 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 2014 Series B Bonds so redeemed plus accrued interest to the date of redemption, without premium:

August 1, 2029 Term Bond

August 1, 2034 Term Bond

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
2/1/2025	\$ 230,000	2/1/2030	\$ 270,000
8/1/2025	225,000	8/1/2030	280,000
2/1/2026	235,000	2/1/2031	280,000
8/1/2026	240,000	8/1/2031	290,000
2/1/2027	240,000	2/1/2032	295,000
8/1/2027	250,000	8/1/2032	300,000
2/1/2028	250,000	2/1/2033	305,000
8/1/2028	255,000	8/1/2033	315,000
2/1/2029	265,000	2/1/2034	315,000
8/1/2029(maturity)	265,000	8/1/2034(maturity)	325,000

August 1, 2039 Term Bond

August 1, 2044 Term Bond

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
2/1/2035	\$ 330,000	2/1/2040	\$ 405,000
8/1/2035	335,000	8/1/2040	415,000
2/1/2036	340,000	2/1/2041	425,000
8/1/2036	350,000	8/1/2041	430,000
2/1/2037	355,000	2/1/2042	445,000
8/1/2037	365,000	8/1/2042	455,000
2/1/2038	375,000	2/1/2043	460,000
8/1/2038	380,000	8/1/2043	475,000
2/1/2039	385,000	2/1/2044	485,000
8/1/2039(maturity)	400,000	8/1/2044(maturity)	495,000

Special Redemption of 2014 Series AB Bonds from Unexpended Proceeds of the 2014 Series AB Bonds.

The 2014 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 2014 Series A Bonds that are not spent to redeem and/or refund the Refunded Bonds within ninety days of issuance of the 2014 Series A Bonds at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date except for 2014 Series A PAC Bonds which shall be redeemed at the issuance price.

The 2014 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 2014 Series B Bonds that are not spent to purchase Mortgage-Backed Securities at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date.

Special Redemption of the 2014 Series AB Bonds from Certain Recoveries of Principal.

The 2014 Series AB Bonds will be subject to redemption prior to maturity at the option of the Authority, in whole or in part, on any date, except as required by law and except as described below under “Special Redemption of the 2014 Series A PAC Bonds from Certain Recoveries of Principal,” at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date, from 2014 Series AB Bonds Recoveries of Principal received by or on behalf of the Authority.

Special Redemption of the 2014 Series A PAC Bonds from Certain Recoveries of Principal.

The 2014 Series A PAC Bonds will be subject to redemption on one or more days during each semiannual period ending on a February 1 or August 1, commencing with the period ending February 1, 2015, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest, if any, to the redemption date. Such redemptions shall be made from Directed 2014 Series AB Prepayments (as defined below) and may be made from other sources, including Revenues allocable to any series of Outstanding Bonds, in each case and only to the extent that, after giving effect to such redemption, the aggregate principal amount of 2014 Series A PAC Bonds Outstanding on such redemption date is not less than the related 2014 Series A PAC Bonds Outstanding Applicable Amount as set forth below. In addition, if no other 2014 AB Tax-Exempt Bonds are Outstanding except the 2014 Series A PAC Bonds, then to the extent required for compliance with the Authority’s tax covenants, the 2014 Series A PAC Bonds can be redeemed even if such redemption will reduce the principal amount of 2014 Series AB PAC Bonds Outstanding to an amount less than the PAC Bonds Outstanding Amount for the relevant period.

As used in this Official Statement, the term “Directed 2014 Series AB Prepayments” shall apply only if and to the extent that prepayments on Mortgage Loans or Mortgage-Backed Securities acquired or financed with proceeds of the 2014 Series AB Bonds are actually received by the Authority and are not otherwise required to pay debt service on Outstanding Bonds or replenish the Debt Service Reserve Fund. Directed 2014 Series AB Prepayments means, with respect to any semiannual period, an amount equal to the prepayments on Mortgage Loans and/or Mortgage-Backed Securities allocable to the 2014 Series AB Tax-Exempt Bonds and the Variable Rate Bonds.

The 2014 Series A PAC Bond Outstanding Applicable Amount is as follows:

<u>Date</u>	<u>2014 Series A PAC Bond Outstanding Applicable Amount</u>
8/1/2014	\$25,105,000
2/1/2015	23,630,000
8/1/2015	21,860,000
2/1/2016	20,070,000
8/1/2016	18,265,000
2/1/2017	16,460,000
8/1/2017	14,655,000
2/1/2018	12,885,000
8/1/2018	11,175,000
2/1/2019	9,530,000
8/1/2019	7,950,000
2/1/2020	6,435,000
8/1/2020	4,980,000
2/1/2021	3,585,000
8/1/2021	2,250,000
2/1/2022	975,000
8/1/2022 and thereafter	-

Any special redemption of the 2014 Series AB Bonds as described above under “*Special Redemption of 2014 Series AB Bonds from Unexpended Proceeds of the 2014 Series AB Bonds*” will reduce the 2014 Series 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 2014 Series A PAC Bonds so redeemed and the denominator of which equals the original principal amount of the 2014 Series A PAC Bonds.

Average Weighted Life of 2014 Series A 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 2014 Series A PAC Bonds will be influenced by the rate at which the principal on the Mortgage Loans and Mortgage-Backed Securities, the revenues of which are pledged to the 2014 Series AB Bonds, are paid. Principal payments on Mortgage Loans and 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 or 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 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 2014 AB Series Mortgage Loans and Mortgage-Backed Securities will depend on the rate of repayment (including prepayments) of the Mortgage Loans, the actual maturity of any 2014 Series AB 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. LLC utilizing the General Resolution 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 2014 Series AB Bonds will not be redeemed prior to maturity pursuant to optional redemption and that excess Revenues relating to the 2014 Series AB Bonds will not be used to redeem 2014 Series A PAC Bonds. The table assumes that Directed 2014 AB Prepayments prepay at the various rates listed in the following table. There can be no assurance that such assumptions will in fact prove to be accurate.

Projected Average Life of 2014 Series A PAC Bonds

<u>PSA Prepayment Speed</u>	<u>Average Life in Years</u>
0%	15.88
25	9.88
50	5.30
75	4.00
100	4.00
200	4.00
300	4.00
400	4.00
500	4.00

Special Redemption of 2014 Series AB Bonds from Revenues Available under the General Resolution.

The 2014 Series AB 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 2014 Series AB Bonds will be selected for redemption as directed by the Authority provided that no 2014 Series A 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 2014 Series A PAC Bond Outstanding Applicable Amount (set forth above), as of such date, unless no other 2014 Series AB Tax-Exempt 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 2014 Series AB 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.

Code Required Redemptions

Applicable federal tax law requires redemption of the 2014 Series AB Tax-Exempt 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 2014 Series AB Tax-Exempt Bonds. To the extent such redemptions are required to comply with the Authority’s tax covenants, the 2014 Series AB Tax-Exempt Bonds are subject to redemption, in whole or in part, at any time, from:

- (i) unexpended proceeds of the 2014 Series B 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 2014 Series B Bonds; 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 2014 Series AB Tax-Exempt Bonds, which amounts are received ten years or more after the date of issuance and delivery of the 2014 Series AB Tax-Exempt 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 Prior Bonds 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 2014 Series AB Tax-Exempt Bonds, will be subject to this redemption requirement beginning on the date of issuance of the 2014 Series AB Tax-Exempt Bonds; that percentage will increase after the issuance of the 2014 Series AB Tax-Exempt Bonds.

Redemptions pursuant to subparagraph (i) must be effected within the applicable 42-month period and shall be at a Redemption Price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date. Additionally, notwithstanding the foregoing, no 2014 Series A PAC Bond shall be so redeemed from sources described in subparagraph (ii) above in amounts which shall cause the principal amount of the 2014 Series A PAC Bonds to be less than the 2014 Series A PAC Bond Outstanding Applicable Amount for the applicable period until no other 2014 Series AB Tax- Exempt 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 2014 Series AB Tax-Exempt Bonds with, at a minimum and subject to certain exceptions for *de minimis* amounts (amounts under \$250,000), the portion of the “Net 2014 Series AB Tax-Exempt Bonds Restricted Principal Receipts” (based on the following defined terms) that have been available for at least six months.

2014 Series AB Tax-Exempt Bonds Restricted Principal Receipts. “2014 Series AB Tax-Exempt 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 2014 Series AB Tax-Exempt Bonds (which may exceed the percentages of Principal Repayments and Recoveries of Principal required to be used to redeem the 2014 Series AB Tax-Exempt Bonds by the provisions of the Code) as shown in the following table for the periods indicated.

Period (<u>dates inclusive</u>)	Percentages <u>0.00%</u>
July 24, 2014 to June 28, 2015	60.15
June 29, 2015 to July 23, 2024	61.98
July 24, 2024 and thereafter	84.01

Net 2014 Series AB Tax-Exempt Bonds Restricted Principal Receipts. “Net 2014 Series AB Tax-Exempt Bonds Restricted Principal Receipts” means, with respect to any redemption date, an amount equal to the difference between (i) the 2014 Series AB Tax-Exempt Bonds Restricted Principal Receipts theretofore received but not applied, and (ii) the principal amount of the 2014 Series AB Tax-Exempt 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) \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 in the case of the Variable Rate 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 \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 in the case of the Variable Rate Bonds), 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 \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 in the case of the Variable Rate Bonds). 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 and 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 2014 Series AB 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 2014 Series AB 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 2014 Series AB Bonds will run solely to DTC or its nominee as the registered owner of the 2014 Series AB Bonds, except in connection with certain notices of default and redemption.

ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES

General

The Authority made certain assumptions, including those set forth under this caption, in establishing the principal amounts of and the maturities and Sinking Fund Requirements with respect to the 2014 Series AB Bonds and the Prior Bonds.

The Authority expects scheduled Mortgage Loan payments and scheduled payments under the Mortgage-Backed Securities, 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 General Resolution Program and the debt service attributable to the 2014 Series AB 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 2014 Series AB Bonds and the Prior Bonds with respect to the security afforded by the General Resolution, availability of money for repayment of the 2014 Series AB 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 2014 Series AB 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 2014 Series AB 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 2014 Series AB Bonds and Prior Bonds:

(a) Within 90 days of issuance, the proceeds of the 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds, the 2014 Subseries A-3 Bonds, the 2014 Subseries A-4 Bonds and the 2014 Subseries A-5 Bonds will be used to redeem and/or refund the Refunded Bonds.

(b) Certain Mortgage Loans and Mortgage-Backed Securities originally financed by proceeds of the Refunded Bonds and certain Prior Bonds will be allocated to the 2014 Series AB Bonds in the approximate amount of \$95.9 million with a weighted average mortgage rate of approximately 5.43% and an approximate weighted average remaining term of 239 months.

(c) Approximately \$17.2 million of Mortgage-Backed Securities are expected to be purchased by proceeds of the 2014 Series B Bonds and 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.

(d) Amounts on deposit in various Funds and Accounts under the General Resolution applicable to all Series of Bonds, excluding the 2014 Series AB 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 2014 Series AB Bonds will be invested at the minimum re-investment rate as required by the rating agencies.

(e) All Expenses with respect to the 2014 Series AB 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 Loans and Mortgage-Backed Securities.

SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES AB BONDS

General

All 2014 Series AB Bonds are special limited obligations of the Authority with a claim for payment solely from Pledged Property, as defined in the General Resolution. The 2014 Series AB 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 2014 Series AB 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) principal and interest payments on Mortgage Loans, including, without limitation, Recoveries of Principal;
- (ii) payments on the Mortgage-Backed Securities and the documents evidencing and securing the Mortgage-Backed Securities, including any guaranty of such Mortgage-Backed Securities;
- (iii) interest earnings on Funds and Accounts held by the Trustee;
- (iv) all Funds and Accounts held by the Trustee (other than the Rebate Accounts established by various Series Resolutions); and
- (v) the Authority’s payment obligation with respect to Transfer Amounts. See information under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES AB BONDS - Transfer Amounts and Authority Contribution.”

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 2014 SERIES AB BONDS BECAUSE OF INSUFFICIENT MONEYS AVAILABLE FOR SUCH PAYMENT, SHALL NOT APPLY TO THE PRIOR BONDS OR THE 2014 SERIES AB BONDS.

Mortgage Loans and Mortgage-Backed Securities

Pursuant to the General Resolution, the Authority is permitted to purchase Mortgage Loans or Mortgage-Backed Securities originated pursuant to the Purchase Agreements and the Master Servicing Agreement. Prior to 2011, proceeds of the Prior Bonds were used by the Authority to purchase only Mortgage Loans. The Authority has amended the General Resolution to allow for the purchase of Mortgage-Backed Securities guaranteed as to timely payment by Fannie Mae, FHLMC or GNMA. 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 purchased with proceeds of Prior Bonds or to be purchased with proceeds of the 2014 Series AB 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 General Resolution 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 with 2014 Series B Bond proceeds 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 GENERAL RESOLUTION 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 Loans.

Prior to 2011, 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 Residence. 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 Residence;
8. each Qualified Residence 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 Residence;
5. each Qualified Residence 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 2014 Series AB 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 General Resolution 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.

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 General Resolution 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 2014 Series AB 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.

Series Program Determinations. The Series Program Determinations for the 2014 Series AB 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 40 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 Residence. Each Second Mortgage Loan shall be secured by mortgage constituting a valid second mortgage lien on a Qualified Residence;
8. each Qualified Residence must satisfy the requirements of the Mortgage Purchase Agreements between the Authority and the Mortgage Lenders, the Master Servicing Agreement 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 2014 Series AB Bonds.

Acting pursuant to a Mortgage Servicing Agreement dated as of April 14, 2009, as amended, for reservations prior to October 8, 2012 (the “Original Master Servicing Agreement”), and pursuant to that certain Master Servicing Agreement, dated October 9, 2012 for reservations after October 8, 2012 (the “New Master Servicing Agreement” and, collectively with the Original Master Servicing Agreement, the “Master Servicing Agreement”) between the Authority and U.S. Bank National Association (the “Master Servicer”), the Master Servicer has purchased Mortgage Loans from those qualified mortgage lending institutions participating in the General Resolution Program (each a “Mortgage Lender”). The Master Servicer has issued the GNMA Mortgage-Backed Securities or acquired the FNMA Mortgage-Backed Securities with respect to such Mortgage Loans. The Master Servicer is required to be an FHA-, VA- and USDA/RA-approved mortgagee, an approved issuer of GNMA Mortgage-Backed Securities and a FNMA-approved seller and servicer of FNMA Mortgage-Backed Securities.

Servicing of Mortgage Loans. Mortgage Loans supporting or represented by the Mortgage-Backed Securities held and pledged under the Resolution will be serviced by the Master Servicer in

accordance with the Master Servicer Agreement and the GNMA Guide or the FNMA Guide, as applicable.

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. See, Information provided in “THE GENERAL RESOLUTION PROGRAM- Loan Servicing- *Mortgage Loans Purchased with Proceeds of Prior Bonds.*”

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 April 30, 2014, the Reserve Fund contained money and securities (valued at Amortized Value) in the aggregate amount of \$20,310,764.94 which is sufficient to meet the Reserve Requirement for all Bonds outstanding under the General Resolution on such date.

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 and Authority Contributions.

The Bonds are also secured by Transfer Amounts and by certain amounts contributed by the Authority.

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 Cash Flow Certificate filed in connection with the issuance of certain 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,” 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.

In addition to the contributions described above, 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 General Resolution Program, to pay costs of Supplemental Mortgage Coverage with regard to such Mortgage Loans or as otherwise provided in an Authority Program Determination. 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 General Resolution Program. The Authority transferred \$35,000,000 to an Authority Program Account on June 22, 2009. 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 General Resolution 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 2014 Series AB 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 General Resolution 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 2014 Series AB 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, 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 General Resolution Program. Currently, the only Interest Rate Protection Agreement of the Authority outstanding is the 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.

PLAN OF FINANCE

2014 Series A Bonds

The Authority expects to use proceeds of the 2014 Series A-1 Bonds, A-2 Bonds and A-3 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 2003 Series B, 2004 Series A-1 and A-2 Bonds, 2004 Series C-1 and C-2 Bonds, and 2005 Series A and 2005 Series C 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 2014 Series A-1 Bonds, A-2 Bonds and A-3 Bonds and refunding and/or redemption of the Refunded Bonds.

The Series 2014 A-4 Bonds and A-5 Bonds will refund all or a portion of the outstanding 2004 Series A-3 and 2005 Series A-3 variable rate bonds.

2014 Series B Bonds

Proceeds of the 2014 Series B Bonds together with other funds of the Authority are expected to be used to: (a) purchase, and/or reimburse the Authority for its prior purchase of, Mortgage-Backed Securities guaranteed as to timely payment of principal and interest by the GNMA or Fannie Mae; (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 2014 Series B Bonds.

2014 Series AB Tax-Exempt Bonds

The 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds and the 2014 Series B Bonds (the "2014 Series AB Tax-Exempt Bonds") will be treated as tax-exempt bonds under the Internal Revenue Code of 1986, as amended (the "Code"). See information under the caption "TAX MATTERS."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the 2014 Series AB Bonds are as follows:

Sources

Proceeds of 2014 Subseries A-1 Bonds	\$17,720,000.00
Proceeds of 2014 Subseries A-2 Bonds	41,280,000.00
Proceeds of 2014 Subseries A-3 Bonds	4,375,000.00
Proceeds of 2014 Subseries A-4 Bonds	10,675,000.00
Proceeds of 2014 Subseries A-5 Bonds	20,000,000.00
Proceeds of 2014 Series B Bonds	17,200,000.00
Premium on 2014 Subseries A-2 PAC Bonds	1,897,938.00
Funds available under the Resolution	<u>921,630.34</u>
Total Sources	\$114,069,568.34

Uses	
Deposit into 2014 Series B Program Account	\$17,202,938.00
Refund Prior Series of Homeowner Mortgage Revenue Bonds	
Refund 2003 Series B-1 & B-2 Bonds	15,090,000.00
Refund 2004 Series A-1 & A-2 Bonds	10,610,000.00
Refund 2004 Series A-3 Bonds	10,675,000.00
Refund 2004 Series C-1 & C-2 Bonds	20,955,000.00
Refund 2005 Series A-1 & A-2 Bonds	9,060,000.00
Refund 2005 Series A-3 Bonds	20,000,000.00
Refund 2005 Series C-1 & C-2 Bonds	9,555,000.00
Cost of Issuance (including underwriters' fee)	<u>921,630.34</u>
Total Uses	\$114,069,568.34

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.

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 March 31, 2014, the Authority had debt outstanding in the amount of \$1,736,634,016, which consisted of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$394,213,445 of the total as of that same date.

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 may be from any one county in the State, not more than five must be of any one political party, and at least one must be a person of age 60 or older. Members hold office from the second Monday in January of the year of their respective appointments for a term of four years and until their successors are appointed and qualified. The concurrence of five Members is required for action by the Authority. The Governor designates a Chairman from among the Members, and the Chairman is considered to be a Member for

purposes of concurrence. The Chairman is the Authority's chief executive officer. The Members of the Authority serve without compensation. The Authority has determined by resolution to indemnify its Members and officers for any actions taken or omitted to be taken in performing their duties, except actions or omissions which constitute gross negligence or malfeasance.

The Members of the Authority are:

<u>Members</u>	<u>Office</u>
Karen Davis	Vice Chair-Licensed Real Estate Broker, Do Realty Services
Deborah H. Telman	Secretary-
Mary Kane	Treasurer-Senior Vice President, Stifel, Nicolaus & Company, Inc. (retired)
Cristina Castro	Member – Community Relations Specialist, Elgin Community College
Harlan Karp	Member-President, SouthBlock Group
William J. Malleris	Member – Developer (retired)
Melody C. Norton	Member – Executive Director, Coalition of Citizens with Disabilities in Illinois
Salvatore Tornatore	Member-Principal, Tornatore Law Office

There is currently one vacancy in the Authority's membership and the sole vacancy is the Chairperson.

Management

The Authority employs a staff of approximately 263 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.

MARY R. KENNEY, Executive Director, was appointed by the Authority's Members in March 2011. Prior to this appointment, she served for over ten years as the Authority's General Counsel and also acted as Assistant Executive Director. She is a long time, committed advocate of affordable housing having previously served the Authority in the late nineteen eighties as a Portfolio Administrator in the Authority's Single Family department. Ms. Kenney left the Authority to attend the University of Wisconsin Law School, eventually earning her law degree from Loyola University of Chicago School of Law. In 1994, she joined the law firm of Johnson & Bell specializing in litigation. She also holds a Bachelor of Science degree in Finance from DePaul University, where she concentrated in real estate and graduated with honors.

BRYAN ZISES, Assistant Executive Director and Chief of Staff, returned to the Authority in May 2011. Mr. Zises oversees programmatic and personnel aspects of the Authority. He obtained a depth of affordable housing finance knowledge from his previous roles as Public Affairs Director at the Authority from 2003 to 2006, as well as Communications Director at the Chicago Housing Authority, one of the largest public housing authorities in the nation. Mr. Zises is a skilled public relations and communications specialist with more than twenty years' experience in public finance,

political campaigns, government and media production. He holds a Bachelor of Arts degree in Political Science from the University of Chicago and a Master of Fine Arts degree in Film with a focus on marketing, management and creative development from the University of Southern California.

NANDINI NATARAJAN, Chief Financial Officer, joined the Authority in April 2014. Ms. Natarajan has over twenty years of housing related public finance experience, most recently with Caine Mitter & Associates Incorporated and its predecessor firm, CGMS Incorporated. Ms. Natarajan holds an AB degree in Computer Science and Mathematics from Smith College and a Master of Science degree in Computer Science from the University of Massachusetts, Amherst.

MAUREEN G. OHLE, General Counsel and Assistant Secretary, joined the Authority in November 2010 as Senior Counsel and was promoted to General Counsel in August 2011. Before joining the Authority, she worked in the real estate group at Sidley Austin LLP, practicing in the firm's Chicago office. Prior to this, she worked for J.P. Morgan Chase Bank, N.A. in the commercial mortgage-backed securities group, having started her career at Sidley Austin's Washington, D.C. office from 2001 to 2007. Maureen holds a Bachelor of Arts degree in Political Studies from the University of Illinois-Springfield and a Juris Doctorate degree from The Catholic University of America Columbus School of Law.

MICHELE WILLIAMS, Controller, joined the Authority in May 2010. Michele is a Certified Public Accountant with over fifteen years' experience in accounting, budgeting and tax preparation for small businesses, industry and not-for-profit companies. Prior to working full-time as an independent financial consultant, Ms. Williams worked for PricewaterhouseCoopers in the Tax Products Delivery department conducting tax savings studies. Ms. Williams has a Bachelor of Science degree in accounting from the University of Illinois at Urbana-Champaign.

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.

THE GENERAL RESOLUTION PROGRAM

The description of the General Resolution 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 2014 Series AB Bonds and the Prior Bonds.

General

The Authority established the Homeowner Mortgage Revenue Bonds Program (the "General Resolution Program") in 1994. Initially, the purpose of the General Resolution Program was to provide funds to purchase Mortgage Loans made to eligible borrowers ("Eligible Borrowers") for owner-occupied, one- to four-unit residences ("Qualified Residences") in accordance with the requirements of State and federal law and the General Resolution. The Authority began purchasing Mortgage Loans under the General Resolution Program in the fourth quarter of 1994. Prior to 2011, proceeds of the Prior Bonds issued under the General Resolution Program have been used by the Authority to purchase Mortgage Loans. As of March 31, 2014, 5,047 Mortgage Loans in the principal amount of \$356,750,229.22 were outstanding.

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 \$10,000. The assistance is made to the Eligible Borrower in the form of a 2 to 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.

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.

While not applicable to the 2014 Series AB Bonds, the General Resolution Program provides that 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 General Resolution 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 a 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 General Resolution 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 General Resolution Program.

Mortgage Loans

Historically, the Authority has used proceeds of Prior Bonds to purchase Mortgage Loans. 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 2014 SERIES AB BONDS-Mortgage

Loans and Mortgage-Backed Securities.” 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.

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 2014 Series B 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 Guide and the FHLMC Guide, as the case may be (the “Program Agreements”).

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 Residence. Each Mortgage Loan underlying a Mortgage-Backed Security must meet the origination and loan-to-value standards set forth in the Program Agreements. 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 USDAIRD maximum with respect to USDAIRD-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 2014 Series AB 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 2014 SERIES AB BONDS-Mortgage Loans and 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 2014 Series AB Bonds are described in this Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES AB BONDS-Mortgage Loans and Mortgage-Backed Securities.”

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 Qualified Residences owned by Eligible Borrowers. 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 General Resolution 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 “Purchase Agreement”). The Purchase Agreement, 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 Program Agreements. 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. (the “BAC”), to consolidate servicing of all existing Mortgage Loans under the General Resolution Program with a single servicer. The Authority subsequently entered into a Subservicing Agreement dated October 11, 2011 with its current servicer, Dovenmuehle Mortgage, Inc. (the “Servicer”). BAC no longer services the Mortgage Loans.

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 2014 Series AB Bonds.

Pursuant to 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 General Resolution 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 2014 Series AB 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 General Resolution Program.

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 National Association. Such information has not been verified by the Authority, the Authority's counsel, the Underwriters, the Underwriters' counsel or Bond Counsel and is not guaranteed as to completeness or accuracy by and is not to be construed as a representation of, the Authority, its counsel, the Underwriters, Underwriters' counsel or Bond Counsel.

The Master Servicer is U.S. Bank National Association. As of March 31, 2014, the Master Servicer serviced 194,937 single-family Mortgage Revenue Bond mortgage loans with an aggregate principal balance of approximately \$16.5 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, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of March 31, 2014, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately \$371.3 billion and a net worth of \$42.1 billion. For the three months ending March 31, 2014, 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 \$850 million.

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 and (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities (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 holding company for U.S. Bank National Association is U.S. Bancorp, the 5th largest financial services holding company in the United States.

OTHER SINGLE-FAMILY PROGRAMS OF THE AUTHORITY

Single-Family Mortgage Loan Programs

In addition to the General Resolution Program (which is more fully described under the caption “THE GENERAL RESOLUTION 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 General Resolution 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 2014 SERIES AB BONDS –Mortgage Loans and Mortgage-Backed Securities,” 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 2014 Series AB Bonds.

Housing Revenue Bonds

In the years 2011, 2012 and 2013, the Authority issued (i) \$67,638,829 Housing Revenue Bonds, Series 2011 (Mortgage-Backed Securities), (ii) \$40,863,097 Federally Taxable Housing Revenue Bonds, Series 2012A (MBS Pass-Through Program), (iii) \$78,750,000 Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program), (iv) \$21,250,000 Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program), and (v) \$16,926,210 Housing Revenue Bonds, Series 2013C (MBS Pass-Through Program) (collectively, the “MBS Series”), to purchase mortgage-backed securities relating to homeownership loans. Such bonds have supplemented the Authority’s single-family program financing for the period between the issuance of the Authority’s Homeownership Mortgage Revenue Bonds 2011 Series and the 2014 Series AB Bonds offered by this Official Statement. The MBS Series were all issued under closed indentures and are not secured in any way by the General Resolution for the 2014 Series AB Bonds and, also, do not constitute a general obligation of the Authority.

The MBS Series are fully originated. The Authority reserves the right to issue further similar series of bonds in the future, some of which might compete with the issuance of future series of Homeowner Mortgage Revenue Bonds under the General Resolution.

Other Programs

In addition to the General Resolution Program and other single-family programs of the Authority, the Authority has also established various multi-family mortgage loan programs to be used to finance new mortgage loans, and to make additional loans for, multi-family developments.

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 2014 Series AB 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 General Resolution 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 General Resolution 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 General Resolution 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 General Resolution 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 General Resolution 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 and Authority Contribution.” 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 General Resolution 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 General Resolution 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 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
- or (c) to include as Revenues or Pledged Property any additional amounts, receipts or property,
- (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

General

The Code establishes certain requirements that must be met subsequent to the issuance of the 2014 Series AB Tax-Exempt Bonds (the “Tax-Exempt Bonds”) in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Tax-Exempt Bonds to be includable in gross income retroactive to the date of the original issuance of the Tax-Exempt Bonds. The Requirements of the Code include provisions that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the Tax-Exempt Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United State Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family Mortgage Loans with the proceeds of the Tax-Exempt Bonds. The Authority requires that all Mortgage Loans financed by the proceeds made available upon the issuance of the Tax-Exempt Bonds satisfy each requirement, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Mortgage Loan financed, in whole or in part, with the proceeds of the Tax-Exempt Bonds: (a) the residence being financed must reasonably be expected by the Authority to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain limited exceptions, at least 95% of the lendable proceeds of an issue, after deducting such proceeds used to make Mortgage Loans in “targeted areas,” qualified rehabilitation loans or home improvement loans and mortgage loans made to certain “veteran” borrowers (as defined in 38 U.S.C. Section 101) who have not previously obtained mortgage loans financed by single family mortgage revenue bonds, must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) subject to certain limited exceptions, proceeds may not be applied to acquire or replace an existing mortgage, except for the replacement of temporary initial financing or qualified rehabilitation; and (f) a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered. In addition, 95% or more of the proceeds of the issue used to make loans must be used to finance residences which met all such requirements at the time

the loans were executed. In determining whether 95% of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor's income tax returns filed with the Internal Revenue Service (the "IRS") for the three years preceding the date the mortgage is executed even though the relevant information in such affidavits and returns should ultimately prove to be untrue, unless the Authority or its agent knows or has reason to believe that such information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period. An issue of bonds is treated as meeting the arbitrage and targeting requirements of the Code if (a) the issuer in good faith attempted to meet all these requirements and (b) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with the requirements.

The Authority requires the inclusion of certain provisions in the General Resolution Program Agreements and other relevant documents and has established certain procedures (including receipt of certain affidavits and warranties from lenders, borrowers and others with respect to the mortgage eligibility requirements) to ensure compliance with the Code and the related mortgage eligibility requirements and other requirements relating to nonmortgage investments which must be met subsequent to the date of issuance of the Bonds. The Authority has covenanted in the General Resolution and the Series Resolution to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds shall be excludable from gross income for federal income tax purposes. The Authority believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the Tax-Exempt Bonds will be applied in accordance with the Code.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the 2014 Subseries A-1 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code but is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax imposed on corporations by the Code, (iii) interest on the 2014 Subseries A-2 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code and is included in adjusted current earnings for purposes of the alternate minimum tax imposed on corporations by the Code, and (iv) income on the 2014 Series B Bonds is neither a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code nor included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations by the Code. The opinions described in the preceding sentence assume 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 Tax-Exempt Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The Authority has covenanted to comply with such requirements.

Bond Counsel is further of the opinion that under the Act, in its present form, the 2014 Series AB Bonds (including the Federally Taxable Bonds) and all income from the 2014 Series AB Bonds are free from all taxation of the State of Illinois or its political subdivisions except for estate, transfer and inheritance taxes. Future legislation enacted in the State of Illinois could alter the Illinois State tax status of bonds issued by the Authority prior to enactment. There is no way to predict the scope of future legislative proposals, and whether such proposals, if enacted, will alter the tax status of the 2014 Series AB Bonds. In addition, the 2014 Series AB Bonds and the income therefrom may be subject to taxation under the laws of states other than the State of Illinois.

Bond Counsel has expressed no opinion regarding other federal or State tax consequences arising with respect to the 2014 Series AB Bonds. The form of the opinion of Bond Counsel with respect to the 2014 Series AB Bonds is attached as *Appendix E*.

The accrual or receipt of interest on the 2014 Series AB Bonds may otherwise affect the federal income tax liability of the owners of the 2014 Series AB Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2014 Series AB Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, purchasers otherwise entitled to claim the earned income credit or purchasers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing, owning or selling the 2014 Series AB Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made 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. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2014 Series AB 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 2014 Series AB Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2014 Series AB Bonds or the market value thereof would be impacted thereby. Purchasers of the 2014 Series AB Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Premium Bonds

Tax-Exempt Series Bonds may be sold at initial public offering prices in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of Premium Bonds and the cost basis of such Premium Bonds to an owner (other than an owner who holds the Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." An initial owner of Premium Bonds must amortize any bond premium in accordance with Section 171 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of

bond premium upon sale, redemption or other disposition of such Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

Discount Bonds

Tax-Exempt Series Bonds sold at an initial public offering price that is less than the stated amount to be paid at maturity constitute “Discount Bonds.” The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes. Holders of the Discount Bonds are urged to consult their tax adviser to determine the amount and treatment of original issue discount with regard to the Discount Bonds.

SPECIAL CONSIDERATIONS RELATING TO THE REMARKETING OF THE VARIABLE RATE BONDS

Morgan Stanley & Co. LLC (“Morgan Stanley”), will serve as Remarketing Agent for the Variable Rate Bonds pursuant to a Remarketing Agreement dated as of July 1, 2014 (the “**Remarketing Agreement**”) between it and the Authority. The principal office of Morgan Stanley is located at 1585 Broadway, 16th Floor, New York, NY 10036. The Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement only after a successor remarketing agent has been appointed, except that if the Remarketing Agent gives notice of its resignation to the Authority, the Trustee, the Tender Agent and any credit enhancement provider and the Authority has not appointed a successor remarketing agent within thirty days thereafter, the Remarketing Agent may resign at any time 60 days after the end of such 30-day period whether or not a successor is appointed. Under the Remarketing Agreement, the Authority must use its best efforts to appoint a successor remarketing agent. A successor remarketing agent must meet the criteria in the applicable in the Resolution.

The Remarketing Agent is Paid by the Authority

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing the Variable Rate Bonds that are optionally or mandatorily tendered to it by their Bondowners (subject, in each case, to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of Bondowners and potential purchasers of the Variable Rate Bonds.

Determination of Interest Rates by the Remarketing Agent

On each Rate Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the Variable Rate Bonds on the first day of the applicable Interest Period. That rate is required by the Resolution to be the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Variable Rate Bonds at a price equal to the principal amount thereof plus interest, if any, accrued through the Rate

Determination Date during the then-current Interest Accrual Period; *provided*, that such interest rate may not exceed the Maximum Rate. For example, while the Variable Rate Bonds bear interest at a Weekly Rate, on each Tuesday (the Rate Determination Date), the Remarketing Agent will determine the interest rate that will be effective on the following Wednesday.

The Remarketing Agent Routinely Purchases Bonds for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but is not obligated, to purchase tendered Variable Rate Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Variable Rate Bonds in order to achieve a successful remarketing of the Variable Rate Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Variable Rate Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Variable Rate Bonds and may cease doing so at any time without notice. If the Remarketing Agent ceases to purchase tendered Variable Rate Bonds, it may be necessary for the Trustee to draw on the applicable Initial Liquidity Facility to pay tendering Bondowners.

The Remarketing Agent may also make a secondary market in the Variable Rate Bonds by routinely purchasing and selling Variable Rate Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at prices at, above or below par. If the Remarketing Agent purchases Variable Rate Bonds for its own account, it may offer those Variable Rate Bonds at a discount to par to some investors. No notice is required for such purchases and sales. However, the Remarketing Agent is not required to make a secondary market in the Variable Rate Bonds.

Investors who purchase the Variable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Variable Rate Bonds other than by tendering the Variable Rate Bonds in accordance with the tender process.

The Remarketing Agent may also sell any Variable Rate Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Variable Rate Bonds.

The purchase of Variable Rate Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Variable Rate Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date

The interest rate determined by the Remarketing Agent on a Rate Determination Date will reflect, among other factors, the level of market demand for the Variable Rate Bonds (including whether the Remarketing Agent is willing to purchase Variable Rate Bonds for its own account). There may or may not be Variable Rate Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Variable Rate Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Variable Rate Bonds other than in connection with a remarketing at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for tendered the Variable Rate Bonds at the remarketing price. If the Remarketing Agent owns any Variable Rate Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Variable Rate Bonds on any date, including the interest rate determination date, at a discount to 100% of the principal amount to some investors.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or suspend its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. If there is no Remarketing Agent, Bondowners may tender their Variable Rate Bonds to the Tender Agent, as described herein under caption “THE 2014 SERIES AB BONDS – The Variable Rate Bonds.” In this case, tendering Bondowners will be paid from draws on the Initial Liquidity Facility.

CERTAIN RISKS WITH RESPECT TO VARIABLE RATE BONDS

The following is a brief discussion of certain material risks associated with Variable Rate Bonds. It is not intended to include all risks relating to variable rate bonds. Prospective purchasers of variable rate bonds should consult with their own investment advisors concerning such risks.

Failure of Remarketings

Variable rate demand bonds that are not remarketed upon optional or mandatory tender, including mandatory tender upon expiration of a liquidity facility that has not been renewed or replaced, are purchased by the applicable liquidity provider and become “Liquidity Provider Bonds.” As of May 31, 2014, the Authority had no Liquidity Provider Bonds outstanding.

Principal Payment Requirements for Liquidity Provider Bonds

Under the terms of certain types of liquidity facilities, a failure to successfully remarket Liquidity Provider Bonds for a period of time will trigger “term out” provisions requiring such Liquidity Provider Bonds to be redeemed in installments over a period of years, depending on the Liquidity Facility terms. The Initial Liquidity Facility has a five year term-out period with required semi-annual principal installments equal to one-tenth of the aggregate principal amount of the Liquidity Provider Bonds. The Authority would be obligated to redeem Liquidity Provider Bonds subject to such term-out provisions from amounts available under the Indenture and this obligation is a general obligation of the Authority. The Authority has not structured the maturities and sinking fund installments with respect to its outstanding variable rate demand bonds assuming that such bonds would become Liquidity Provider Bonds and would be subject to such mandatory redemption.

Rollover Risk with Respect to Liquidity Facilities

The Authority may replace the Initial Liquidity Facilities with other Liquidity Facilities. When the Initial Liquidity Facilities expire, the Authority may not be able to replace them, or may only be able to replace them by paying significantly higher periodic liquidity facility fees. In the alternative, if no replacement facility is available, the Variable Rate Bonds are subject to mandatory tender and the Authority may elect to cause such 2014 Series AB Bonds to bear interest in a Long-Term Mode. If the Authority does not do so, the Variable Rate Bonds would be purchased by the Initial Liquidity Provider and would become “Liquidity Provider Bonds,” which, if not successfully remarketed for a period of time, become subject to the term-out provisions of the Initial Liquidity Facility as described above under “Principal Payment Requirements for Liquidity Provider Bonds.” Liquidity Provider Bonds generally bear interest at higher rates than variable rate bonds that have been successfully remarketed. Liquidity Provider Bonds under the Initial Liquidity Facility will bear interest at a rate equal to the LIBOR Rate (as defined in the Initial Liquidity Facility) plus 1.50 percent, but not to exceed the lesser of 15% per amount or the maximum rate permitted by law, calculated on the basis of a year of 360 days and actual days

elapsed. Following an event of default under the Initial Liquidity Facility, Liquidity Provider Bonds will bear interest at the LIBOR Rate plus 3.50 percent, but not to exceed the lesser of 15% per annum or the maximum rate permitted by law, calculated on the basis of a year of 360 days and actual days elapsed.

In addition, periodic fees for any available replacement facilities may also be higher than fees payable under the Initial Liquidity Facility. The Initial Liquidity Facility relating to the 2014 Subseries A-4 Bonds is scheduled to expire on March 15, 2019 and the Initial Liquidity Facility relating to the 2014 Subseries A-5 Bonds is scheduled to expire on March 10, 2019. The Authority may not be able to renew or replace such facilities, or may only be able to renew or replace such facility by paying significantly higher periodic liquidity facility fees than now anticipated.

LEGAL MATTERS

The legality of the 2014 Series AB Bonds will be approved by the legal opinion of Kutak Rock, LLP, Chicago, Illinois, Bond Counsel. The proposed form of the Bond Counsel opinions is included in this Official Statement as Appendix E. Certain legal matters will be passed upon for the Authority by its General Counsel, Maureen G. Ohle, Esq., and by its counsel, Schiff Hardin LLP, Chicago, Illinois, for the Initial Liquidity Provider by its in-house counsel and for the Underwriter by its special counsel, Burke Burns & Pinelli, 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 2014 Series AB Bonds (including the release and interest rate conversion relating to the General Resolution Program Bonds) or that in any way contests the validity of the 2014 Series AB 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 2014 Series AB 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 2014 Series AB 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 2014 Series AB Bonds and may also contain limitations that permit purchases of the 2014 Series AB Bonds only with specified percentages of their assets.

RATINGS

The 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds, the 2014 Subseries A-3 Bonds and 2014 Series B 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”). The 2014 Subseries A-4 and the 2014 Subseries A-5 Bonds have received long-term and short term ratings of “AA/A-1+” from S&P and “Aa3/VMIG 1” from Moody’s. Ratings assigned to the 2014 Series AB 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 2014 Series AB 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 2014 Series AB Bonds.

UNDERWRITING

The Fixed Rate Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement. The Underwriters agree, jointly and severally to purchase the Fixed Rate Bonds at a purchase price equal to \$82,472,938.00 (representing the aggregate principal amount of the Fixed Rate Bonds plus an original issue premium of \$1,897,938.00 with respect to the 2014 Series PAC Bonds), pursuant to the terms of a purchase contract. The Underwriters will receive a fee of \$568,705.60 in connection with the sale of the 2014 Series AB Bonds to be paid by the Authority. The Underwriters may offer and sell the Fixed Rate Bonds offered to the public to certain dealers (including dealers depositing the Fixed Rate Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the inside front cover.

The Variable Rate Bonds are being purchased by Morgan Stanley. Morgan Stanley agrees to purchase the Variable Rate Bonds at a purchase price equal to \$30,675,000.00 (representing the aggregate principal amount of the Variable Rate Bonds), pursuant to the terms of a purchase contract. Morgan Stanley will receive a fee of \$67,422.74 in connection with the sale of the Variable Rate Bonds to be paid by the Authority. Morgan Stanley may offer and sell the Variable Rate Bonds offered to the public to certain dealers (including dealers depositing the Variable Rate Bonds into unit investment trusts, certain of which may be sponsored or managed by the Morgan Stanley) and others at prices lower than the public offering prices stated on the inside front cover.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the 2014 Series AB Bonds, has entered into a retail distribution agreement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2014 Series AB Bonds.

This paragraph has been supplied by J.P. Morgan Securities LLC: J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2014 Series AB Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, (if applicable to this transaction), CS&Co. will purchase the 2014 Series A and 2014 Series B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2014 Series AB Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2014 AB Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Citigroup Global Markets Inc., one of the underwriters of the 2014 Series AB Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the 2014 Series AB Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2013, 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, 2013, information under the caption “AUTHORITY ANNUAL FINANCIAL STATEMENTS (AUDITED)- Note 3- Cash and Investments” included in Appendix A.

CONTINUING DISCLOSURE

Undertaking

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 F to this Official Statement. This undertaking may be enforced by any beneficial owner of any 2014 Series AB Bonds, but the Authority’s failure to comply will not be a default under the Resolution.

Past Compliance

During the last five years, the Authority has failed to file event notices with respect to (i) a rating downgrade of housing bonds in 2011 (issued under an Authority resolution other than the General Resolution) and a second rating downgrade of housing bonds in 2012 due to a rating downgrade of the provider of the letters of credit then securing the related bonds, (ii) ratings downgrades in 2010 and 2011 of four series of housing bonds due to rating downgrades of the insurer providing bond insurance for such bonds, and (iii) ratings downgrades in 2010 and 2011 of one series of housing bonds. In accordance with its continuing disclosure undertakings, the Authority has filed a remedial notice with EMMA disclosing its failure to provide timely notice of these events.

In addition, the Authority has learned that the audited financial statements for the fiscal years ending June 30, 2011 and June 30, 2013, are posted with respect to most, but not all, of the CUSIP numbers related to bonds for which such postings are required under a related undertaking. The Authority has undertaken the steps needed to rectify such omissions.

Other than the instances mentioned above, the Authority has complied in all material respects with its continuing disclosure undertakings during the five years previous to the issuance of the 2014 Series AB Bonds.

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 2014 Series AB Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

By: /s/ Mary R. Kenney
Mary R. Kenney, Executive Director

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, 2013

(With Independent Auditors' Report Thereon)



Assurance ■ Tax ■ Consulting

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

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The single audit report will be issued under separate cover.

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

Agency Officials

Executive Director
Assistant Executive Director/Chief of Staff
General Counsel
Chief Financial Officer
Controller

Mary R. Kenney
Bryan E. Zises
Maureen G. Ohle
Hazim Taib
Michele Williams

Agency Officials are located at:

401 North Michigan Avenue, Suite 700
Chicago, Illinois 60611

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

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois Housing Development Authority (A Component Unit of the State of Illinois) was performed by McGladrey LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Authority's basic financial statements.

Exit Conference

On October 31, 2013, the Illinois Housing Development Authority waived the exit conference relating to the audit of the June 30, 2013 financial statements.



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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, each major fund, and the aggregate remaining fund information of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 - 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Supplementary Information (pages 64 – 74) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McGladrey LLP

Schaumburg, Illinois
November 5, 2013

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

This section of the Illinois Housing Development Authority's (the 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, 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net position of the Authority increased \$45.7 million, to \$878.4 million as of June 30, 2013, from an increase in the Authority's business-type (\$35.9 million) and governmental (\$9.8 million) activities.
- The increase in net position, after transfers, of the Authority's business-type activities increased \$13.8 million from the prior year primarily due to decreases in the estimated losses on program loans (\$22.4 million), lower interest expense (\$5.1 million), and increases in investment income (\$3.4 million), partially offset by lower other operating revenues (\$8.0 million) and lower net transfers in (\$6.1 million).
- Authority debt issuances during fiscal year 2013 totaled \$292.3 million. The Authority's debt outstanding (net of discounts and premiums) of \$1,446.8 million as of June 30, 2013 was \$64.6 million below the amount outstanding as of June 30, 2012.
- The Authority issued two new series of multifamily Housing Bonds totaling \$133.3 million to securitize existing multifamily loans, refund previously issued Housing Bonds and refund the Administrative Fund. This is the first issuance of Housing Bonds since 2008.
- The Authority issued three new series of single family Housing Revenue Bonds totaling \$140.9 million secured by Government National Mortgage Association ("GNMA") certificates and Fannie Mae mortgage backed securities ("FNMA") to fund its homeownership loan program.
- The Authority purchased a multifamily FNMA DUS MBS totaling \$10.8 million and financed it with funds from the Federal Home Loan Bank of Chicago.
- Loan originations for the year totaled \$44.2 million and \$82.2 million in the Authority's governmental and business-type activities, respectively, compared to fiscal year 2012 loan originations of \$33.1 million and \$40.7 million, respectively.
- During fiscal year 2013 the Authority has continued to address foreclosure issues throughout the State of Illinois through ongoing implementation of the Hardest Hit Fund ("HHF") Program. Under the Hardest Hit Fund, the Authority approved and disbursed \$92 million in direct mortgage payment assistance that helped 5,729 households avoid foreclosure on their homes. The Authority further expanded its efforts through the launching of a statewide resource, the Illinois Foreclosure Prevention Network ("IFPN"). The referral resource provided homeowners with a central location to receive information on foreclosure prevention efforts that produced 34,662 website hits; 11,301 hotline calls; 2,610 attendees at events; and 57,243 housing counseling referrals.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

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 position and the statement of activities.
- The remaining statements are fund financial statements of the Authority's nine 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 four 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 position 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 nine 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 position.
- Proprietary funds – The Authority's primary activities are in its four 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. Funding from IHDA Dispositions LLC (the LLC) is primarily rental incomes collected by the property until such time as disposition occurs. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes.

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

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Financial Analysis of the Authority as a Whole

Net Position

The combined net position of the Authority increased by \$45.7 million, or 5.5%, from the June 30, 2012 amount. The following table shows a summary of changes from prior year amounts.

	Net Position (In millions of dollars)							
	Governmental activities		Business-type activities		Total		Inc./Dec.	
	2013	2012	2013	2012	2013	2012	Amount	%
Current assets:								
Cash and investments – unrestricted	\$ 140.5	\$ 142.3	\$ 421.8	\$ 341.6	\$ 562.3	\$ 483.9	\$ 78.4	16.2 %
Program loans receivable	7.9	8.1	59.2	41.5	67.1	49.6	17.5	35.3
Other current assets	(3.6)	(2.0)	18.7	10.6	15.1	8.6	6.5	75.6
Total current assets	144.8	148.4	499.7	393.7	644.5	542.1	102.4	18.9
Investments – restricted	-	-	555.1	575.1	555.1	575.1	(20.0)	(3.5)
Net program loans receivable	618.6	598.7	912.0	1,048.5	1,530.6	1,647.2	(116.6)	(7.1)
Capital assets, net	0.1	0.1	29.0	30.2	29.1	30.3	(1.2)	(4.0)
Other assets	0.1	0.1	138.1	127.1	138.2	127.2	11.0	8.6
Total assets	763.6	747.3	2,133.9	2,174.6	2,897.5	2,921.9	(24.4)	(0.8)
Deferred outflow of resources:								
Accumulated decrease in fair value of hedge derivatives	-	-	2.5	3.2	2.5	3.2	(0.7)	(21.9)
Current liabilities:								
Due to State of Illinois	23.0	20.5	-	-	23.0	20.5	2.5	12.2
Bonds and notes payable	-	-	123.0	243.2	123.0	243.2	(120.2)	(49.4)
Deposits held in escrow	-	-	164.5	174.9	164.5	174.9	(10.4)	(5.9)
Other current liabilities	42.7	37.5	40.7	42.3	83.4	79.8	3.6	4.5
Total current liabilities	65.7	58.0	328.2	460.4	393.9	518.4	(124.5)	(24.0)
Noncurrent liabilities								
Due to State of Illinois	301.2	302.4	-	-	301.2	302.4	(1.2)	(0.4)
Bonds and notes payable	-	-	1,323.9	1,268.2	1,323.9	1,268.2	55.7	4.4
Other liabilities	-	-	2.5	3.3	2.5	3.3	(0.8)	(24.2)
Total noncurrent liabilities	301.2	302.4	1,326.4	1,271.5	1,627.6	1,573.9	53.7	3.4
Total liabilities	366.9	360.4	1,654.6	1,731.9	2,021.5	2,092.3	(70.8)	(3.4)
Deferred inflow of resources:								
Accumulated increase in fair value of hedging derivatives	-	-	0.1	0.1	0.1	0.1	-	-
Net position:								
Net investment in capital assets	0.1	0.1	(6.7)	(6.6)	(6.6)	(6.5)	(0.1)	1.5
Restricted	396.6	386.8	370.5	350.3	767.1	737.1	30.0	4.1
Unrestricted	-	-	117.9	102.1	117.9	102.1	15.8	15.5
Total net position	\$ 396.7	\$ 386.9	\$ 481.7	\$ 445.8	\$ 878.4	\$ 832.7	\$ 45.7	5.5 %

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(A Component Unit of the State of Illinois)

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(Unaudited)

Governmental Activities

Net position of the Authority's governmental activities increased \$9.8 million, or 2.5%, to \$396.7 million, mainly from increases in the Federal HOME program due to the conversion of grant revenues to program loans receivable and grant receipts in the Build Illinois Bond ("BIB") Program and Nonmajor Governmental Programs, partially offset by decreases in the Hardest Hit Fund ("HHF") program. No net position of the Authority's other two governmental activities are recorded on the Authority's financial statements. The equity of the Illinois 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.

Total program loans receivable (current and non-current), increased by \$19.7 million, or 3.3%, to \$626.5 million primarily attributable to the HHF program and nonmajor governmental funds. Cash and investments decreased by \$1.8 million, or 1.3%. State statute and federal regulations restrict the use of the governmental funds to program activities.

Due to the State of Illinois (current and non-current) increased \$1.3 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 position of the Authority's business-type activities increased \$35.9 million, to \$481.7 million consisting of an increase in net position before transfers and special items of \$30.7 million and the annual transfer of \$5.2 million from the Affordable Housing Trust Fund. Program loans receivable (current and non-current) decreased \$118.8 million, or 10.9%, to \$971.2 million from decreases in the Authority's Single Family Program Fund (\$88.6 million) and Administrative Fund (\$51.1 million), offset by increases in Mortgage Loan Program Funds (\$20.9 million). The decrease in program loans receivable in the Single Family Program was due to Illinois whole loans being packaged into GNMA certificates and FNMA MBS.

Cash and investments (current and noncurrent) increased \$60.2 million, or 6.6%, mainly from increases in the Mortgage Loan Program (\$84.2 million due to the securitization of existing multifamily loans) and Administrative Fund (\$65.6 million due to Federal Home Loan Bank advances to purchase mortgage-backed securities and gains from the sale of MBS), partially offset by decreases in the Single Family Program Funds (\$90.0 million).

Total bonds and notes payable (current and noncurrent) decreased \$64.5 million, or 4.3%, from increases of \$96.9 million in the Mortgage Loan Program Fund and \$9.0 million in the Administrative Fund, offset by a decrease in the Single Family Program Fund (\$170.5 million).

Deposits held in escrow decreased \$10.4 million, or 5.9% due to lower required funding levels.

Restricted net position of the Authority's business-type activities increased \$22.0 million, or 6.3%, of which \$20.2 million were from increases within the Authority's bond funds. Except for net position invested in capital assets within the Mortgage Loan Program (\$5.8 million deficit) and the net position (\$9.0 million deficit) of the Multifamily Housing Revenue Bonds (Marywood) and Multifamily Bonds (Turnberry), which are classified as unrestricted, all net position of the Authority's bond funds are classified as restricted. The remaining restricted increases in net position 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 position as they arise through its various programs and functions. Seven programs, the Illinois Affordable Housing Trust Fund, the HOME Program, the Rental Housing Support Program, the ARRA Fund, the Hardest Hit Fund, the Neighborhood Stabilization Program and the Build Illinois Bond Program are shown as major governmental activities while the nonmajor governmental activities include the Foreclosure Prevention Program and the Community Development Block Grant Fund. 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), the LLC, which maintains and operates rental properties until such time as disposition occurs, 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 position for the fiscal year ended June 30, 2013 is shown in the following table.

Changes in Net Position

(In millions of dollars)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 17.8	\$ 6.5	\$ 89.7	\$ 102.7	\$ 107.5	\$ 109.2
Operating/grant/federal revenues	211.6	269.6	135.0	143.0	346.6	412.6
Capital contributions	-	-	0.2	-	0.2	-
General revenues:						
Investment income	-	-	8.3	4.9	8.3	4.9
Total revenues	<u>229.4</u>	<u>276.1</u>	<u>233.2</u>	<u>250.6</u>	<u>462.6</u>	<u>526.7</u>
Expenses:						
Direct	214.4	172.5	191.2	228.6	405.6	401.1
Administrative	-	-	11.3	11.4	11.3	11.4
Total expenses	<u>214.4</u>	<u>172.5</u>	<u>202.5</u>	<u>240.0</u>	<u>416.9</u>	<u>412.5</u>
Increase in net position before transfers and special items	15.0	103.6	30.7	10.6	45.7	114.2
Special items	-	-	-	6.3	-	6.3
Transfers	(5.2)	(5.2)	5.2	5.2	-	-
Increase in net position	<u>\$ 9.8</u>	<u>\$ 98.4</u>	<u>\$ 35.9</u>	<u>\$ 22.1</u>	<u>\$ 45.7</u>	<u>\$ 120.5</u>

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Governmental Activities

Revenues of the Authority's governmental activities decreased \$46.7 million from the prior year, primarily due to lower revenues in Federal ARRA Fund (\$70.2 million), Federal HOME Program (\$14.3 million), Rental Housing Support Program (\$10.4 million) and Build Illinois Bond Program (\$9.8 million), partially offset by increases in Hardest Hit Fund (\$39.3 million), Neighborhood Stabilization Program (\$10.5 million) and in Nonmajor Governmental Funds (\$10.2 million).

Direct expenses of the Authority's governmental activities increased \$41.9 million from the prior year, primarily due to increases in the Hardest Hit Fund Program (\$94.6 million), Build Illinois Bond Program (\$11.1 million), Neighborhood Stabilization Program (\$10.8 million) and Nonmajor Governmental Funds (\$8.0 million), partially offset by decreases within the Federal ARRA Fund (\$67.9 million) and Rental Housing Support Program (\$10.4 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 \$17.4 million from the prior year from decreases in charges for services (\$13 million) and federal assistance (\$8.0 million), offset by increased unrestricted investment income (\$3.4 million) and capital contributions (\$.2 million). Charges for services mainly consist of interest income on program loans (\$55.2 million), program investment income (\$5.2 million), servicing and development fees (\$14.2 million), other income (\$19.6 million) and rental incomes and vacancies (\$2.1 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 \$7.2 million from the prior year due primarily to decreases in the fair value of investments.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense (\$51.9 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds (\$133.0 million), decreased \$37.5 million from the prior year, due mainly to decreased estimated losses on program loans receivable (\$22.4 million), decreases in program grants (\$3.0 million), lower federal assistance (\$7.6 million) and lower interest expense (\$5.1 million).

The Authority's business-type activities also generated \$8.3 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 \$21.5 million (See the Statement of Activities) and thus provided most of the Authority's increase in net position.

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Proprietary Fund Results

Net position of the Authority's proprietary funds increased from the June 30, 2012 amount by 35.9 million, to \$481.7 million. The following table summarizes the statement of revenues, expenses, and changes in fund net position of the Authority's proprietary funds for the fiscal years ended June 30, 2013 and 2012.

Changes in Net Position/Proprietary Funds								
(In millions of dollars)								
	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund		IHDA Dispositions, LLC	
	2013	2012	2013	2012	2013	2012	2013	2012
Operating revenues:								
Interest earned on program loans	\$ 3.7	\$ 3.9	\$ 24.4	\$ 26.5	\$ 27.1	\$ 26.5	\$ -	\$ -
Investment income	3.1	4.9	0.1	1.5	5.1	10.9	-	-
Federal assistance programs	129.1	136.7	3.9	3.9	-	-	-	-
Service fees	13.8	14.0	-	-	-	-	-	-
Development fees	0.4	1.4	-	-	-	-	-	-
HUD savings	2.1	2.5	-	-	-	-	-	-
Rental income and vacancies	-	-	-	-	-	-	2.0	1.7
Other	13.4	10.7	4.4	5.5	0.1	-	0.1	0.1
Total operating revenues	165.6	174.1	32.8	37.4	32.3	37.4	2.1	1.8
Operating expenses:								
Interest expense	0.7	0.2	24.2	24.4	26.8	32.4	-	-
Federal assistance programs	129.1	136.7	3.9	3.9	-	-	-	-
Salaries and benefits	14.7	13.5	-	-	-	-	0.3	0.3
Professional fees	0.6	0.5	-	-	-	-	-	-
Other general and administrative	1.2	2.7	0.2	0.3	2.0	1.3	0.2	0.4
Financing costs	0.3	0.3	0.6	0.7	2.9	2.3	-	-
Program grants	2.1	1.6	-	1.3	-	2.2	-	-
Change in accrual for estimated losses on mortgage participation certificate program	(0.9)	0.6	-	-	-	-	-	-
Reversal of estimated losses on real estate held for sale	-	-	-	-	-	(0.8)	-	-
Reversal of estimated losses on program loans receivable	(2.4)	2.2	(0.2)	1.9	(5.2)	10.4	-	-
Operating expenses	-	-	-	-	-	-	0.6	0.4
Taxes and insurance	-	-	-	-	-	-	0.6	0.3
Total operating expenses	145.4	158.3	28.7	32.5	26.5	47.8	1.7	1.4
Operating income (loss)	20.2	15.8	4.1	4.9	5.8	(10.4)	0.4	0.4
Capital contribution	-	-	-	-	-	-	0.2	-
Special item	-	-	-	6.3	-	-	-	-
Transfers	(1.7)	(0.9)	5.2	(1.1)	1.7	0.9	-	6.3
Change in net position	18.5	14.9	9.3	10.1	7.5	(9.5)	0.6	6.7
Net position at beginning of year	142.1	127.2	213.0	202.9	84.1	93.6	6.7	-
Net position at end of year	\$ 160.6	\$ 142.1	\$ 222.3	\$ 213.0	\$ 91.6	\$ 84.1	\$ 7.3	\$ 6.7

Net position of the Administrative Fund increased \$18.5 million, compared to the prior year increase of \$14.9 million. Administrative Fund operating income was \$20.2 million, an increase of \$4.4 million from the prior year, and net transfers (out) were \$1.7 million compared to \$0.9 million in the prior year. The fiscal year 2013 increase in operating earnings was primarily from decreased provisions for estimated losses on program loans receivable (\$4.6 million) and increases in other revenue (\$2.7 million), partially offset by decreases in investment income (\$1.8 million) and development fees (\$1.0 million).

Net position of the Mortgage Loan Program Fund increased \$9.3 million, compared to a prior year increase of \$10.1 million, due to operating income of \$4.1 million and net transfers in of \$5.2 million. Operating income was \$0.8 million below the prior year, primarily due to lower provisions (\$2.1 million) for

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estimated losses on program loans receivable and decreases in other revenue (\$1.1 million), partially offset by decreases in interest earned on program loans (\$2.1 million). The net transfer in represents the annual transfer (in) of \$5.2 million from the Illinois Affordable Housing Trust Fund.

Net position of the Single Family Program Fund increased \$7.5 million, compared to a prior year decrease of \$9.5 million. Operating income was \$16.2 million higher than the prior year operating loss primarily due to decreased provisions (\$15.6 million) for estimated losses on program loans, lower interest expense (\$5.6 million) and higher interest earned on program loans (\$.6 million), partially offset by decreased investment income (\$5.8 million).

Net position of the LLC increased \$0.6 million, compared to a prior year increase of \$6.7 million, due to a decrease of \$6.3 million in net transfers in offset by a \$.2 million foreclosed property received in the fiscal year. These amounts represent the transfer of properties from the Illinois Affordable Housing Trust Fund to the LLC.

Authority Debt

Authority gross debt issuances during fiscal year 2013 totaled \$292.3 million with the issuance of Housing Bonds (\$133.3 million) within the Mortgage Loan Program Fund, Housing Revenue Bonds (\$140.9 million) within the Single Family Program Fund and Federal Home Loan Bank Advances (\$18.0 million) within the Administrative Fund. Debt retirements within the Mortgage Loan, Single Family Program and Administrative Funds were \$38.0 million, \$311.0 million and \$9.1 million, respectively. Total bonds and notes payable decreased \$64.6 million. For additional information, see Note 8, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2013, the Authority's Issuer Credit Ratings remained at A1 (Stable) by Moody's Investors Service, A+ (Positive) by Standard and Poor's and AA- (Stable) by Fitch Ratings.

On August 19, 2013, Standard and Poor's upgraded the Authority's Issuer Credit Rating to AA- from A+ and revised the outlook to stable from positive. The upgrade impacts all bond programs with the Authority's general obligation pledge.

Economic Factors

During fiscal year 2013, as interest rates hovered at all-time low, the Authority saw a rise in the application for multifamily and single family financings. In the bond market, the Authority saw an increase in demand for highly rated securities as investors were looking for an alternative to Treasuries. As such, the Authority issued two series of multifamily bonds under the Mortgage Loan Program Fund totaling \$133.3 million to take advantage of the low interest rates and to support its multifamily funding and production.

The Authority also pursued crossover buyers, such as MBS investors, to fund its homeownership program by issuing three series of single family bonds under the Single Family Program Fund totaling \$140.9 million.

While the Authority remained committed to issuing bonds, the Authority utilized a loan from the Federal Home Loan Bank of Chicago to finance one multifamily development as it was deemed more cost effective.

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With investment yields of United States Government and Agency obligations remaining historically low, the Authority continued investing and trading in mortgage-backed securities, specifically in GNMA and FNMA MBS that provide higher investment yields and allow the Authority to pursue its mission in affordable housing.

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

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Statement of Net Position

June 30, 2013

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 95,714,023	\$ 266,332,940	\$ 362,046,963
Funds held by State Treasurer	5,356,506	-	5,356,506
Investments	39,415,404	155,421,848	194,837,252
Investment income receivable	8,734	193,729	202,463
Investment income receivable – restricted	-	924,410	924,410
Program loans receivable	7,904,552	59,211,603	67,116,155
Grant receivable	3,531,464	-	3,531,464
Securities lending collateral	1,357,000	-	1,357,000
Interest receivable on program loans	369,200	8,677,182	9,046,382
Internal balances	(8,869,358)	8,869,358	-
Tenant accounts receivable	-	21,469	21,469
Utility deposits	-	3,167	3,167
Total current assets	<u>144,787,525</u>	<u>499,655,706</u>	<u>644,443,231</u>
Noncurrent assets:			
Investments – restricted	-	555,116,035	555,116,035
Program loans receivable, net of current portion	662,272,275	940,194,017	1,602,466,292
Less allowance for estimated losses	<u>(43,630,140)</u>	<u>(28,160,353)</u>	<u>(71,790,493)</u>
Net program loans receivable	618,642,135	912,033,664	1,530,675,799
Unamortized bond issuance costs	-	10,855,023	10,855,023
Real estate held for sale, net	-	16,784,870	16,784,870
Due from Fannie Mae	-	91,310,964	91,310,964
Due from Freddie Mac	-	4,736,347	4,736,347
Land	-	2,600,000	2,600,000
Capital assets, net	106,525	28,985,876	29,092,401
Derivative instrument asset	-	112,919	112,919
Other	-	11,756,245	11,756,245
Total noncurrent assets	<u>618,748,660</u>	<u>1,634,291,943</u>	<u>2,253,040,603</u>
Total assets	<u>763,536,185</u>	<u>2,133,947,649</u>	<u>2,897,483,834</u>
Deferred outflow of resources:			
Accumulated decrease in fair value of hedging derivatives	-	2,485,432	2,485,432

(Continued)

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Statement of Net Position (Continued)

June 30, 2013

	Governmental activities	Business-type activities	Total
Liabilities:			
Current liabilities:			
Due to grantees	\$ 40,950,324	\$ -	\$ 40,950,324
Due to State of Illinois	22,967,929	-	22,967,929
Securities lending collateral obligation	1,357,000	-	1,357,000
Bonds and notes payable	-	122,978,879	122,978,879
Accrued interest payable	-	19,740,171	19,740,171
Unearned revenue	-	10,997,984	10,997,984
Deposits held in escrow	-	164,523,449	164,523,449
Accrued liabilities and other	408,562	7,662,771	8,071,333
Amounts due brokers for securities purchased	-	1,730,000	1,730,000
Accrued property taxes	-	551,833	551,833
Prepaid rent	-	2,410	2,410
Total current liabilities	<u>65,683,815</u>	<u>328,187,497</u>	<u>393,871,312</u>
Noncurrent liabilities:			
Due to State of Illinois	301,194,524	-	301,194,524
Bonds and notes payable, net of current portion	-	1,323,864,696	1,323,864,696
Derivative instrument liability	-	2,485,432	2,485,432
Security deposits	-	77,815	77,815
Total noncurrent liabilities	<u>301,194,524</u>	<u>1,326,427,943</u>	<u>1,627,622,467</u>
Total liabilities	<u>366,878,339</u>	<u>1,654,615,440</u>	<u>2,021,493,779</u>
Deferred inflows of resources:			
Accumulated increase in fair value of hedging derivatives	-	112,919	112,919
Net position:			
Net investment in capital assets	106,525	(6,705,131)	(6,598,606)
Restricted for bond resolution purposes	-	330,198,761	330,198,761
Restricted for loan and grant programs	396,551,321	40,331,426	436,882,747
Unrestricted	-	117,879,666	117,879,666
Total net position	<u>\$ 396,657,846</u>	<u>\$ 481,704,722</u>	<u>\$ 878,362,568</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2013

Functions/programs	Expenses	Program revenues			Net (expenses) revenues and changes in net position		
		Charges for services and interest income	Operating grant/federal revenues	Capital contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Illinois Affordable Housing Trust Program	\$ 5,289,502	\$ 1,580	\$ 10,487,922	\$ -	\$ 5,200,000	\$ -	\$ 5,200,000
HOME Program	12,790,574	2,381,722	16,520,918	-	6,112,066	-	6,112,066
Rental Housing Support Program	10,562,975	84,181	10,478,794	-	-	-	-
ARRA Program	839,334	242,531	-	-	(596,803)	-	(596,803)
Hardest Hit Fund Program	136,412,486	14,026,833	113,500,000	-	(8,885,653)	-	(8,885,653)
Neighborhood Stabilization Program	22,613,929	1,090,894	21,363,900	-	(159,135)	-	(159,135)
Build Illinois Bond Program	16,406,436	1,611	24,447,133	-	8,042,308	-	8,042,308
Other Programs	9,481,266	-	14,724,990	-	5,243,724	-	5,243,724
Total governmental activities	<u>214,396,502</u>	<u>17,829,352</u>	<u>211,523,657</u>	-	<u>14,956,507</u>	-	<u>14,956,507</u>
Business-type activities:							
Administrative	11,277,002	7,765,863	-	-	-	(3,511,139)	(3,511,139)
Multi-Family Mortgage Loan Programs	27,537,440	47,492,901	-	-	-	19,955,461	19,955,461
Multi-Family Federal Assistance Programs	133,016,259	-	133,016,259	-	-	-	-
Single-Family Mortgage Loan Programs	27,917,401	27,317,952	-	-	-	(599,449)	(599,449)
Tax Credit Authorization and Monitoring	1,050,276	4,831,797	-	-	-	3,781,521	3,781,521
FAF Lending Program	-	101,911	2,015,328	-	-	2,117,239	2,117,239
IHDA Dispositions LLC	1,733,517	2,199,174	-	179,900	-	645,557	645,557
Total business-type activities	<u>202,531,895</u>	<u>89,709,598</u>	<u>135,031,587</u>	<u>179,900</u>	-	<u>22,389,190</u>	<u>22,389,190</u>
Total Authority	<u>\$ 416,928,397</u>	<u>\$ 107,538,950</u>	<u>\$ 346,555,244</u>	<u>\$ 179,900</u>	<u>14,956,507</u>	<u>22,389,190</u>	<u>37,345,697</u>
General revenues:							
Unrestricted investment income					-	8,291,214	8,291,214
Transfers					(5,200,000)	5,200,000	-
Total general revenues and transfers					<u>(5,200,000)</u>	<u>13,491,214</u>	<u>8,291,214</u>
Change in net position					9,756,507	35,880,404	45,636,911
Net position at beginning of year					<u>386,901,339</u>	<u>445,824,318</u>	<u>832,725,657</u>
Net position at end of year					<u>\$ 396,657,846</u>	<u>\$ 481,704,722</u>	<u>\$ 878,362,568</u>

See accompanying notes to financial statements.

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Governmental Funds

Balance Sheet

June 30, 2013

	Major Funds			
	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund
Assets:				
Current assets:				
Cash	\$ 17,330,524	\$ -	\$ 1,526,507	\$ 451,866
Funds held by State Treasurer	-	5,356,506	-	-
Investments	-	-	39,415,404	-
Investment income receivable	-	-	8,413	-
Program loans receivable	5,465,868	2,223,640	-	136,976
Grant receivable	1,269,678	146,966	317,085	-
Securities lending collateral	-	1,357,000	-	-
Interest receivable on program loans	171,537	192,279	-	5,384
Total current assets	<u>24,237,607</u>	<u>9,276,391</u>	<u>41,267,409</u>	<u>594,226</u>
Noncurrent assets:				
Program loans receivable, net of current portion	319,036,831	231,410,473	-	73,197,249
Less allowance for estimated losses	<u>(17,842,307)</u>	<u>(7,876,864)</u>	<u>-</u>	<u>(1,282,394)</u>
Net program loans receivable	<u>301,194,524</u>	<u>223,533,609</u>	<u>-</u>	<u>71,914,855</u>
Total noncurrent assets	<u>301,194,524</u>	<u>223,533,609</u>	<u>-</u>	<u>71,914,855</u>
Total assets	<u>\$ 325,432,131</u>	<u>\$ 232,810,000</u>	<u>\$ 41,267,409</u>	<u>\$ 72,509,081</u>
Liabilities and Fund Balances:				
Current liabilities:				
Deferred revenue	\$ -	\$ 192,279	\$ -	\$ 5,384
Due to grantees	-	-	40,950,324	-
Due to other funds	1,269,678	146,966	317,085	-
Due to State of Illinois	22,967,929	-	-	-
Securities lending collateral obligation	-	1,357,000	-	-
Other	-	408,562	-	-
Total current liabilities	<u>24,237,607</u>	<u>2,104,807</u>	<u>41,267,409</u>	<u>5,384</u>
Noncurrent liabilities:				
Due to State of Illinois	<u>301,194,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>325,432,131</u>	<u>2,104,807</u>	<u>41,267,409</u>	<u>5,384</u>
Fund balances:				
Restricted	-	230,705,193	-	72,503,697
Total fund balances	<u>-</u>	<u>230,705,193</u>	<u>-</u>	<u>72,503,697</u>
Total liabilities and fund balances	<u>\$ 325,432,131</u>	<u>\$ 232,810,000</u>	<u>\$ 41,267,409</u>	<u>\$ 72,509,081</u>

Amounts reported for governmental activities in the statement of net position are different due to:

- Deferral of interest receivable on certain program loans receivable
- Capital assets

Net position of governmental activities

See accompanying notes to financial statements.

Hardest Hit Fund	Neighborhood Stabilization Program Fund	Build Illinois Bond Program Fund	Nonmajor Governmental Funds	Total
\$ 36,787,707	\$ -	\$ 37,003,378	\$ 2,614,041	\$ 95,714,023
-	-	-	-	5,356,506
-	-	-	-	39,415,404
321	-	-	-	8,734
78,068	-	-	-	7,904,552
-	1,376,529	-	421,206	3,531,464
-	-	-	-	1,357,000
-	-	-	-	369,200
<u>36,866,096</u>	<u>1,376,529</u>	<u>37,003,378</u>	<u>3,035,247</u>	<u>153,656,883</u>
33,108,385	-	-	5,519,337	662,272,275
(16,593,227)	-	-	(35,348)	(43,630,140)
<u>16,515,158</u>	<u>-</u>	<u>-</u>	<u>5,483,989</u>	<u>618,642,135</u>
<u>16,515,158</u>	<u>-</u>	<u>-</u>	<u>5,483,989</u>	<u>618,642,135</u>
<u>\$ 53,381,254</u>	<u>\$ 1,376,529</u>	<u>\$ 37,003,378</u>	<u>\$ 8,519,236</u>	<u>\$ 772,299,018</u>
\$ -	\$ -	\$ -	\$ -	\$ 197,663
-	-	-	-	40,950,324
5,337,894	1,376,529	-	421,206	8,869,358
-	-	-	-	22,967,929
-	-	-	-	1,357,000
-	-	-	-	408,562
<u>5,337,894</u>	<u>1,376,529</u>	<u>-</u>	<u>421,206</u>	<u>74,750,836</u>
-	-	-	-	301,194,524
<u>5,337,894</u>	<u>1,376,529</u>	<u>-</u>	<u>421,206</u>	<u>375,945,360</u>
48,043,360	-	37,003,378	8,098,030	396,353,658
<u>48,043,360</u>	<u>-</u>	<u>37,003,378</u>	<u>8,098,030</u>	<u>396,353,658</u>
<u>\$ 53,381,254</u>	<u>\$ 1,376,529</u>	<u>\$ 37,003,378</u>	<u>\$ 8,519,236</u>	

197,663
106,525
\$ 396,657,846

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, 2013

	Major Funds			
	Illinois Affordable Housing Trust Fund	HOME Program Fund	Rental Housing Support Program Fund	ARRA Fund
Revenues:				
Grant from State of Illinois	\$ 10,487,922	\$ -	\$ 10,478,794	\$ -
Federal funds	-	16,520,918	-	-
Interest and investment income	1,580	2,405,324	84,181	242,531
Total revenues	<u>10,489,502</u>	<u>18,926,242</u>	<u>10,562,975</u>	<u>242,531</u>
Expenditures:				
Grants	3,016,932	11,015,019	9,977,661	-
General and administrative	2,270,990	1,892,333	585,314	-
Program income transferred to State of Illinois	1,580	-	-	-
Provision for (reversal of) estimated losses on program loans receivable	-	(116,778)	-	839,334
Total expenditures	<u>5,289,502</u>	<u>12,790,574</u>	<u>10,562,975</u>	<u>839,334</u>
Excess of revenues over (under) expenditures	5,200,000	6,135,668	-	(596,803)
Other financing uses:				
Transfers out	<u>(5,200,000)</u>	-	-	-
Net change in fund balances	-	6,135,668	-	(596,803)
Fund balances at beginning of year	<u>-</u>	<u>224,569,525</u>	<u>-</u>	<u>73,100,500</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 230,705,193</u>	<u>\$ -</u>	<u>\$ 72,503,697</u>

Amounts reported for governmental activities in the statement of activities are different due to:

Deferral of interest receivable on certain program loans receivable

Capital outlay

Depreciation and amortization on capital assets

Change in net position of governmental activities

See accompanying notes to financial statements.

Hardest Hit Fund	Neighborhood Stabilization Program Fund	Build Illinois Bond Program Fund	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 24,447,133	\$ 4,075,859	\$ 49,489,708
113,500,000	21,363,900	-	10,649,131	162,033,949
14,026,833	1,090,894	1,611	-	17,852,954
<u>127,526,833</u>	<u>22,454,794</u>	<u>24,448,744</u>	<u>14,724,990</u>	<u>229,376,611</u>
109,852,028	21,264,751	16,406,436	8,546,922	180,079,749
11,330,244	1,349,178	-	898,996	18,327,055
-	-	-	-	1,580
15,220,692	-	-	35,348	15,978,596
<u>136,402,964</u>	<u>22,613,929</u>	<u>16,406,436</u>	<u>9,481,266</u>	<u>214,386,980</u>
(8,876,131)	(159,135)	8,042,308	5,243,724	14,989,631
-	-	-	-	(5,200,000)
(8,876,131)	(159,135)	8,042,308	5,243,724	9,789,631
56,919,491	159,135	28,961,070	2,854,306	
<u>\$ 48,043,360</u>	<u>\$ -</u>	<u>\$ 37,003,378</u>	<u>\$ 8,098,030</u>	
				(23,602)
				43,674
				(53,196)
				<u>\$ 9,756,507</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position

June 30, 2013

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 181,686,666	\$ 48,371,765	\$ 34,701,357	\$ 1,573,152	\$ 266,332,940
Investments	155,421,848	-	-	-	155,421,848
Investment income receivable	193,729	-	-	-	193,729
Investment income receivable - restricted	9,175	163,608	751,627	-	924,410
Program loans receivable	783,398	44,796,331	13,631,874	-	59,211,603
Interest receivable on program loans	81,857	1,450,754	7,144,571	-	8,677,182
Due from other funds	14,226,116	14,313,392	345,457	-	28,884,965
Tenant accounts receivable	-	-	-	21,469	21,469
Utility deposits	-	-	-	3,167	3,167
Total current assets	<u>352,402,789</u>	<u>109,095,850</u>	<u>56,574,886</u>	<u>1,597,788</u>	<u>519,671,313</u>
Noncurrent assets:					
Investments – restricted	11,179,905	233,663,145	310,272,985	-	555,116,035
Program loans receivable, net of current portion	34,656,870	505,417,506	400,119,641	-	940,194,017
Less allowance for estimated losses	(4,247,372)	(16,504,774)	(7,408,207)	-	(28,160,353)
Net program loans receivable	30,409,498	488,912,732	392,711,434	-	912,033,664
Unamortized bond issuance costs	-	5,524,521	5,330,502	-	10,855,023
Real estate held for sale, net	-	326,368	16,458,502	-	16,784,870
Due from Fannie Mae	-	91,310,964	-	-	91,310,964
Due from Freddie Mac	-	4,736,347	-	-	4,736,347
Land	-	-	-	2,600,000	2,600,000
Capital assets, net	676,536	24,603,333	-	3,706,007	28,985,876
Derivative instrument asset	-	112,919	-	-	112,919
Other	832,236	159,433	10,682,214	82,362	11,756,245
Total noncurrent assets	<u>43,098,175</u>	<u>849,349,762</u>	<u>735,455,637</u>	<u>6,388,369</u>	<u>1,634,291,943</u>
Total assets	<u>395,500,964</u>	<u>958,445,612</u>	<u>792,030,523</u>	<u>7,986,157</u>	<u>2,153,963,256</u>
Deferred outflow of resources:					
Accumulated decrease in fair value of hedge derivatives	-	-	2,485,432	-	2,485,432

(Continued)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Proprietary Funds

Statement of Net Position (Continued)

June 30, 2013

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Liabilities:					
Current liabilities:					
Bonds and notes payable	\$ 3,885,883	\$ 89,954,996	\$ 29,138,000	\$ -	\$ 122,978,879
Accrued interest payable	67,907	10,192,467	9,479,797	-	19,740,171
Deferred revenue	10,690,880	307,104	-	-	10,997,984
Deposits held in escrow	164,523,449	-	-	-	164,523,449
Accrued liabilities and other	6,635,794	904,359	84,913	37,705	7,662,771
Amounts due brokers for securities purchased	1,730,000	-	-	-	1,730,000
Due to other funds	14,658,849	4,911,433	445,325	-	20,015,607
Accrued property taxes	-	-	-	551,833	551,833
Prepaid rent	-	-	-	2,410	2,410
Total current liabilities	<u>202,192,762</u>	<u>106,270,359</u>	<u>39,148,035</u>	<u>591,948</u>	<u>348,203,104</u>
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	32,775,176	629,764,846	661,324,674	-	1,323,864,696
Derivative instrument liability	-	-	2,485,432	-	2,485,432
Security deposits	-	-	-	77,815	77,815
Total noncurrent liabilities	<u>32,775,176</u>	<u>629,764,846</u>	<u>663,810,106</u>	<u>77,815</u>	<u>1,326,427,943</u>
Total liabilities	<u>234,967,938</u>	<u>736,035,205</u>	<u>702,958,141</u>	<u>669,763</u>	<u>1,674,631,047</u>
Deferred inflows of resources:					
Accumulated increase in fair value of hedging derivatives	-	112,919	-	-	112,919
Net position:					
Net investment in capital assets	676,536	(7,381,667)	-	-	(6,705,131)
Restricted for bond resolution purposes	-	238,640,947	91,557,814	-	330,198,761
Restricted for loan and grant programs	40,331,426	-	-	-	40,331,426
Unrestricted	119,525,064	(8,961,792)	-	7,316,394	117,879,666
Total net position	<u>\$ 160,533,026</u>	<u>\$ 222,297,488</u>	<u>\$ 91,557,814</u>	<u>\$ 7,316,394</u>	<u>\$ 481,704,722</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 Position

Year ended June 30, 2013

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Operating revenues:					
Interest and other investment income	\$ 5,486,047	\$ 930,829	\$ 7,004,019	\$ -	\$ 13,420,895
Net decrease in fair value of investments	(2,348,072)	(832,735)	(1,948,874)	-	(5,129,681)
Total investment income	3,137,975	98,094	5,055,145	-	8,291,214
Interest earned on program loans	3,695,351	24,465,273	27,088,960	-	55,249,584
Federal assistance programs	129,158,231	3,858,028	-	-	133,016,259
Service fees	13,857,848	-	-	-	13,857,848
Development fees	384,510	-	-	-	384,510
HUD savings	2,117,239	-	-	-	2,117,239
Rental income	-	-	-	2,626,264	2,626,264
Vacancies and adjustments	-	-	-	(546,239)	(546,239)
Other	13,420,288	4,414,776	81,507	119,149	18,035,720
Total operating revenues	165,771,442	32,836,171	32,225,612	2,199,174	233,032,399
Operating expenses:					
Interest expense	691,605	24,294,254	26,883,190	-	51,869,049
Federal assistance programs	129,158,231	3,858,028	-	-	133,016,259
Salaries and benefits	14,777,341	-	-	318,303	15,095,644
Professional fees	591,991	-	-	-	591,991
Other general and administrative	1,258,009	233,974	2,013,807	214,599	3,720,389
Financing costs	310,323	590,236	2,888,248	-	3,788,807
Program grants	2,105,455	-	-	-	2,105,455
Change in accrual for estimated losses on mortgage participation certificate program	(946,959)	-	-	-	(946,959)
Reversal of estimated losses on program loans receivable	(2,446,277)	(227,270)	(5,235,808)	-	(7,909,355)
Advertising expenses	-	-	-	36,486	36,486
Operating expenses	-	-	-	131,956	131,956
Utilities	-	-	-	224,398	224,398
Maintenance expenses	-	-	-	184,766	184,766
Taxes and insurance	-	-	-	621,843	621,843
Depreciation	-	-	-	1,166	1,166
Total operating expenses	145,499,719	28,749,222	26,549,437	1,733,517	202,531,895
Operating income	20,271,723	4,086,949	5,676,175	465,657	30,500,504
Capital contributions	-	-	-	179,900	179,900
Transfers in	-	5,200,000	1,742,268	-	6,942,268
Transfers out	(1,742,268)	-	-	-	(1,742,268)
Total capital contributions and transfers	(1,742,268)	5,200,000	1,742,268	179,900	5,379,900
Change in net position	18,529,455	9,286,949	7,418,443	645,557	35,880,404
Net position at beginning of year	142,003,571	213,010,539	84,139,371	6,670,837	445,824,318
Net position at end of year	\$ 160,533,026	\$ 222,297,488	\$ 91,557,814	\$ 7,316,394	\$ 481,704,722

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, 2013

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Cash flows from operating activities:					
Receipts for program loans, interest and service fees	\$ 64,314,536	\$ 86,372,093	\$ 109,198,127	\$ -	\$ 259,884,756
Receipts for rental operations	-	-	-	2,118,578	2,118,578
Payments for program loans	(178,345)	(82,007,524)	-	-	(82,185,869)
Receipts for federal assistance programs	129,158,231	3,858,028	-	-	133,016,259
Payments for federal assistance programs	(129,158,231)	(3,858,028)	-	-	(133,016,259)
Payments for credit enhancements	-	(4,110,621)	-	-	(4,110,621)
Payments for program grants	(2,105,455)	-	-	-	(2,105,455)
Payments to suppliers	(2,647,495)	(788,624)	(5,987,551)	-	(9,423,670)
Payments to employees	(14,725,396)	-	-	(318,303)	(15,043,699)
Payments for rental operations	-	-	-	(1,294,130)	(1,294,130)
Other receipts	15,150,288	5,981,845	-	-	21,132,133
Net cash provided by operating activities	<u>59,808,133</u>	<u>5,447,169</u>	<u>103,210,576</u>	<u>506,145</u>	<u>168,972,023</u>
Cash flows from noncapital financing activities:					
Proceeds from sale of revenue bonds and notes	18,057,500	133,380,000	140,864,675	-	292,302,175
Principal paid on revenue bonds and notes	(9,066,441)	(37,975,000)	(311,045,019)	-	(358,086,460)
Interest paid on revenue bonds and notes	(648,980)	(29,603,235)	(29,657,698)	-	(59,909,913)
Due to other funds	(24,995)	497,576	5,677	-	478,258
Due from other funds	(3,316,453)	19,160	5,836	-	(3,291,457)
Transfers in	-	5,200,000	1,742,268	-	6,942,268
Transfers out	(1,742,268)	-	-	-	(1,742,268)
Net cash provided by (used in) noncapital financing activities	<u>3,258,363</u>	<u>71,518,501</u>	<u>(198,084,261)</u>	<u>-</u>	<u>(123,307,397)</u>
Cash flows from capital financing and related activities:					
Acquisition of capital assets	(602,246)	(467,706)	-	-	(1,069,952)
Cash flows from investing activities:					
Purchase of investment securities	(452,946,920)	(322,432,979)	(1,263,916,879)	-	(2,039,296,778)
Proceeds from sales and maturities of investment securities	355,627,656	236,644,254	1,373,129,781	-	1,965,401,691
Interest received on investments	3,058,728	7,704,447	4,863,683	-	15,626,858
Net cash provided by (used in) investing activities	<u>(94,260,536)</u>	<u>(78,084,278)</u>	<u>114,076,585</u>	<u>-</u>	<u>(58,268,229)</u>
Net increase (decrease) in cash and cash equivalents	(31,796,286)	(1,586,314)	19,202,900	506,145	(13,673,555)
Cash and cash equivalents at beginning of year	<u>213,482,952</u>	<u>49,958,079</u>	<u>15,498,457</u>	<u>1,067,007</u>	<u>280,006,495</u>
Cash and cash equivalents at end of year	<u>\$ 181,686,666</u>	<u>\$ 48,371,765</u>	<u>\$ 34,701,357</u>	<u>\$ 1,573,152</u>	<u>\$ 266,332,940</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, 2013

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	IHDA Dispositions LLC	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 20,271,723	\$ 4,086,949	\$ 5,676,175	\$ 465,657	\$ 30,500,504
Adjustments to reconcile operating income to net cash provided by operating activities:					
Investment income	(3,137,975)	(98,094)	(5,055,145)	-	(8,291,214)
Interest expense	691,605	24,294,254	26,883,190	-	51,869,049
Depreciation and amortization	119,157	2,367,069	-	1,166	2,487,392
Loss on disposal of capital assets	-	-	-	8,826	8,826
Change in accrual for estimated losses on mortgage participation certificate program	(946,959)	-	-	-	(946,959)
Reversal of estimated losses on program loans receivable	(2,446,277)	(227,270)	(5,237,309)	-	(7,910,856)
Changes in assets and liabilities:					
Program loans receivable	53,500,570	(20,878,787)	88,925,591	-	121,547,374
Interest receivable on program loans	95,960	(67,211)	(4,982,179)	-	(4,953,430)
Other liabilities	(7,715,398)	41,235	(1,783,006)	92,394	(9,364,775)
Other assets	(633,099)	39,645	(1,216,741)	(66,046)	(1,876,241)
Tenants accounts receivable	-	-	-	4,629	4,629
Utility deposits	-	-	-	8,345	8,345
Due from Fannie Mae	-	(7,133,821)	-	-	(7,133,821)
Due from Freddie Mac	-	3,023,200	-	-	3,023,200
Total adjustments	<u>39,527,584</u>	<u>1,360,220</u>	<u>97,534,401</u>	<u>49,314</u>	<u>138,471,519</u>
Net cash provided by operating activities	<u>\$ 59,799,307</u>	<u>\$ 5,447,169</u>	<u>\$ 103,210,576</u>	<u>\$ 514,971</u>	<u>\$ 168,972,023</u>
Noncash investing, capital and financing activities:					
Transfer of foreclosed assets	<u>\$ -</u>	<u>\$ 310,126</u>	<u>\$ 22,406,960</u>	<u>\$ 179,900</u>	<u>\$ 22,717,086</u>
The fair value of investments decreased	<u>\$ (2,662,819)</u>	<u>\$ (1,337,344)</u>	<u>\$ (8,058,071)</u>	<u>\$ -</u>	<u>\$ (12,058,234)</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, 2013

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, 2013, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see Note 8). 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 \$3.6 billion of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2013, amounts outstanding against this limitation were approximately \$1.8 billion.

The IHDA Dispositions LLC (the LLC) was organized on September 25, 2012 as a member-managed limited liability company under the Illinois Limited Liability Company Act. The LLC was organized by, and is a component unit of, the Illinois Housing Development Authority (the Authority), a body politic and corporate of the State of Illinois. The sole member of the LLC is the Authority. To the extent provided by the Illinois Limited Liability Company Act, the Authority's liability is limited. The LLC maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which the LLC will be the sole member. On December 5, 2012, the Authority's interest in Illinois Housing Authority LLC, which owns Marywood Apartment Homes (Marywood), was transferred to the LLC. Tenant rental receipts and other operating expenses of the property are reported by the LLC until such time as disposition occurs. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

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.

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For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority has one component unit, the IHDA Dispositions LLC.

With the creation of the LLC, a separate legal entity of the Authority the criteria for reporting component units was considered. Under GAAP a component unit can be reported as a discretely presented or blended component unit of the primary government. In considering the criteria of both presentations the Authority found the LLC to be a component unit of the Authority and should be reported as a blended component unit based on the following criteria defined as:

- (a) The primary government and a component unit share a common governing body. GAAP requires that the boards be “substantively the same” need not be identical and there is sufficient representation whereas the voting majority of the component unit’s board also functions as a voting majority of the primary government’s board.
- (b) There is an exclusive or almost exclusive benefit to the primary government if the component unit either (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits the primary government even though it does not provide services directly to it.

Basis of Presentation

Government-Wide Statements – The government-wide statement of net position 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 and non-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

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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.

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.

Hardest Hit Fund

The Authority is designated program administrator for the Hardest Hit Fund ("HHF") for grants appropriated to the State of Illinois by the United States Department of the Treasury ("Treasury") as authorized by the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), as amended, as the same may be amended from time to time ("EESA"). The funds can be used to

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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. Approved grants are paid directly to mortgage loan servicers and the Authority is responsible for compliance monitoring and reporting of these funds.

Build Illinois Bond Program Fund

The Authority's Build Illinois Bond Program ("BIBP") is funded by bond proceeds, allocated for affordable housing, from the Build Illinois Bond Fund. BIBP funds are appropriated to the Illinois Department of Revenue by the General Assembly. Under this program, the Authority makes affordable housing grants, loans and investments for low-income families, individuals, senior citizens and persons with disabilities, and at-risk displaced veterans.

Neighborhood Stabilization Program Fund

The Authority is the designated administrator of the Neighborhood Stabilization Program ("NSP"), for the State of Illinois. The program is funded by the U. S. Department of Housing and Urban Development ("HUD"). 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.

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 13).

The Administrative Fund net position 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.

Single Family Program Fund

The Single Family Program Fund accounts for the proceeds of Homeowner Bonds, Housing Revenue Bonds and Residential Bonds issued to provide funds for the purchase from lending

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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 affordable-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Unless described otherwise in the indenture, any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

IHDA Dispositions LLC

The IHDA Dispositions LLC (the "LLC") maintains, improves and disposes of multi-family properties, acquired through foreclosure or deed-in-lieu of foreclosure, that are owned by single asset entity LLC's of which IHDA Dispositions LLC will be the sole member. Tenant rental receipts and other operating expenses of the property are reported by the LLC until such time as disposition occurs. Since the LLC qualifies as a disregarded entity-single member LLC, income from the LLC would pass through to the 100% owner, the Authority.

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 and non-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").

Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

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Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the Authority imposes upon itself through resolution by its board of directors. The commitment amount will be binding unless removed or amended in the same manner.

Assigned – This consists of net amounts that are constrained by the Authority's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned – This consists of residual deficit fund balances.

In instances where restricted, committed and assigned fund balances are available for use, the Authority's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed.

Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in the following components:

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

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

All net position 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.)

The use of assets of each of the proprietary fund 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 position. 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.

Unrestricted – This consists of net position that do not meet the criteria of the two preceding categories.

Designations of net position represents 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 position as of June 30, 2013 are designated as follows:

Downpayment Assistance Program	\$ 5,000,000
To pay expenses for planned technology enhancements	5,000,000
To pay possible losses arising in the Multi-Family Bond Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans	15,000,000
Provide funds to purchase homeownership mortgage loans and/or mortgage-backed securities under the Homeownership Mortgage Loan Program which will eventually be purchased with proceeds from future issuance of Authority debt or sold in the secondary market	50,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program, including the purchase and/or repurchase of loans and/or certificates within the Program	<u>40,000,000</u>
	<u>\$ 115,000,000</u>

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

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 position.

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.

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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.

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 and 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 2013 were \$119,157. Capital assets in the Mortgage Loan Program Fund represent 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, 2013, the net carrying value of ML-181 was \$24,603,333 which is net of accumulated depreciation of \$17,378,069. Depreciation expense for fiscal year 2013 was \$2,367,069. The Authority will continue to own and operate ML-181 until the sale or other disposition of the development occurs.

Capital assets for governmental activities at June 30, 2013 totaling \$193,114 are used in the Hardest Hit Fund program. Depreciation and amortization for these items are recorded on a straight-line basis over three years and amounted to \$53,196 during fiscal year 2013.

At June 30, 2013, capital assets within the LLC consist of buildings at \$3,706,007, net of accumulated depreciation, and land at \$2,600,000. Accumulated depreciation for fiscal year 2013 totaling \$73,893 was calculated on a straight-line basis from the date of acquisition by the LLC to the date that the LLC contracted to put the buildings up for sale.

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LLC Property

At June 30, 2013, three multi-family properties were reported by the LLC as follows:

<u>Property Name</u>	<u>Net Carrying Value</u>	<u>Total No. of Units</u>	<u>Out-of-service Units</u>	<u>Estimated Annual Real Estate Taxes</u>	<u>FY 2013 Management Fees</u>
Marywood Apartment Homes	\$ 6,127,273	260	17	\$ 530,000	\$ 83,337
Kankakee Scattered Sites	79,900	6	-	10,200	9,000
School Street Apartments	98,834	10	1	9,800	6,800
	<u>\$ 6,306,007</u>	<u>276</u>	<u>18</u>	<u>\$ 550,000</u>	<u>\$ 99,137</u>

Each of these properties is subject to one or more land use restriction agreements (LURA) that restrict occupancy to households that are low income, very low income, or extremely low income. The Authority recorded the LURAs against each property at the time it originally provided financing and enforces the LURAs until it disposes of the properties.

The Authority has listed the Marywood and Kankakee properties for sale with a licensed real estate broker, and has made School Street available for sale through a notice of sale, and will evaluate all offers that are received. The LLC reviews all properties for any impairments whenever events or changes in circumstances indicate that the current carrying value of the assets may not be recoverable. The LLC has recorded the carrying amount of the Marywood at its most recent appraised value. Kankakee and School Street are valued at current listing amounts.

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 is recorded at the lesser of 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 or fair market value less costs to sell. Since a substantial majority of all such loans are covered by pool insurance, based on the Authority's past experience, it is anticipated that the Authority will recover a majority 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 amortized 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 8), 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.

Rental revenue, reported in the LLC, is principally derived from one-year leases on apartment units, which are accounted for as operating leases. Accordingly, rental revenue is recognized when the rentals become due. Rentals received in advance are accounted for as prepaid rent.

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, HOME Program, Rental Housing Support Program, Hardest Hit Fund, Neighborhood Stabilization Program and Nonmajor Governmental Funds is absorbed by these programs. Similarly, other related special assistance programs and resolutions of various bond programs allow for these program 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. The Authority has no other post-employment benefits (OPEB).

The following is the activity for the compensated absences recorded as accrued liabilities and other:

Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
\$ 693,043	\$ 1,640,323	\$ (1,588,378)	\$ 744,988	\$ 744,988

These amounts are recorded as accrued liabilities and other and liquidated from the Administrative Fund.

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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 multi-family and developer loan portfolios 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. The estimated losses of the single family loan portfolio are based upon a periodic review and evaluation of the whole loan portfolio, excluding real estate owned properties and considers such factors as delinquencies, interest costs, holding costs, sales proceeds, and mortgage insurance recoveries for estimating losses. The estimated losses of the Hardest Hit Fund are based upon non-recoverable fees and the ability to resell the acquired mortgage loan portfolio.

New and Pending Accounting Pronouncements

Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Authority is required to implement this Statement for the year ending June 30, 2014.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Authority is required to implement this Statement for the year ending June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Authority is required to implement this Statement for the year ending June 30, 2015.

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Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The Authority is required to implement this Statement for the year ending June 30, 2014.

Management has not determined the impact of the pending pronouncements not yet adopted on its financial statements.

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.

All of the LLC's deposits are in commercial checking and bank money market accounts which are not subject to maturity and therefore do not have interest rate risk.

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As of June 30, 2013, the Authority had the following 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	\$ 32,910,828	\$ 32,910,828	\$ -	\$ -	\$ -
Sweep Accounts-Money Market Fund	233,557,245	233,557,245	-	-	-
	<u>\$ 266,468,073</u>	<u>\$ 266,468,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Repurchase agreements and money market funds are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations overnight and funds are available the next day.

As of June 30, 2013, 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	\$ 312,845	\$ -	\$ 300,000	\$ -	\$ 12,845
Federal Home Loan Bank Bonds	108,200,781	108,200,781	-	-	-
Federal Farm Credit Bank Bonds	3,024,238	1,700,816	1,323,422	-	-
Federal Home Loan Mortgage Corp.	9,844,014	8,382,884	-	-	1,461,130
Federal National Mortgage Assn. Benchmark Notes	1,593,891	-	-	-	1,593,891
Federal National Mortgage Assn. Discount Notes	87,109,588	87,109,588	-	-	-
Federal Home Loan Bank Discount Notes	146,271,499	146,271,499	-	-	-
Federal Home Loan Mortgage Corp. Discount Notes	57,175,892	57,175,892	-	-	-
Government National Mortgage Association	210,023,005	-	-	-	210,023,005
Federal National Mortgage Assn. Municipal Obligations	65,505,102	5,155,050	1,194,060	-	59,155,992
	3,508,866	1,309,828	2,199,038	-	-
United States Treasury Strips	1,102,762	-	-	-	1,102,762
United States Treasury Bonds	7,252,383	-	129,770	7,122,613	-
United States Treasury Notes	49,028,421	43,045,664	5,982,757	-	-
	<u>\$ 749,953,287</u>	<u>\$ 458,352,002</u>	<u>\$ 11,129,047</u>	<u>\$ 7,122,613</u>	<u>\$ 273,349,625</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

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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 Government and Agency Obligations are rated Aaa by Moody's and/or AA+ by Standard & Pools.

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 short-term program fund investments, the highest short-term rating category.

The Authority's investments in municipal obligations are rated Aa3 by Moody's and, \$1,729,395 is rated AAA and \$1,779,472 is rated AA by Standard & Pools.

The counterparties, carrying amount of the repurchase agreements, and ratings as of June 30, 2013 are listed below.

<u>Counterparty</u>	<u>Rating S&P / Moody's</u>	<u>Carrying Value</u>
Morgan Guaranty Trust Company	A+ (STABLE) /Aa3	\$ 300,000
Westdeutsche Landesbank (1)	NR (N/R) /Aa1	12,845
Total Investments		<u>\$ 312,845</u>
Bank of America	A (NEGATIVE) /A3	\$ 32,910,828
Total Cash and Cash Equivalents		<u>\$ 32,910,828</u>

(1) Rating is 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, 2013, 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. A portion of the LLC's cash consisted of checking and money market accounts held in the names of property management agents, however, the LLC has the sole right to these account balances. The Authority's investments at June 30, 2013 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.

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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. The Authority is considered to have a concentration of credit risk if its investments in any one single issuer (other than securities explicitly guaranteed by the U.S. government) are greater than 5% of total investments. Investments which comprise more than 5% of the Authority's investments as of June 30, 2013 are as follows:

Investment	Fair Value
Federal Home Loan Bank	\$ 254,472,280
Federal National Mortgage Association	154,208,581
Federal Home Loan Mortgage Corporation	67,019,906

Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2013, Deutsche Bank AG lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregated market value of the loaned securities. Loans are marked to market daily. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2013 on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. Deutsche Bank AG is obligated to indemnify the State Treasurer of the Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during fiscal year 2013 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2013, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending cash collateral received that was invested in repurchase agreements and the fair value of the securities on loan for the State Treasurer as of June 30, 2013 were \$6,763,623,576 and \$6,742,892,101, respectively. The Authority's share of the securities lending cash collateral and associated liability was \$1,357,000 as of June 30, 2013.

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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, 2013 consisted of the following:

Receivable To	Payable From									Total
	Affordable Housing Trust Fund	Home Program	Rental Housing Support	Hardest Hit Fund	Neighborhood Stabilization Program	Nonmajor Governmental Funds	Administrative	Mortgage Loan Program	Single Family Program	
Administrative	\$1,269,678	\$146,966	\$317,085	\$5,337,894	\$1,376,529	\$421,206	\$ -	\$4,911,433	\$445,325	\$14,226,116
Mortgage Loan Program	-	-	-	-	-	-	14,313,392	-	-	14,313,392
Single Family Program	-	-	-	-	-	-	345,457	-	-	345,457
	<u>\$1,269,678</u>	<u>\$146,966</u>	<u>\$317,085</u>	<u>\$5,337,894</u>	<u>\$1,376,529</u>	<u>\$421,206</u>	<u>\$14,658,849</u>	<u>\$4,911,433</u>	<u>\$445,325</u>	<u>\$28,884,965</u>

The interfund accounts receivable (payable) between the Mortgage Loan Program Fund and the Administrative Fund primarily consist 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 Innsbruck Apartments mortgage obligations were paid in full to the Authority on June 21, 2013. The Authority intends to apply a portion of the proceeds from the payoff to satisfy the \$4.4 million interfund payable from the Administrative Fund to the Mortgage Loan Program. The Authority intends to reverse the remaining amounts of the transfers upon the disposition of Lakeshore Plaza and Larkin Village.

Interfund accounts payable from governmental funds represent reimbursements due to the Authority for a portion of operating expenses incurred to administer certain governmental programs. Other interfund accounts receivable to the Administrative Fund mainly consist of reimbursements for certain costs incurred in administering programs.

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.

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Transfers

Transfers for the year ended June 30, 2012 consisted of the following:

Transfers in	Transfers Out		
	Illinois Affordable Housing Trust	Administrative	Total
Mortgage Loan Program	\$ 5,200,000	\$ -	\$ 5,200,000
Single Family Program	-	1,742,268	1,742,268
	<u>\$ 5,200,000</u>	<u>\$ 1,742,268</u>	<u>\$ 6,942,268</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, 2013 totaled \$5,200,000. The \$1,742,268 transfer from the Administrative Fund to the Single Family Program Fund was, primarily, to pay issuance and other costs of Housing Revenue Bonds.

Note 5. Program Loans Receivable

The following summarizes program loans receivable activity for the Authority for the year ended June 30, 2013:

	Net program loans receivable June 30, 2012	Loan disbursements	Loan repayments	Change in loan loss provision	Change in net deferred fees	Net program loans receivable June 30, 2013
(Dollars in thousands)						
Governmental Funds:						
Illinois Affordable Housing Trust Fund	\$ 308,203	\$ 3,727	\$ (10,150)	\$ 4,881	\$ -	\$ 306,661
HOME Program Fund	224,119	4,484	(2,963)	117	-	225,757
ARRA Program	73,095	-	(204)	(839)	-	72,052
Hardest Hit Fund	1,373	30,441	-	(15,221)	-	16,593
Community Development Block Grant Fund	-	5,519	-	(35)	-	5,484
Total Governmental Funds	<u>\$ 606,790</u>	<u>\$ 44,171</u>	<u>\$ (13,317)</u>	<u>\$ (11,097)</u>	<u>\$ -</u>	<u>\$ 626,547</u>
Proprietary Funds:						
Administrative Fund	\$ 82,247	\$ 178	\$ (53,735)	\$ 2,503	\$ -	\$ 31,193
Mortgage Loan Program Fund						
Housing Bonds	410,729	66,549	(48,120)	890	18	430,066
Multifamily Initiative Bonds	50,761	12,403	(4,848)	(235)	-	58,081
Multifamily Housing Revenue Bonds (Marywood)	8,327	-	-	-	-	8,327
Multifamily Bonds (Turnberry)	4,899	-	(61)	(244)	-	4,594
Affordable Housing Program Trust Fund Bonds	38,105	3,056	(8,336)	(184)	-	32,641
Total Mortgage Loan Program Fund	<u>512,821</u>	<u>82,008</u>	<u>(61,365)</u>	<u>227</u>	<u>18</u>	<u>533,709</u>
Single Family Program Fund	494,968	-	(92,836)	5,236	(1,025)	406,343
Total Proprietary Funds	<u>\$ 1,090,036</u>	<u>\$ 82,186</u>	<u>\$ (207,936)</u>	<u>\$ 7,966</u>	<u>\$ (1,007)</u>	<u>\$ 971,245</u>

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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 9 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, 2013, 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 \$1,132,893 and \$1,134,057, respectively.

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

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

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

The Authority'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

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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, 2013, the accrual of interest and service fee income was suspended on approximately \$2.0 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 \$553,000 in the Mortgage Loan Program Fund and \$187,000 in the Administrative Fund. In addition, the Authority does not accrue interest income on approximately \$10.9 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 \$184,000.

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, 2013, loans receivable under this program were approximately \$236,000.

In June 1994, the Authority entered into a Risk Sharing Agreement (Agreement) with HUD that permitted the Authority to participate in HUD's 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, 2013, has entered into fifty-two Risk Sharing Loans totaling \$300,246,699 and elected that HUD assume 10% to 90% of the loss with respect to those loans. Ten of these loans totaling \$58,212,699 were financed through the issuance of the Authority's Housing Bonds, twelve loans totaling \$79,620,000 were financed through the issuance of the Authority's Multifamily Initiative Bonds and one loan in the amount of \$15,460,000 was financed through the issuance of the Authority's Multi-Family Housing Revenue Bonds (Marywood). The remaining twenty-nine loans totaling \$146,954,000 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 fiscal year 2009 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 collectability, and

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believes that the allowances for estimated losses at June 30, 2013 in the accompanying financial statements are adequate to cover estimated losses of the loans.

At June 30, 2013 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.

As of June 30, 2013, for mortgage loans insured with Ambac Assurance Corporation (Ambac Loans) on multi-family housing developments under the Authority's Mortgage Participation Certificate Program, the Authority has entered into five Ambac Loans totaling \$20,211,200. 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. 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.

At June 30, 2013, 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, a substantial majority of all delinquent mortgage loans receivable at June 30, 2013, 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 5.75%, 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, 2013 are as follows:

Interest rate %	Principal due by June 30				
	2014	2015 - 2019	2020 - 2029	After 2029	Total
	(Dollars in thousands)				
0 – 0.99	\$ 1,709	\$ 8,999	\$ 45,767	\$ 95,830	\$ 152,305
1 – 1.99	3,136	15,088	59,504	73,201	150,929
2 – 3.99	502	2,778	6,801	7,428	17,509
4 – 5.75	119	688	1,854	1,099	3,760
	<u>\$ 5,466</u>	<u>\$ 27,553</u>	<u>\$ 113,926</u>	<u>\$ 177,558</u>	<u>\$ 324,503</u>

Loans are made through the HOME Program in order to provide decent and affordable housing, particularly housing for low- and very low-income Americans. Interest rates on these loans are set at below market rates and have ranged from 0% to 6.50%, with most rates set at 2.0% or below. The approximate aging of the receivables of the HOME program as of June 30, 2013 are as follows:

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Interest rate %	Principal due by June 30				Total
	2014	2015 - 2019	2020 - 2029	After 2029	
	(Dollars in thousands)				
0 – 0.99	\$ 106	\$ 3,782	\$ 30,372	\$ 23,108	\$ 57,368
1 – 1.99	1,787	15,224	74,487	69,268	160,766
2 – 3.99	226	2,196	3,349	4,021	9,792
4 – 6.50	105	1,076	3,838	689	5,708
	<u>\$ 2,224</u>	<u>\$ 22,278</u>	<u>\$ 112,046</u>	<u>\$ 97,086</u>	<u>\$ 233,634</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 collectability. The Authority believes that the allowances for estimated losses at June 30, 2013 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, 2013:

	Allowance for estimated losses June 30, 2012	Provision for estimated losses	Write-offs of uncollectible losses, net of recoveries	Allowance for estimated losses June 30, 2013
	(Dollars in thousands)			
Illinois Affordable Housing Trust Fund	\$ 22,723	\$ (590)	\$ (4,290)	\$ 17,843
HOME Program Fund	7,994	(117)	-	7,877
ARRA Fund	443	839	-	1,282
Hardest Hit Fund	1,372	15,221	-	16,593
Community Development Block Grant Fund	-	35	-	35
Total governmental funds	<u>\$ 32,532</u>	<u>\$ 15,388</u>	<u>\$ (4,290)</u>	<u>\$ 43,630</u>
Administrative Fund	\$ 6,750	\$ (2,447)	\$ (56)	\$ 4,247
Mortgage Loan Program Fund	16,732	(227)	-	16,505
Single Family Program Fund	12,645	(5,237)	-	7,408
Total proprietary funds	<u>\$ 36,127</u>	<u>\$ (7,911)</u>	<u>\$ (56)</u>	<u>\$ 28,160</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, 2013, the Authority has requested three such certifications totaling \$618,871, 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, 2013 and thereafter are as follows (dollars in thousands):

2014	\$	59,212
2015		36,012
2016		48,855
2017		66,483
2018		34,106
After 2018		754,738
	\$	<u>999,406</u>

Amounts recorded as due from the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") in the Mortgage Loan Program represent the disbursed bond proceeds and accrued interest on certain bond issues which are secured by credit enhancements provided by FNMA and FHLMC. Under these obligations, the bond trustee may draw funds from FNMA and FHLMC when needed and in amounts sufficient to make timely payments of principal and interest on the bond issues when due and payable.

Note 6. Real Estate Held for Sale

An analysis of other real estate owned is as follows:

	Mortgage Loan Program	Single Family Program	Total
Balance at 6/30/12	\$ 108,461	\$ 11,522,315	\$ 11,630,776
Transfers of loans	310,126	22,406,960	22,717,086
Proceeds received	(92,219)	(17,470,773)	(17,562,992)
Balance at 6/30/13	<u>\$ 326,368</u>	<u>\$ 16,458,502</u>	<u>\$ 16,784,870</u>

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013 for governmental activities was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>Cost</u>				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 149,440	\$ 43,674	\$ -	\$ 193,114
Total Capital Assets Being Depreciated	<u>149,440</u>	<u>43,674</u>	<u>-</u>	<u>193,114</u>
<u>Accumulated Depreciation</u>				
Furniture and Equipment	33,393	53,196	-	86,589
Total Accumulated Depreciation	<u>33,393</u>	<u>53,196</u>	<u>-</u>	<u>86,589</u>
<u>Capital Assets, Net of Depreciation</u>	<u>\$ 116,047</u>	<u>\$ (9,522)</u>	<u>\$ -</u>	<u>\$ 106,525</u>

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Capital asset activity for the year ended June 30, 2013 for business-type activities was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>Cost</u>				
<u>IHDA Dispositions, LLC</u>				
Land	\$ 2,600,000	\$ -	\$ -	\$ 2,600,000
<u>Capital Assets Being Depreciated</u>				
<u>Administrative Fund</u>				
Furniture and Equipment	1,839,017	602,246	38,920	2,402,343
<u>Mortgage Loan Program Fund</u>				
Real Estate	41,513,696	467,706	-	41,981,402
<u>IHDA Dispositions, LLC</u>				
Building	3,600,000	179,900	-	3,779,900
Total Capital Assets Being Depreciated	46,952,713	1,249,852	38,920	48,163,645
Total Capital Assets	49,552,713	1,249,852	38,920	50,763,645
<u>Accumulated Depreciation</u>				
<u>Administrative Fund</u>				
Furniture and Equipment	1,636,744	119,157	30,094	1,725,807
<u>Mortgage Loan Program Fund</u>				
Real Estate	15,011,000	2,367,069	-	17,378,069
<u>IHDA Dispositions, LLC</u>				
Building	72,727	1,166	-	73,893
Total Accumulated Depreciation	16,720,471	2,487,392	30,094	19,177,769
<u>Capital Assets, Net of Depreciation</u>	\$ 32,832,242	\$(1,237,540)	\$ 8,826	\$ 31,585,876

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Note 8. Bonds and Notes Payable

Bonds and notes outstanding are general obligations ("G.O.") of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Housing Revenue Bonds, Multifamily Initiative Bonds, Affordable Housing Program Trust Fund Bonds and Multi-family Bonds (Turnberry), which are special limited obligations ("S.L.O.") of the Authority. Certain bonds are payable from pledged property as defined in their respective general resolutions. Housing Revenue Bonds are payable from pledged mortgage-backed securities. Certain issues of Multifamily Initiative Bonds are credit enhanced by Fannie Mae and Freddie Mac. 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 \$0.9 billion (principal) in S.L.O. Bonds as noted in the following schedules for the Mortgage Loan Program and Single Family Program Funds. The total principal and interest remaining to be paid on the S.L.O. Bonds is \$1.5 billion. For bonds payable from pledged property, interest paid for the current year was \$34.4 million, and total related mortgage loan principal and interest received were \$106.1 million and \$24.5 million, respectively.

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Bonds and notes outstanding at June 30, 2013 are as follows. The June 30, 2012 amounts are shown for comparative purposes only.

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	
				2013	2012
Housing Bonds:					
1999 Series A	2014-2031	4.75-5.25 %	G.O.	\$ -	\$ 4,750,000
2003 Series A	2014-2046	4.20-5.05	G.O.	17,275,000	17,775,000
2003 Series B	2014-2041	3.95-5.05	G.O.	31,135,000	33,925,000
2003 Series C	2014-2035	4.20-4.95	G.O.	3,885,000	4,190,000
2004 Series A	2014-2040	2.90-4.70	G.O.	16,160,000	17,325,000
2004 Series B(1)	2014-2035	Variable	G.O.	4,500,000	4,600,000
2004 Series C	2014-2045	4.75-5.45	G.O.	9,380,000	9,895,000
2005 Series A	2014-2036	3.70-4.60	G.O.	13,815,000	18,305,000
2005 Series C	2015-2042	4.38-5.00	G.O.	9,930,000	10,075,000
2005 Series D	2014-2048	4.88	G.O.	6,260,000	6,325,000
2005 Series E	2014-2036	3.90-4.80	G.O.	23,950,000	24,375,000
2005 Series F (Taxable)	2014-2029	5.11-5.84	G.O.	12,330,000	13,235,000
2006 Series A	2014-2039	4.90-5.05	G.O.	7,520,000	7,655,000
2006 Series B	2014-2047	4.75-5.00	G.O.	12,790,000	12,965,000
2006 Series D	2014-2042	4.85-5.00	G.O.	5,845,000	5,920,000
2006 Series E	2014-2042	4.30-4.95	G.O.	7,615,000	7,720,000
2006 Series F	2014-2047	4.30-5.00	G.O.	3,500,000	3,595,000
2006 Series G	2014-2037	5.10-4.85	G.O.	28,100,000	33,360,000
2006 Series H (Taxable)	2014-2029	5.41-6.06	G.O.	7,985,000	8,605,000
2006 Series I	2014-2049	4.70-4.85	G.O.	6,980,000	7,045,000
2006 Series J	2014-2049	4.50-5.00	G.O.	3,350,000	3,385,000
2006 Series K	2014-2024	4.10-4.60	G.O.	2,180,000	2,435,000
2006 Series M	2014-2048	4.00-4.50	G.O.	11,855,000	11,985,000
2007 Series A	2014-2048	4.13-5.55	G.O.	4,285,000	4,700,000
2007 Series C	2014-2045	4.00-5.38	G.O.	9,295,000	9,395,000
2007 Series D	2014-2043	3.90-5.05	G.O.	20,135,000	20,615,000
2007 Series E (Taxable)	2014-2033	5.66-6.54	G.O.	7,345,000	7,785,000
2007 Series F	2014-2044	4.70-5.35	G.O.	6,480,000	6,560,000
2007 Series G	2014-2044	4.70-5.35	G.O.	5,390,000	5,460,000
2008 Series A(1)	2027	Variable	G.O.	12,730,000	13,090,000
2008 Series B(1)	2014-2028	Variable	G.O.	31,985,000	33,285,000
2008 Series C(1)	2042	Variable	G.O.	5,185,000	5,270,000
2013 Series B (Taxable)	2014-2047	0.45-4.79	G.O.	127,605,000	-
2013 Series C	2014-2048	1.75-4.60	G.O.	5,775,000	-
				482,550,000	375,605,000
Less unamortized discount thereon				125,511	129,073
Less deferred loss on refunding				3,439,798	5,074,700
Plus deferred gain on refunding				505,155	630,080
Total Housing Bonds				479,489,846	371,031,307

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- (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 .07 to .13% at June 30, 2013. 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 7.5%, Prime Rate or Adjusted One Month LIBOR rate for the Housing Bonds 2008 A, B and C. The current 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, 2014, respectively, and will be renewed.

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.

	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2013	2012
Multifamily Initiative Bonds:					
Series 2009B	2014-2051	3.50	S.L.O.	\$ 26,250,000	\$ 30,730,000
Series 2009C	2014-2051	3.01	S.L.O.	22,040,000	22,430,000
Series 2009D	2014-2041	3.48	S.L.O.	59,070,000	59,500,000
Series 2009E	2014-2042	2.32	S.L.O.	4,700,000	7,700,000
Series 2009F	2014-2041	2.32	S.L.O.	5,700,000	5,770,000
Series 2009G	2014-2041	2.32	S.L.O.	8,530,000	8,640,000
Series 2009H	2014-2041	2.32	S.L.O.	11,190,000	11,230,000
Series 2009I	2014-2051	2.32	S.L.O.	9,570,000	9,570,000
Series 2009J	2014-2043	1.47	S.L.O.	19,090,000	19,090,000
Total Multifamily Initiative Bonds				166,140,000	174,660,000
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes HUD Riskshare Debenture	2014	5.00	G.O.	14,884,996	14,884,996
Multifamily Bonds:					
Turnberry Village II Apartments	2014-2045	4.50-4.75	S.L.O.	4,865,000	4,935,000
Affordable Housing Program					
Trust Fund Bonds:					
Series 2004 (Taxable)	2014-2026	5.50-6.21	S.L.O.	31,840,000	33,420,000
Series 2005 A (Taxable)	2014-2027	5.60-6.35	S.L.O.	22,500,000	23,870,000
Total Affordable Housing Program Trust Fund Bonds				54,340,000	57,290,000
Total Mortgage Loan Program Fund				\$ 719,719,842	\$ 622,801,303

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Single Family Program Fund

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

	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2013	2012
Residential Mortgage Revenue Bonds:					
1983 Series A	2015	10.872 %	G.O.	\$ 4,228	\$ 3,803
1983 Series B	2015	10.746	G.O.	4,236	3,815
1984 Series B	2016	11.257	G.O.	3,768	3,377
1985 Series A	2017	10.75	G.O.	3,435	3,094
1987 Series B	2015	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2018	8.65	G.O.	100,000	100,000
Total Residential Mortgage Revenue Bonds				\$ 315,667	\$ 314,089

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

Series	Redemption basis and period	Original issue amount (1)	Accreted value		Aggregate value to be redeemed
			June 30		
			2013	2012	
1983 Series A	Maturity 2/1/15	\$ 180	\$ 4,228	\$ 3,803	\$ 5,000
1983 Series B	Maturity 2/1/15	193	4,236	3,815	5,000
1984 Series B	Maturity 2/1/16	166	3,768	3,377	5,000
1985 Series A	Maturity 2/1/17	190	3,435	3,094	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2013.

	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2013	2012
Housing Revenue Bonds:					
Series 2011-1A	2013-2041	3.285 %	S.L.O.	\$ 15,059,007	\$ 16,957,604
Series 2011-1B	2013-2041	3.285	S.L.O.	35,187,095	40,568,963
Series 2011-1C	2013-2041	3.285	S.L.O.	7,500,000	7,500,000
Series 2012A (Taxable)	2013-2042	2.625	S.L.O.	39,399,289	-
Series 2013A	2013-2043	2.450	S.L.O.	78,226,675	-
Series 2013B (Taxable)	2013-2043	2.750	S.L.O.	21,212,579	-
				196,584,645	65,026,567
Plus unamortized premium thereon				916,016	1,078,452
Less unamortized discount thereon				946,275	963,750
Total Housing Revenue Bonds				\$ 196,554,386	\$ 65,141,269

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	Maturity dates	Interest rate range %	Debt class	Amount	
				June 30	
				2013	2012
Homeowner Mortgage					
Revenue Bonds:					
1998 Series A (Taxable)	2013-2016	6.45-6.52	S.L.O.	\$ 825,000	\$ 1,120,000
1998 Series D (remarketed 10/7/98)	2013-2018	5.00	S.L.O.	-	4,530,000
1998 Series D (remarketed 12/17/98)	2013-2018	5.05	S.L.O.	-	2,585,000
1998 Series D (remarketed 4/29/99)	2013-2018	5.10	S.L.O.	-	4,880,000
2001 Series C	2013-2018	4.55-5.10	S.L.O.	-	4,705,000
2001 Series F (Taxable) (1)	2016-2021	Variable	S.L.O.	10,000,000	10,000,000
2002 Series B (Taxable) (2)	2013-2023	Variable	S.L.O.	3,750,000	4,295,000
2002 Series C	2013-2032	4.00-5.30	S.L.O.	-	29,555,000
2003 Series B	2013-2034	4.00-5.15	S.L.O.	20,830,000	23,000,000
2004 Series A	2013-2035	3.35-4.75	S.L.O.	15,730,000	17,950,000
2004 Series A-3 (3)	2026-2035	Variable	S.L.O.	10,675,000	10,675,000
2004 Series C	2013-2035	4.35-5.35	S.L.O.	39,125,000	43,530,000
2004 Series C-3 (3)	2025-2035	Variable	S.L.O.	16,000,000	16,000,000
2005 Series A	2013-2036	3.70-4.80	S.L.O.	23,345,000	26,650,000
2005 Series A-3 (3)	2025-2036	Variable	S.L.O.	20,000,000	20,000,000
2005 Series C	2013-2036	3.70-5.25	S.L.O.	56,345,000	63,715,000
2006 Series A	2013-2037	3.95-5.00	S.L.O.	44,130,000	52,345,000
2006 Series C	2013-2038	4.15-5.15	S.L.O.	77,220,000	87,920,000
2007 Series A	2013-2038	4.00-4.90	S.L.O.	48,870,000	52,625,000
2007 Series D	2013-2039	4.40-5.35	S.L.O.	41,765,000	47,690,000
2007 Series H (remarketed 1/30/08)	2013-2039	3.25-5.20	S.L.O.	42,565,000	46,585,000
2008 Series A	2013-2039	3.25-5.20	S.L.O.	5,095,000	5,695,000
2009 Series B	2013	Variable	S.L.O.	-	179,000,000
2009 Series B-1	2028-2042	3.70	S.L.O.	-	18,510,000
2011 Series A	2013-2019	2.30-4.55	S.L.O.	6,675,000	8,710,000
2011 Series B	2013-2029	2.30-5.38	S.L.O.	9,755,000	12,170,000
				<u>492,700,000</u>	<u>794,440,000</u>
Plus unamortized premium thereon				892,621	1,055,471
Total Homeowner Mortgage Revenue Bonds				<u>493,592,621</u>	<u>795,495,471</u>
Total Single Family Program Fund				<u>\$ 690,462,674</u>	<u>\$ 860,950,829</u>

(1) In accordance with 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 .5982% at June 30, 2013. 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 with the indenture, interest rates on the bonds are determined and paid semi-annually based upon an index of one month LIBOR rate plus 0.415%. The variable rates paid on the subject bonds was .6088% at June 30, 2013.

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(3) 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 .07 to .08% at June 30, 2013. 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 C-3 and HMRB 2005 Subseries A-3 will expire on July 13, 2015 and March 10, 2016, respectively. The liquidity agreement for HMRB 2004 Subseries A-3 will expire on March 16, 2014 and will be renewed.

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.

Administrative Fund

Outstanding debt of the Administrative Fund is as follows:

	Maturity date	Interest rate	Debt class	Amount	
				June 30	
				2013	2012
Federal Home Loan Bank Advances:					
	2012	0.15%	Loan	\$ -	\$ 5,000,000
	2013	0.35%	Loan	3,750,000	-
	2022	2.31%	Loan	7,000,000	7,000,000
	2022	2.32%	Loan	15,670,000	15,670,000
	2027	2.70%	Loan	10,241,059	-
Total Administrative Fund				\$ 36,661,059	\$ 27,670,000

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The following summarizes the debt activity for the Authority's proprietary funds for the year ended June 30, 2013:

	June 30, 2012	Additions	Deductions	June 30, 2013	Amount due within one year
Administrative Fund	\$ 27,670,000	\$ 18,057,500	\$ (9,066,441)	\$ 36,661,059	\$ 3,885,883
Mortgage Loan Program Fund:					
Housing Bonds	375,605,000	133,380,000	(26,435,000)	482,550,000	69,815,000
Discount on Housing Bonds	(129,073)	-	3,562	(125,511)	-
Deferred loss on refunding					
Housing Bonds	(5,074,700)	-	1,634,902	(3,439,798)	-
Deferred gain on refunding					
Housing Bonds	630,080	-	(124,925)	505,155	-
Multifamily Initiative Bonds	174,660,000	-	(8,520,000)	166,140,000	2,080,000
Multifamily Housing Revenue					
Bonds (Marywood)	14,884,996	-	-	14,884,996	14,884,996
Multifamily Bonds (Turnberry II)	4,935,000	-	(70,000)	4,865,000	65,000
Affordable Housing Program					
Trust Fund Bonds	57,290,000	-	(2,950,000)	54,340,000	3,110,000
Total Mortgage					
Loan Program Fund	622,801,303	133,380,000	(36,461,461)	719,719,842	89,954,996
Single Family Program Fund:					
Residential Mortgage					
Revenue Bonds	314,089	1,578	-	315,667	100,000
Homeowner Mortgage					
Revenue Bonds	794,440,000	-	(301,740,000)	492,700,000	25,485,000
Premium on Homeowner Mortgage					
Revenue Bonds	1,055,471	-	(162,850)	892,621	-
Housing Revenue Bonds	65,026,567	140,863,097	(9,305,019)	196,584,645	3,553,000
Premium on Housing Revenue Bonds	1,078,452	-	(162,436)	916,016	-
Discount on Housing Revenue Bonds	(963,750)	-	17,475	(946,275)	-
Total Single Family					
Program Fund	860,950,829	140,864,675	(311,352,830)	690,462,674	29,138,000
Total Proprietary Funds	\$ 1,511,422,132	\$ 292,302,175	\$ (356,880,732)	\$ 1,446,843,575	\$ 122,978,879

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, 2013 was late by approximately 7 days. 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, 2013, the following outstanding bonds are considered defeased.

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<u>Issue</u>	<u>Amount</u>
Insured Mortgage Housing Development Bonds, 1976 Series A	\$ 1,890,000
Multi-Family Housing Bonds, 1981 Series A	22,040,000
	<u>\$ 23,930,000</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. 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, 2013, there were thirty-eight series of such bonds or notes outstanding, with an aggregate principal amount payable of \$365,540,022.

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.
Multifamily Initiative Bonds	The maximum amount of principal and interest due on any interest payment date excluding the final interest payment date.
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

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Authority. At June 30, 2013, these amounts, which were not less than the amounts required, are as follows:

Housing Bonds	\$ 18,182,190
Multifamily Initiative Bonds	2,003,738
Homeowner Mortgage Revenue Bonds	<u>20,028,434</u>
	<u>\$ 40,214,362</u>

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

<u>Issue</u>	<u>Valuation</u>
Housing Bonds, 2003 Series C	\$ 255,927
Housing Bonds, 2004 Series B	500,000
Affordable Housing Program Trust Fund Bonds, Series 2004 and 2005A	6,499,659

Debt service requirements (dollars in millions) through 2018 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

	<u>Administrative Fund</u>		<u>Mortgage Loan Program Fund</u>		<u>Single Family Program Fund</u>		<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest</u>	
Year ending June 30:									
2014	\$ 3.9	\$ 1.2	\$ 90.0	\$ 27.4	\$ 29.1	\$ 27.0	\$ 123.0	\$ 55.6	
2015	0.1	1.2	23.8	28.5	18.0	27.3	41.9	57.0	
2016	0.1	1.2	23.9	28.3	19.8	27.5	43.8	57.0	
2017	0.2	1.2	22.0	28.0	21.4	27.6	43.6	56.8	
2018	0.2	1.2	23.3	27.6	21.2	27.6	44.7	56.4	
Five years ending June 30:									
2019-2023	23.6	5.1	104.6	121.1	110.5	123.9	238.7	250.1	
2024-2028	8.6	0.6	99.0	90.0	118.4	95.2	226.0	185.8	
2029-2033	-	-	100.5	63.2	149.2	62.5	249.7	125.7	
2034-2038	-	-	98.6	39.7	148.6	23.6	247.2	63.3	
2039-2043	-	-	97.9	19.3	53.4	2.9	151.3	22.2	
2044-2048	-	-	33.3	4.2	-	-	33.3	4.2	
2049-2052	-	-	5.8	0.3	-	-	5.8	0.3	
	<u>\$ 36.7</u>	<u>\$ 11.7</u>	<u>\$ 722.7</u>	<u>\$ 477.6</u>	<u>\$ 689.6</u>	<u>\$ 445.1</u>	<u>\$ 1,449.0</u>	<u>\$ 934.4</u>	

*Includes capital appreciation bonds at their final redemption values.

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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, 2013 has one active swap contract and three active interest rate caps. Details are shown in the following tables.

Business-type activities	Changes in Fair Value		Fair Value at June 30, 2013		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay-fixed interest rate swap:					
Series 2001 F	Deferred outflow	\$ 697,510	Debt*	\$ (2,485,432)	\$ 10,000,000
Rate caps	Deferred inflow	5,649	Debt**	112,919	49,900,000

* The fair value is classified as derivative instrument liability

** The fair value is classified as derivative instrument asset

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.

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Associated bond issue	Notional amounts	Effective date	Fixed rate paid (3)	Variable rate received	Fair values(1)	Termination date	Counter-party credit rating(2)
Active Swap contract:							
HMRB*:							
Series 2001 F	\$ 10,000,000	01/2002	6.615	%1 mo LIBOR +40bp	\$ (2,485,432)	08/2020	A-/Baa2
Active Interest Rate Caps:							
HB**:							
Series 2008 A	12,730,000	01/2013	5.75	N/A	19,839	12/2017	AA-/Aa1
Series 2008 B	31,985,000	07/2011	5.50	N/A	11,933	06/2016	A/A2
Series 2008 C	5,185,000	06/2006	4.75	N/A	81,147	06/2021	A/A3

*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 three 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, 2013 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 contain 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, 2013. 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 Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2013, 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 (2008 A, 2008 B, and 2008 C). The aggregate fair value of hedging derivative instruments with positive fair value at June 30, 2013 was \$112,919. 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.

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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, 2013, 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
Derivative Payments and Associated Debt**

	<u>Variable-rate bonds</u>		<u>Interest rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>swap, net</u>	
Year ending June 30:				
2014	\$ 1,950,000	\$ 68,566	\$ 642,122	\$ 2,660,688
2015	2,060,000	66,878	642,122	2,769,000
2016	3,070,000	65,142	642,122	3,777,264
2017	4,290,000	60,416	545,804	4,896,220
2018	4,295,000	54,627	417,379	4,767,006
Five years ending June 30:				
2023	18,615,000	192,894	481,592	19,289,486
2028	24,785,000	106,294	-	24,891,294
2033	2,465,000	26,392	-	2,491,392
2038	1,780,000	11,478	-	1,791,478
2043	1,090,000	2,727	-	1,092,727
Total	<u>\$ 64,400,000</u>	<u>\$ 655,414</u>	<u>\$ 3,371,141</u>	<u>\$ 68,426,555</u>

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

Note 9. 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.

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Note 10. Leases

The Authority leases office facilities at two locations, 401 N. Michigan Ave. ("401 facility") and 122 S. Michigan Ave. ("122 facility") in Chicago, Illinois.

The lease for the 401 facility extends through July 31, 2016 and 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 \$895,000 for fiscal year 2013, plus approximately \$898,000 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. Under this lease, total rent expense for fiscal year 2013 was \$1,587,403.

The 122 facility is leased through July 31, 2016 under a space utilization agreement with another Illinois agency. Total rent expense under this agreement for fiscal year 2013 was \$331,573.

The future minimum lease commitments of the two leases subsequent to June 30, 2013 are as follows:

<u>Year</u>	<u>401 Facility</u>	<u>122 Facility</u>
2014	\$ 948,236	\$ 342,657
2015	974,636	353,928
2016	1,001,036	364,073
2017	83,603	31,279
	<u>\$ 3,007,511</u>	<u>\$ 1,091,937</u>

Note 11. 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, 2013, is an estimated rebate liability of \$174,928.

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 directors and officers liability, general liability, employee health, 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. Insurance coverage has not changed significantly since the prior year.

Note 12. 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

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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 2013 was \$16,879,490. The Authority's contributions were calculated using the base salary amount of \$16,657,717. The Authority contributed \$999,463 or 6.00% of the base salary amount, in fiscal year 2013. Employee contributions amounted to \$1,002,443 in fiscal year 2013, or approximately 6.02% of the base salary amount.

Note 13. Commitments

At June 30, 2013, unexpended funds held by the Authority in the form of cash and investments amounting to \$10,408,058 in the Multifamily Initiative Bond accounts were identified for the purpose of constructing and rehabbing properties.

At June 30, 2013, the Authority had authorized loans and grants totaling \$19,850,154 for the Illinois Affordable Housing Trust Fund.

Under the HOME Program, \$457.2 million and \$10.7 for federal fiscal years 1992 through 2010 and 2013, 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, 2013, the Authority had authorized loans and grants totaling \$17,279,698 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, 2006 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, in fiscal year 1993 for the 1992 Series A and B Bonds, in fiscal year 1994 for the 1993 Series A and B Bonds, and in fiscal year 2008 for the 2006 Series E, and are recorded as other income of the Administrative Fund. At June 30, 2013, loans receivable under this program were approximately \$30.6 million.

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June 30, 2013

Note 14. Subsequent Events

On August 19, 2013, Standard and Poor's upgraded the Authority's Issuer Credit Rating to AA- from A+ and revised the outlook to stable from positive. The upgrade impacts all bond programs with the Authority's general obligation pledge.

On August 21, 2013, the IHDA Dispositions LLC sold a portion of Marywood Apartment Homes for \$4.1 million.

On September 20, 2013, the Authority created IHDA Dispositions 2013-3 LLC to take ownership of School Street Apartments and is expected to complete the transfer during the month of October 2013.

On September 11, 2013, in connection with a matter pending before Judge Starck in the Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois (Gen No. 11 L 418), Section 3-5018 of the Counties Code (55 ILCS 5/3-5018) was declared to be unconstitutional. Section 3-5018 contains the provisions related to the Rental Housing Support Program State surcharge that funds the Rental Housing Support Program Fund which Fund finances the eligible uses set forth more specifically in the Rental Housing Support Program Act (310 ILCS 105/). The Authority, in its capacity as administrator of the Rental Housing Support Program, is currently reviewing the ruling in coordination with the Office of the Illinois Attorney General and the Governor's Office of General Counsel.

On October 18, 2013, the Authority approved the purchase price for the remaining portion of the Marywood Apartment Homes in the amount of \$4.15 million.

On October 30, 2013, the Authority issued bonds under a stand-alone indenture in the amount of \$14,207,000. Proceeds from the bonds were used to finance the acquisition and rehabilitation of Blue Island SLF, LLC. The bonds are special limited obligations and not general obligations of the Authority. The bonds are secured by assets under the indenture.

On October 30, 2013, the Authority issued bonds under a stand-alone indenture in the amount of \$16,926,210. Proceeds from the bonds were used to provide funds for first-time homebuyers under its homeownership program. The bonds are limited obligations and not general obligations of the Authority. The bonds are secured with Fannie Mae mortgage-backed securities and Ginnie Mae certificates.

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Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	Total
Assets:			
Current Assets:			
Cash	\$ 2,614,041	\$ -	\$ 2,614,041
Grant receivable	175,142	246,064	421,206
Total current assets	<u>2,789,183</u>	<u>246,064</u>	<u>3,035,247</u>
Noncurrent assets:			
Program loans receivable, net of current portion	-	5,519,337	5,519,337
Less allowance for estimated losses	-	(35,348)	(35,348)
Net program loans receivable	<u>-</u>	<u>5,483,989</u>	<u>5,483,989</u>
Total noncurrent assets	<u>-</u>	<u>5,483,989</u>	<u>5,483,989</u>
Total assets	<u>\$ 2,789,183</u>	<u>\$ 5,730,053</u>	<u>\$ 8,519,236</u>
Liabilities and Fund Balances:			
Current liabilities:			
Due to other funds	<u>\$ 175,142</u>	<u>\$ 246,064</u>	<u>\$ 421,206</u>
Total current liabilities	<u>\$ 175,142</u>	<u>\$ 246,064</u>	<u>\$ 421,206</u>
Fund balances:			
Restricted	<u>2,614,041</u>	<u>5,483,989</u>	<u>8,098,030</u>
Total fund balances	<u>2,614,041</u>	<u>5,483,989</u>	<u>8,098,030</u>
Total liabilities and fund balances	<u>\$ 2,789,183</u>	<u>\$ 5,730,053</u>	<u>\$ 8,519,236</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2013

	Foreclosure Prevention Program Fund	Community Development Block Grant Fund	Total
Revenues:			
Grant from State of Illinois	\$ 4,075,859	\$ -	\$ 4,075,859
Federal funds	-	10,649,131	10,649,131
Total revenues	<u>4,075,859</u>	<u>10,649,131</u>	<u>14,724,990</u>
Expenditures:			
Grants	3,923,127	4,623,795	8,546,922
General and administrative	392,997	505,999	898,996
Provision for estimated losses on program loans receivable	-	35,348	35,348
Total expenditures	<u>4,316,124</u>	<u>5,165,142</u>	<u>9,481,266</u>
Net change in fund balances	(240,265)	5,483,989	5,243,724
Fund balances at beginning of year	<u>2,854,306</u>	<u>-</u>	<u>2,854,306</u>
Fund balances at end of year	<u>\$ 2,614,041</u>	<u>\$ 5,483,989</u>	<u>\$ 8,098,030</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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Mortgage Loan Program Fund

Combining Schedule of Net Position

June 30, 2013

	Housing Bonds	Multifamily Initiative Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ 35,275,513	\$ 12,394,447	\$ -	\$ 269,033	\$ 432,772	\$ 48,371,765
Investment income receivable – restricted	144,975	739	-	-	17,894	163,608
Program loans receivable	41,058,947	1,133,917	-	64,301	2,539,166	44,796,331
Interest receivable on program loans	1,114,208	218,191	-	20,772	97,583	1,450,754
Due from other funds	14,291,452	-	-	21,940	-	14,313,392
Total current assets	<u>91,885,095</u>	<u>13,747,294</u>	<u>-</u>	<u>376,046</u>	<u>3,087,415</u>	<u>109,095,850</u>
Noncurrent assets:						
Investments – restricted	196,723,661	1,995,695	-	-	34,943,789	233,663,145
Program loans receivable, net of current portion	393,898,786	57,198,897	15,039,073	4,823,198	34,457,552	505,417,506
Less allowance for estimated losses	(4,891,276)	(252,284)	(6,711,970)	(293,250)	(4,355,994)	(16,504,774)
Net program loans receivable	<u>389,007,510</u>	<u>56,946,613</u>	<u>8,327,103</u>	<u>4,529,948</u>	<u>30,101,558</u>	<u>488,912,732</u>
Unamortized bond issuance costs	3,051,947	599,426	-	-	1,873,148	5,524,521
Real estate held for sale, net	326,368	-	-	-	-	326,368
Due from Fannie Mae	-	91,310,964	-	-	-	91,310,964
Due from Freddie Mac	-	4,736,347	-	-	-	4,736,347
Capital assets, net	24,603,333	-	-	-	-	24,603,333
Derivative instrument asset	112,919	-	-	-	-	112,919
Other	135,659	-	-	-	23,774	159,433
Total noncurrent assets	<u>613,961,397</u>	<u>155,589,045</u>	<u>8,327,103</u>	<u>4,529,948</u>	<u>66,942,269</u>	<u>849,349,762</u>
Total assets	<u>705,846,492</u>	<u>169,336,339</u>	<u>8,327,103</u>	<u>4,905,994</u>	<u>70,029,684</u>	<u>958,445,612</u>
Liabilities:						
Current liabilities:						
Bonds and notes payable	69,815,000	2,080,000	14,884,996	65,000	3,110,000	89,954,996
Accrued interest payable	7,604,827	1,763,885	469,290	75,588	278,877	10,192,467
Deferred revenue	307,104	-	-	-	-	307,104
Accrued liabilities and other	387,080	369,616	-	-	147,663	904,359
Due to other funds	2,843,372	121,834	1,893,553	6,462	46,212	4,911,433
Total current liabilities	<u>80,957,383</u>	<u>4,335,335</u>	<u>17,247,839</u>	<u>147,050</u>	<u>3,582,752</u>	<u>106,270,359</u>
Noncurrent liabilities:						
Bonds and notes payable, net of current portion	409,674,846	164,060,000	-	4,800,000	51,230,000	629,764,846
Total noncurrent liabilities	<u>409,674,846</u>	<u>164,060,000</u>	<u>-</u>	<u>4,800,000</u>	<u>51,230,000</u>	<u>629,764,846</u>
Total liabilities	<u>490,632,229</u>	<u>168,395,335</u>	<u>17,247,839</u>	<u>4,947,050</u>	<u>54,812,752</u>	<u>736,035,205</u>
Deferred inflows of resources:						
Accumulated increase in fair value of hedging derivatives	112,919	-	-	-	-	112,919
Net position:						
Net investment in capital assets	(7,381,667)	-	-	-	-	(7,381,667)
Restricted for bond resolution purposes	222,483,011	941,004	-	-	15,216,932	238,640,947
Unrestricted	-	-	(8,920,736)	(41,056)	-	(8,961,792)
Total net position	<u>\$ 215,101,344</u>	<u>\$ 941,004</u>	<u>\$ (8,920,736)</u>	<u>\$ (41,056)</u>	<u>\$ 15,216,932</u>	<u>\$ 222,297,488</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 Position

Year ended June 30, 2013

	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	\$ 871,536	\$ 3,226	\$ -	\$ -	\$ 56,067	\$ 930,829
Net increase (decrease) in fair value of investments	(828,744)	1,191	-	-	(5,182)	(832,735)
Total investment income	42,792	4,417	-	-	50,885	98,094
Interest earned on program loans	20,425,964	2,812,499	-	249,639	977,171	24,465,273
Federal assistance programs	3,858,028	-	-	-	-	3,858,028
Other	4,414,776	-	-	-	-	4,414,776
Total operating revenues	28,741,560	2,816,916	-	249,639	1,028,056	32,836,171
Operating expenses:						
Interest expense	17,046,093	2,364,188	744,250	228,075	3,911,648	24,294,254
Federal assistance programs	3,858,028	-	-	-	-	3,858,028
Other general and administration	-	233,974	-	-	-	233,974
Financing costs	480,342	36,625	-	5,956	67,313	590,236
Provision for (reversal of) estimated losses on program loans receivable	(889,627)	234,625	-	243,765	183,967	(227,270)
Total operating expenses	20,494,836	2,869,412	744,250	477,796	4,162,928	28,749,222
Operating income (loss)	8,246,724	(52,496)	(744,250)	(228,157)	(3,134,872)	4,086,949
Transfers in	-	-	-	-	5,200,000	5,200,000
Total transfers	-	-	-	-	5,200,000	5,200,000
Change in net position	8,246,724	(52,496)	(744,250)	(228,157)	2,065,128	9,286,949
Net position at beginning of year	206,854,620	993,500	(8,176,486)	187,101	13,151,804	213,010,539
Net position at end of year	\$ 215,101,344	\$ 941,004	\$ (8,920,736)	\$ (41,056)	\$ 15,216,932	\$ 222,297,488

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, 2013

	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	\$ 69,030,571	\$ 7,692,842	\$ -	\$ 312,074	\$ 9,336,606	\$ 86,372,093
Receipts for real estate held for sale	-	-	-	-	-	-
Payments for program loans	(66,549,330)	(12,402,580)	-	-	(3,055,614)	(82,007,524)
Receipts for federal assistance programs	3,858,028	-	-	-	-	3,858,028
Payments for federal assistance programs	(3,858,028)	-	-	-	-	(3,858,028)
Payments for credit enhancements	-	(4,110,621)	-	-	-	(4,110,621)
Payments to suppliers	(412,796)	(302,559)	-	(5,956)	(67,313)	(788,624)
Other receipts	5,981,845	-	-	-	-	5,981,845
Net cash provided by (used in) operating activities	8,050,290	(9,122,918)	-	306,118	6,213,679	5,447,169
Cash flows from noncapital financing activities:						
Proceeds from sale of revenue bonds and notes	133,380,000	-	-	-	-	133,380,000
Principal paid on revenue bonds and notes	(26,435,000)	(8,520,000)	-	(70,000)	(2,950,000)	(37,975,000)
Interest paid on revenue bonds and notes	(24,133,181)	(1,027,442)	(744,250)	(229,125)	(3,469,237)	(29,603,235)
Due to other funds	(349,645)	74,131	744,250	703	28,137	497,576
Due from other funds	19,160	-	-	-	-	19,160
Transfers in	-	-	-	-	5,200,000	5,200,000
Net cash provided by (used in) noncapital financing activities	82,481,334	(9,473,311)	-	(298,422)	(1,191,100)	71,518,501
Cash flows from capital financing and related activities:						
Acquisition of capital assets	(467,706)	-	-	-	-	(467,706)
Cash flows from investing activities:						
Purchase of investment securities	(260,155,898)	(2,971,259)	-	(549,706)	(58,756,116)	(322,432,979)
Proceeds from sales and maturities of investment securities	194,542,663	975,564	-	549,706	40,576,321	236,644,254
Interest received on investments	7,664,438	3,678	-	-	36,331	7,704,447
Net cash used in investing activities	(57,948,797)	(1,992,017)	-	-	(18,143,464)	(78,084,278)
Net increase (decrease) in cash and equivalents	32,115,121	(20,588,246)	-	7,696	(13,120,885)	(1,586,314)
Cash and cash equivalents at beginning of year	3,160,392	32,982,693	-	261,337	13,553,657	49,958,079
Cash and cash equivalents at end of year	\$ 35,275,513	\$ 12,394,447	\$ -	\$ 269,033	\$ 432,772	\$ 48,371,765
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 8,246,724	\$ (52,496)	\$ (744,250)	\$ (228,157)	\$ (3,134,872)	\$ 4,086,949
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Investment income	(42,792)	(4,417)	-	-	(50,885)	(98,094)
Interest expense	17,046,093	2,364,188	744,250	228,075	3,911,648	24,294,254
Depreciation and amortization	2,367,069	-	-	-	-	2,367,069
Provision for (reversal of) estimated losses on program loans receivable	(889,627)	234,625	-	243,765	183,967	(227,270)
Changes in assets and liabilities:						
Program loans receivable	(18,665,929)	(7,554,121)	-	61,109	5,280,154	(20,878,787)
Interest receivable on program loans	(122,798)	31,884	-	1,326	22,377	(67,211)
Other liabilities	73,195	(31,960)	-	-	-	41,235
Other assets	38,355	-	-	-	1,290	39,645
Due from Fannie Mae	-	(7,133,821)	-	-	-	(7,133,821)
Due from Freddie Mac	-	3,023,200	-	-	-	3,023,200
Total adjustments	(196,434)	(9,070,422)	744,250	534,275	9,348,551	1,360,220
Net cash provided by (used in) operating activities	\$ 8,050,290	\$ (9,122,918)	\$ -	\$ 306,118	\$ 6,213,679	\$ 5,447,169
Noncash investing, capital and financing activities:						
Transfer of foreclosed assets	\$ 310,126	\$ -	\$ -	\$ -	\$ -	\$ 310,126
The fair value of investments increased (decreased)	\$ (1,393,075)	\$ 867	\$ -	\$ 25	\$ 54,839	\$ (1,337,344)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

Single Family Program Fund

Combining Schedule of Net Position

June 30, 2013

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 33,126,858	\$ 147,820	\$ 1,426,679	\$ 34,701,357
Investment income receivable – restricted	142,338	8,389	600,900	751,627
Program loans receivable	13,631,874	-	-	13,631,874
Interest receivable on program loans	7,144,571	-	-	7,144,571
Due from other funds	345,457	-	-	345,457
Total current assets	<u>54,391,098</u>	<u>156,209</u>	<u>2,027,579</u>	<u>56,574,886</u>
Noncurrent assets:				
Investments – restricted	107,419,867	300,000	202,553,118	310,272,985
Program loans receivable, net of current portion	400,119,641	-	-	400,119,641
Less allowance for estimated losses	(7,408,207)	-	-	(7,408,207)
Net program loans receivable	392,711,434	-	-	392,711,434
Unamortized bond issuance costs	3,362,761	-	1,967,741	5,330,502
Real estate held for sale, net	16,458,502	-	-	16,458,502
Other	10,682,214	-	-	10,682,214
Total noncurrent assets	<u>530,634,778</u>	<u>300,000</u>	<u>204,520,859</u>	<u>735,455,637</u>
Total assets	<u>585,025,876</u>	<u>456,209</u>	<u>206,548,438</u>	<u>792,030,523</u>
Deferred outflow of resources:				
Accumulated decrease in fair value of hedging derivatives	2,485,432	-	-	2,485,432
Liabilities:				
Current liabilities:				
Bonds and notes payable	25,485,000	100,000	3,553,000	29,138,000
Accrued interest payable	9,017,091	10,115	452,591	9,479,797
Accrued liabilities and other	72,413	-	12,500	84,913
Due to other funds	229,428	-	215,897	445,325
Total current liabilities	<u>34,803,932</u>	<u>110,115</u>	<u>4,233,988</u>	<u>39,148,035</u>
Noncurrent liabilities:				
Bonds and notes payable, net of current portion	468,107,621	215,667	193,001,386	661,324,674
Derivative instrument liability	2,485,432	-	-	2,485,432
Total noncurrent liabilities	<u>470,593,053</u>	<u>215,667</u>	<u>193,001,386</u>	<u>663,810,106</u>
Total liabilities	<u>505,396,985</u>	<u>325,782</u>	<u>197,235,374</u>	<u>702,958,141</u>
Net position:				
Restricted for bond resolution purposes	82,114,323	130,427	9,313,064	91,557,814
Total net position	<u>\$ 82,114,323</u>	<u>\$ 130,427</u>	<u>\$ 9,313,064</u>	<u>\$ 91,557,814</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 Position

Year ended June 30, 2013

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Total
Operating revenues:				
Interest and other investment income	\$ 3,296,656	\$ 20,286	\$ 3,687,077	\$ 7,004,019
Net increase (decrease) in fair value of investments	<u>(2,324,611)</u>	<u>5</u>	<u>375,732</u>	<u>(1,948,874)</u>
Total investment income	972,045	20,291	4,062,809	5,055,145
Interest earned on program loans	27,088,960	-	-	27,088,960
Other	<u>81,507</u>	<u>-</u>	<u>-</u>	<u>81,507</u>
Total operating revenues	<u>28,142,512</u>	<u>20,291</u>	<u>4,062,809</u>	<u>32,225,612</u>
Operating expenses:				
Interest expense	24,245,845	25,853	2,611,492	26,883,190
Other general and administrative	2,013,807	-	-	2,013,807
Financing costs	2,321,627	-	566,621	2,888,248
Reversal of estimated losses on program loans receivable	<u>(5,235,808)</u>	<u>-</u>	<u>-</u>	<u>(5,235,808)</u>
Total operating expenses	<u>23,345,471</u>	<u>25,853</u>	<u>3,178,113</u>	<u>26,549,437</u>
Operating income (loss)	<u>4,797,041</u>	<u>(5,562)</u>	<u>884,696</u>	<u>5,676,175</u>
Transfers in				
Total transfers	<u>-</u>	<u>-</u>	<u>1,742,268</u>	<u>1,742,268</u>
Change in net position	<u>4,797,041</u>	<u>(5,562)</u>	<u>2,626,964</u>	<u>7,418,443</u>
Net position at beginning of year	<u>77,317,282</u>	<u>135,989</u>	<u>6,686,100</u>	<u>84,139,371</u>
Net position at end of year	<u>\$ 82,114,323</u>	<u>\$ 130,427</u>	<u>\$ 9,313,064</u>	<u>\$ 91,557,814</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, 2013

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Housing Revenue Bonds	Total
Cash flows from operating activities:				
Receipts for program loans, interest and service fees	\$ 109,198,127	\$ -	\$ -	\$ 109,198,127
Receipts for real estate held for sale	-	-	-	-
Payments to suppliers	(5,421,313)	-	(566,238)	(5,987,551)
Net cash provided by (used in) operating activities	<u>103,776,814</u>	<u>-</u>	<u>(566,238)</u>	<u>103,210,576</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes	-	1,578	140,863,097	140,864,675
Principal paid on revenue bonds and notes	(301,740,000)	-	(9,305,019)	(311,045,019)
Interest paid on revenue bonds and notes	(25,828,096)	(25,853)	(3,803,749)	(29,657,698)
Due to other funds	(210,220)	-	215,897	5,677
Due from other funds	5,836	-	-	5,836
Transfers in	-	-	1,742,268	1,742,268
Net cash provided by (used in) noncapital financing activities	<u>(327,772,480)</u>	<u>(24,275)</u>	<u>129,712,494</u>	<u>(198,084,261)</u>
Cash flows from investing activities:				
Purchase of investment securities	(1,123,877,368)	-	(140,039,511)	(1,263,916,879)
Proceeds from sales and maturities of investment securities	1,364,701,281	150,987	8,277,513	1,373,129,781
Interest received on investments	1,149,287	20,347	3,694,049	4,863,683
Net cash provided by (used in) investing activities	<u>241,973,200</u>	<u>171,334</u>	<u>(128,067,949)</u>	<u>114,076,585</u>
Net increase in cash and cash equivalents	17,977,534	147,059	1,078,307	19,202,900
Cash and cash equivalents at beginning of year	15,149,324	761	348,372	15,498,457
Cash and cash equivalents at end of year	<u>\$ 33,126,858</u>	<u>\$ 147,820</u>	<u>\$ 1,426,679</u>	<u>\$ 34,701,357</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 4,797,041	\$ (5,562)	\$ 884,696	\$ 5,676,175
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Investment income	(972,045)	(20,291)	(4,062,809)	(5,055,145)
Interest expense	24,245,845	25,853	2,611,492	26,883,190
Reversal of estimated losses on program loans receivable	(5,237,309)	-	-	(5,237,309)
Changes in assets and liabilities:				
Program loans receivable	88,925,591	-	-	88,925,591
Interest receivable on program loans	(4,982,179)	-	-	(4,982,179)
Other liabilities	(1,783,389)	-	383	(1,783,006)
Other assets	(1,216,741)	-	-	(1,216,741)
Total adjustments	<u>98,979,773</u>	<u>5,562</u>	<u>(1,450,934)</u>	<u>97,534,401</u>
Net cash provided by (used in) operating activities	<u>\$ 103,776,814</u>	<u>\$ -</u>	<u>\$ (566,238)</u>	<u>\$ 103,210,576</u>
Noncash investing, capital and financing activities:				
Transfer of foreclosed assets	<u>\$ 22,406,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,406,960</u>
The fair value of investments increased (decreased)	<u>\$ (2,870,613)</u>	<u>\$ 29</u>	<u>\$ (5,187,487)</u>	<u>\$ (8,058,071)</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

IHDA Dispositions LLC

Combining Schedule of Net Position

June 30, 2013

	Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,565,654	\$ 5,608	\$ 1,890	\$ 1,573,152
Tenant accounts receivable	4,058	7,076	10,335	21,469
Utility deposits	3,167	-	-	3,167
Total current assets	<u>1,572,879</u>	<u>12,684</u>	<u>12,225</u>	<u>1,597,788</u>
Land	2,600,000	-	-	2,600,000
Capital assets, net	3,527,273	79,900	98,834	3,706,007
Other	82,362	-	-	82,362
Total noncurrent assets	<u>6,209,635</u>	<u>79,900</u>	<u>98,834</u>	<u>6,388,369</u>
Total assets	<u>7,782,514</u>	<u>92,584</u>	<u>111,059</u>	<u>7,986,157</u>
Liabilities:				
Current liabilities:				
Accrued liabilities and other	32,293	1,004	4,408	37,705
Accrued property taxes	541,839	4,877	5,117	551,833
Prepaid rent	2,410	-	-	2,410
Total current liabilities	<u>576,542</u>	<u>5,881</u>	<u>9,525</u>	<u>591,948</u>
Noncurrent liabilities:				
Security deposits	73,586	2,929	1,300	77,815
Total noncurrent liabilities	<u>73,586</u>	<u>2,929</u>	<u>1,300</u>	<u>77,815</u>
Total liabilities	<u>650,128</u>	<u>8,810</u>	<u>10,825</u>	<u>669,763</u>
Net position:				
Unrestricted	<u>7,132,386</u>	<u>83,774</u>	<u>100,234</u>	<u>7,316,394</u>
Total net position	<u>\$ 7,132,386</u>	<u>\$ 83,774</u>	<u>\$ 100,234</u>	<u>\$ 7,316,394</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

IHDA Dispositions LLC

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

Year ended June 30, 2013

	Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Total
Operating revenues:				
Rental income	\$ 2,570,889	\$ 32,065	\$ 23,310	\$ 2,626,264
Vacancies and adjustments	(525,888)	(12,951)	(7,400)	(546,239)
Other	79,749	35,100	4,300	119,149
Total operating revenues	<u>2,124,750</u>	<u>54,214</u>	<u>20,210</u>	<u>2,199,174</u>
Operating expenses:				
Salaries and benefits	318,303	-	-	318,303
Other general and administrative	200,258	9,270	5,071	214,599
Advertising expenses	36,396	90	-	36,486
Operating expenses	123,657	3,043	5,256	131,956
Utilities	217,200	4,664	2,534	224,398
Maintenance expenses	171,386	12,548	832	184,766
Taxes and insurance	596,001	20,725	5,117	621,843
Depreciation	-	-	1,166	1,166
Total operating expenses	<u>1,663,201</u>	<u>50,340</u>	<u>19,976</u>	<u>1,733,517</u>
Operating income (loss)	461,549	3,874	234	465,657
Capital contributions	-	79,900	100,000	179,900
Change in net position	<u>461,549</u>	<u>83,774</u>	<u>100,234</u>	<u>645,557</u>
Net position at beginning of year	<u>6,670,837</u>	<u>-</u>	<u>-</u>	<u>6,670,837</u>
Net position at end of year	<u>\$ 7,132,386</u>	<u>\$ 83,774</u>	<u>\$ 100,234</u>	<u>\$ 7,316,394</u>

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

IHDA Dispositions LLC

Combining Schedule of Cash Flows

Year ended June 30, 2013

	Marywood Apartment Homes	Kankakee Scattered Sites	School Street Apartments	Total
Cash flows from operating activities:				
Receipts for rental operations	\$ 2,055,057	\$ 44,393	\$ 19,128	\$ 2,118,578
Payments to employees	(318,303)	-	-	(318,303)
Payments for rental operations	<u>(1,238,107)</u>	<u>(38,785)</u>	<u>(17,238)</u>	<u>(1,294,130)</u>
Net cash provided by (used in) operating activities	<u>498,647</u>	<u>5,608</u>	<u>1,890</u>	<u>506,145</u>
Net increase in cash and cash equivalents	498,647	5,608	1,890	506,145
Cash and cash equivalents at beginning of year	<u>1,067,007</u>	<u>-</u>	<u>-</u>	<u>1,067,007</u>
Cash and cash equivalents at end of year	<u>\$ 1,565,654</u>	<u>\$ 5,608</u>	<u>\$ 1,890</u>	<u>\$ 1,573,152</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 461,549	\$ 3,874	\$ 234	\$ 465,657
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	1,166	1,166
Changes in assets and liabilities:				
Other liabilities	95,991	(6,912)	3,315	92,394
Other assets	(66,046)	-	-	(66,046)
Tenant accounts receivable	(1,192)	8,646	(2,825)	4,629
Utility deposits	<u>8,345</u>	<u>-</u>	<u>-</u>	<u>8,345</u>
Total adjustments	<u>37,098</u>	<u>1,734</u>	<u>1,656</u>	<u>40,488</u>
Net cash provided by (used in) operating activities	<u>\$ 498,647</u>	<u>\$ 5,608</u>	<u>\$ 1,890</u>	<u>\$ 506,145</u>

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APPENDIX B

CERTAIN PROGRAM INFORMATION

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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 with an outstanding balance of \$5.28 million) as of March 31, 2014. The information below under the heading "Mortgage Loans Outstanding Weighted Average 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.

Funding Series	No. of Mortgage Loans	Original Principal Purchased of Mortgage Loans Outstanding	Remaining Principal Purchased of Mortgage Loans Outstanding	Mortgage Loans Outstanding Weighted Average Interest Rates (%)	Mortgage Loans Outstanding Weighted Average Remaining Payments
AUTHORITY CONTRIBUTION	43	4,337,261.06	3,542,257.29	5.544	248.35
CONTRIBUTED ASSETS ⁽¹⁾	153	10,072,193.30	5,598,194.54	5.832	200.66
HOMEOWNER GENERAL RECYCLE	18	1,483,525.16	1,368,544.28	5.968	295.85
OTHER MORTGAGE LOANS ⁽²⁾	1,105	76,594,694.44	48,730,724.51	6.199	178.34
SERIES 1998Dii	16	932,093.49	583,923.39	5.422	188.28
SERIES 1998Dii / 1996C	10	766,135.84	444,487.84	6.782	182.83
SERIES 1998E / 1998Di	59	3,661,286.13	2,479,402.02	6.167	186.11
SERIES 1998E/ 1998Di/ 1996B	13	771,216.66	499,206.82	6.323	177.57
SERIES 1999C / 1998Diii	76	5,206,655.04	3,604,071.67	5.368	192.47
SERIES 1999C /1998Diii /1996F	16	945,919.44	645,912.18	6.610	184.41
SERIES 2000A/1998Diii/1999C	22	1,862,254.14	1,185,011.95	4.581	191.85
SERIES 2001C 1/2 - 20013/4 D	132	9,399,226.93	6,357,671.32	5.899	199.90
SERIES 2001E 1/2 - /2001 F	106	7,373,665.39	5,318,167.77	6.325	206.07
SERIES 2002 C	124	9,330,597.31	7,112,205.02	5.851	223.76
SERIES 2002A-1/2 - / 2002 B	111	9,254,155.51	7,181,088.67	5.843	226.15
SERIES 2003 B	193	16,895,336.92	13,016,144.89	5.343	233.64
SERIES 2004 A	206	20,167,813.89	15,873,705.97	5.304	239.28
SERIES 2004 C	317	30,174,917.93	24,011,047.49	5.445	245.33
SERIES 2005 A	277	28,855,641.08	23,856,849.82	5.471	251.91
SERIES 2005C	418	43,042,185.62	35,924,221.78	5.499	258.56
SERIES 2006 A1-A2/2006B	332	35,019,957.77	30,016,265.31	5.962	265.42
SERIES 2006 C1 - C2	398	42,331,321.83	36,841,917.88	6.037	273.56
SERIES 2007 A1-A2	258	26,517,479.44	23,374,265.40	6.123	280.20
SERIES 2007 H1-H2 RMKTD	310	31,503,871.02	28,234,295.18	6.077	288.44
SERIES 2007D	286	29,847,218.73	26,489,639.71	6.186	282.99
SERIES 2008 A1-A2	48	4,899,925.42	4,461,006.52	5.960	291.76
Total	5,047	451,246,549.49	356,750,229.22	5.858	246.75

⁽¹⁾ Contributed Mortgage Loans noted herein under the caption "SECURITY AND SOURCES OF PAYMENT OF THE BONDS - Transfer Amounts".

⁽²⁾ Mortgage Loans funded by Prior Bonds but for which the Prior Bonds have been redeemed and are no longer outstanding.

Mortgage Backed Security Information as of 3/31/2014

<u>Funding Source</u>	<u>Security Type</u>	<u>CUSIP</u>	<u>Pass Through Rate</u>	<u>Maturity Date</u>	<u>Original Face</u>	<u>Current Principal</u>
SERIES 2011 B/ 2009 B-1	GNMA	3620AFGE1	4.75	10/15/2039	65,415.00	60,984.53
SERIES 2011 B/ 2009 B-1	GNMA	3620AFGF8	4.75	11/15/2039	66,276.00	61,847.87
SERIES 2011 B/ 2009 B-1	GNMA	3620AFGG6	5.25	10/15/2039	300,306.00	145,538.82
SERIES 2011 B/ 2009 B-1	GNMA	3620AFJ81	4.75	11/15/2039	212,235.00	197,812.64
SERIES 2011 B/ 2009 B-1	GNMA	3620AFJ99	4.75	11/15/2039	247,639.00	230,382.78
SERIES 2011 B/ 2009 B-1	GNMA	3620AFP50	4.75	12/15/2039	451,706.00	317,233.48
SERIES 2011 B/ 2009 B-1	GNMA	3620AFQU4	4.75	12/15/2039	104,940.00	98,036.59
SERIES 2011 B/ 2009 B-1	GNMA	3620AN3H1	4.75	1/15/2040	951,759.00	727,781.90
SERIES 2011 B/ 2009 B-1	GNMA	3620AN3J7	4.75	12/15/2039	179,661.00	167,297.17
SERIES 2011 B/ 2009 B-1	GNMA	3620AN3K4	5.25	1/15/2040	58,360.00	54,983.34
SERIES 2011 B/ 2009 B-1	GNMA	3620AN3L2	5.25	1/15/2040	263,809.00	79,013.17
SERIES 2011 B/ 2009 B-1	GNMA	3620APDR3	4.75	2/15/2040	738,384.00	551,313.51
SERIES 2011 B/ 2009 B-1	GNMA	3620APDS1	5.25	10/15/2039	70,743.00	66,402.24
SERIES 2011 B/ 2009 B-1	GNMA	3620APHK4	4.75	3/15/2040	332,779.00	54,600.74
SERIES 2011 B/ 2009 B-1	GNMA	3620APHN8	4.75	4/15/2040	560,964.00	185,564.91
SERIES 2011 B/ 2009 B-1	GNMA	3620AXW95	4.75	4/15/2040	1,090,382.00	497,906.69
SERIES 2011 B/ 2009 B-1	GNMA	3620AXXA1	4.75	12/15/2039	247,492.00	165,089.97
SERIES 2011 B/ 2009 B-1	GNMA	3620AXXB9	4.75	12/15/2039	106,405.00	95,404.60
SERIES 2011 B/ 2009 B-1	GNMA	3620AXXC7	4.75	12/15/2039	146,409.00	136,068.06
SERIES 2011 B/ 2009 B-1	GNMA	3620AYAQ9	4.75	4/15/2040	525,838.00	240,689.73
SERIES 2011 B/ 2009 B-1	GNMA	3620C3QV7	4.75	6/15/2040	242,465.00	227,763.65
SERIES 2011 B/ 2009 B-1	GNMA	36230KHF1	4.75	1/15/2040	131,158.00	124,073.17
SERIES 2011 B/ 2009 B-1	GNMA	36230KHP9	4.50	10/15/2040	1,066,953.00	878,266.81
SERIES 2011 B/ 2009 B-1	GNMA	36230P4P2	4.50	11/15/2040	1,369,911.00	919,610.51
SERIES 2011 B/ 2009 B-1	GNMA	36230QE38	4.50	11/15/2040	1,934,065.00	1,361,666.45
SERIES 2011 B/ 2009 B-1	GNMA	36230QQ76	4.50	1/15/2041	1,152,908.00	755,317.78
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138W53S5	3.13	12/1/2042	292,879.00	97,729.78
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138W53T3	3.13	1/1/2043	1,272,140.00	1,246,818.07
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138WNEM7	2.63	12/1/2042	305,358.00	299,267.30
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138WVJF9	2.78	5/1/2043	359,635.00	353,715.85
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138WX5Z6	2.63	1/1/2043	304,162.00	299,459.33
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138WX6C6	2.78	5/1/2043	722,927.00	710,898.83
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138X2K86	2.50	12/1/2043	205,628.00	202,860.12
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138X66K6	2.75	5/1/2043	471,071.00	465,750.21
AUTHORITY PROGRAM ACCOUNT 2009 A	FNMA	3138X66Q3	2.75	7/1/2043	172,927.00	170,996.92
AUTHORITY PROGRAM ACCOUNT 2009 A	GNMA	36179JNZ6	2.75	3/15/2043	493,114.00	483,221.42
AUTHORITY PROGRAM ACCOUNT 2009 A	GNMA II	36179NLB2	2.50	8/20/2043	398,634.00	391,780.93
AUTHORITY PROGRAM ACCOUNT 2009 A	GNMA	36181FGL9	2.50	4/15/2043	110,334.00	108,787.09
AUTHORITY PROGRAM ACCOUNT 2009 B	GNMA	36180KRA1	2.50	4/15/2043	1,933,090.00	1,822,877.08
AUTHORITY PROGRAM ACCOUNT 2009 B	GNMA	36181D5W2	2.50	4/15/2043	430,165.00	423,329.65
AUTHORITY PROGRAM ACCOUNT 2009 B	GNMA	36181D5X0	2.88	12/15/2042	171,293.00	168,473.20
Total			<u>3.93</u>		<u>20,262,319.00</u>	<u>15,646,616.89</u>

Primary Mortgage Insurers Under the Program

Primary Mortgage Insurance Provider	Number of Mortgage Loans	Original Principal Amount of Mortgage Loans Covered	Remaining Principal Amount of Mortgage Loans Covered	Percentage of Mortgage Loans Covered ⁽¹⁾
Federal Housing Administration	5	468,405.88	385,466.11	0.11
USDA Rural Development	431	27,775,780.11	21,271,327.62	5.96
Mortgage Loans not requiring primary mortgage insurance (LTV<80%)	1,352	117,402,751.93	94,041,090.32	26.36
Privately Insured	3,259	305,599,612	241,052,345	67.57
Mortgage Guaranty Insurance Corporation	1,421	142,550,353.73	115,623,660.34	32.41
Republic Mortgage Insurance Co. ⁽²⁾	151	15,967,492.46	13,609,669.60	3.81
United Guaranty Residential Insurance Company	854	80,942,267.38	64,097,460.35	17.97
PMI Mortgage Insurance Company ⁽²⁾	112	8,991,361.98	5,969,778.31	1.67
Genworth Mortgage Insurance Corporation	280	16,233,572.11	9,254,500.65	2.59
Radian Guaranty, Inc.	441	40,914,563.91	32,497,275.92	9.11
Total	5,047	451,246,549.49	356,750,229.22	100.00

Information as of 3/31/2014

⁽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⁾ According to their respective websites, due to financial conditions, PMI Mortgage Insurance Company, Republic Mortgage Insurance Company are each currently acting under supervision of their respective regulators and as a result are paying only a percentage of any claim allowed under an applicable insurance policy. The Authority makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Authority on Mortgage Loans on which losses are incurred and has no obligation to provide continuing disclosure with respect thereto.

Ratings of Primary Mortgage Insurers under the Program as of 6/23/2014

Primary Mortgage Insurance Provider	S&P	Moody's
Genworth Mortgage Insurance Corporation	BB-	Ba1
Mortgage Guaranty Insurance Corporation	BB	Ba3
PMI Mortgage Insurance Company ⁽¹⁾	NR	WR
Radian Guaranty, Inc	BB-	Ba2
Republic Mortgage Insurance Co. ⁽¹⁾	NR	WR
United Guaranty Residential Insurance Company	A-	Baa1

Source: Bloomberg L.P.

⁽¹⁾ According to their respective websites, due to financial conditions, PMI Mortgage Insurance Company, Republic Mortgage Insurance Company are each currently acting under supervision of their respective regulators and as a result are paying only a percentage of any claim allowed under an applicable insurance policy. The Authority makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Authority on Mortgage Loans on which losses are incurred and has no obligation to provide continuing disclosure with respect thereto.

Loan-to-Value Ratios (LTVs) ⁽¹⁾

LTV Range	Loan Count	Percentage of Loan Count	Unpaid Principal Amount of Mortgage Loans as of March 31, 2014	Percentage of Total Unpaid Principal Amount of Mortgage Loans as of March 31, 2014
50% and under	411	8.14	7,203,879.42	2.02
50.01% to 60%	192	3.80	7,593,523.32	2.13
60.01% to 70%	554	10.98	27,801,510.98	7.79
70.01% to 80%	1,092	21.64	67,414,966.07	18.90
80.01% to 90%	2,154	42.68	181,650,903.13	50.92
90.01% to 97%	639	12.66	64,267,984.10	18.01
Over 97%	5	0.10	817,462.20	0.23
Total	5,047	100.00	356,750,229.22	100.00

Information as of 3/31/2014

⁽¹⁾ Based on outstanding principal amount of mortgage loans.

Age of Mortgage Loan Portfolio

Year of Origination	Number of Mortgage Loans	Percentage of Mortgage Loans	Cumulative Percentage of Total Outstanding Mortgage Loans	Current Balance as of March 31, 2014	Percentage of Current Balance as of 3/31/2014	Cumulative Percentage of Total Approximate Current Balance
1999 and Prior	912	18.07	18.07	29,258,322.21	8.20	8.20
2000	407	8.06	26.13	23,059,189.04	6.46	14.67
2001	193	3.82	29.96	11,111,558.34	3.11	17.78
2002	196	3.88	33.84	11,297,564.89	3.17	20.95
2003	387	7.67	41.51	24,771,007.26	6.94	27.89
2004	559	11.08	52.59	42,588,250.53	11.94	39.83
2005	702	13.91	66.49	60,662,768.57	17.00	56.83
2006	560	11.10	77.59	51,167,283.52	14.34	71.17
2007	674	13.35	90.95	61,076,067.86	17.12	88.29
2008	451	8.94	99.88	41,292,585.57	11.57	99.87
2009	6	0.12	100.00	465,631.43	0.13	100.00
Total	5,047	100.00		356,750,229.22	100.00	

Information as of 3/31/2014

Mortgage Pool Insurers

For each Series of Bonds (other than that portion of a Series of Bonds outstanding as Convertible Option Bonds or Notes), the following table sets forth (i) the Mortgage Loans held under the Program (including Contributed Mortgage Loans and Second Mortgage Loans) and subject to Pool Policy as of March 31, 2014, (ii) the original principal amount of such Mortgage Loans, (iii) the principal amount of Mortgage Loans outstanding, (iv) the amount of loss coverage provided by the applicable Pool Policy (inclusive of the Deductible) for such Mortgage Loans, and (v) the historical claims against the Deductible or the Pool Policy under the Program.

Mortgage Pool Insurer / Funding Series	No. of Mortgage Loans	Original Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Remaining Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Amount of Loss Coverage on Original Principal Purchased	Historical Claims Against Deductible or Pool Policy under the Program (3)
Genworth					
CONTRIBUTED ASSETS (1)	89	4,125,103.00	1,060,710.50	144,378.61	5,954,837.67
HOMEOWNER GENERAL RECYCLE 1	8	612,730.00	564,598.75	21,445.55	51,832.85
OTHER MORTGAGE LOANS (2)	196	12,256,565.00	7,065,830.22	428,979.78	1,125,639.72
SERIES 2001C 1/2 - 20013/4 D	34	1,586,030.00	614,170.76	55,511.05	53,165.63
SERIES 2001E 1/2 - /2001 F	20	1,102,740.00	516,906.46	38,595.90	147,555.75
SERIES 2007 H1-H2 RMKTD	14	1,320,055.00	1,200,314.93	46,201.93	0.00
SERIES 2008 A1-A2	<u>8</u>	<u>833,430.00</u>	<u>765,467.28</u>	<u>29,170.05</u>	<u>0.00</u>
	<u>369</u>	<u>21,836,653.00</u>	<u>11,787,998.90</u>	<u>764,282.86</u>	<u>7,333,031.62</u>
MGIC					
AUTHORITY CONTRIBUTION	20	1,862,685.00	1,545,379.87	11,081.00	50,943.66
CONTRIBUTED ASSETS (1)	25	2,379,485.00	1,851,515.53	83,281.98	59,255.27
OTHER MORTGAGE LOANS (2)	389	29,136,172.00	19,887,235.78	1,019,766.02	1,045,377.28
SERIES 1998Dii	14	843,445.00	521,014.11	29,520.58	5,850.36
SERIES 1998Dii / 1996C	5	446,755.00	280,503.03	15,636.43	13,565.09
SERIES 1998E / 1998Di	39	2,340,178.00	1,541,024.71	81,906.23	82,505.86
SERIES 1998E/ 1998Di/ 1996B	8	544,800.00	344,608.19	19,068.00	0.00
SERIES 1999C / 1998Diii	57	3,738,693.00	2,613,158.00	130,854.26	92,194.32
SERIES 1999C /1998Diii /1996F	1	36,000.00	22,553.64	1,260.00	22,162.18
SERIES 2000A/1998Diii/1999C	13	1,164,650.00	748,574.83	40,762.75	26,103.27
SERIES 2001C 1/2 - 20013/4 D	66	4,922,837.00	3,635,396.76	172,299.30	56,063.51
SERIES 2001E 1/2 - /2001 F	48	3,580,762.00	2,745,153.37	125,326.67	28,960.10
SERIES 2002 C	87	6,349,201.00	4,813,521.16	222,222.04	87,904.74
SERIES 2002A-1/2 - / 2002 B	78	6,334,760.00	4,844,102.48	221,716.60	77,972.10
SERIES 2003 B	81	7,124,822.00	5,464,228.40	249,368.77	153,989.56
SERIES 2004 A	92	8,712,098.00	6,836,937.87	304,923.43	102,089.95
SERIES 2004 C	131	10,838,343.16	8,701,963.90	37,127.72	114,680.96
SERIES 2005 A	133	11,995,510.00	9,846,987.78	75,718.65	254,714.83
SERIES 2005C	249	25,338,924.50	21,096,543.50	45,212.48	811,325.05
SERIES 2006 A1-A2/2006B	194	21,374,188.21	18,301,128.91	16,710.47	875,420.61
SERIES 2006 C1 - C2	246	26,772,706.53	23,214,395.40	71,276.59	925,712.73
SERIES 2007 A1-A2	119	12,074,894.90	10,744,728.28	6,546.75	381,464.48
SERIES 2007 H1-H2 RMKTD	112	12,454,227.00	11,103,903.26	0.00	310,344.24
SERIES 2007D	169	17,699,825.25	15,716,594.60	0.00	322,089.09
SERIES 2008 A1-A2	<u>2</u>	<u>192,830.00</u>	<u>175,042.08</u>	<u>0.00</u>	<u>0.00</u>
	<u>2,378</u>	<u>218,258,792.55</u>	<u>176,596,195.44</u>	<u>2,981,586.69</u>	<u>5,900,689.24</u>
PMI					
OTHER MORTGAGE LOANS (2)	106	8,376,758.00	5,612,198.88	293,186.53	258,767.59
SERIES 1998Dii	1	56,500.00	41,889.51	1,977.50	0.00
SERIES 1998Dii / 1996C	4	249,900.00	131,581.67	8,746.50	0.00
SERIES 1998E / 1998Di	11	830,730.00	562,897.30	29,075.55	22,601.45
SERIES 1998E/ 1998Di/ 1996B	1	66,150.00	47,532.97	2,315.25	0.00
SERIES 1999C / 1998Diii	4	287,005.00	202,048.72	10,045.18	15,942.70
SERIES 1999C /1998Diii /1996F	9	567,850.00	402,034.37	19,874.75	5,452.40
SERIES 2000A/1998Diii/1999C	<u>4</u>	<u>321,460.00</u>	<u>208,927.54</u>	<u>11,251.10</u>	<u>20,426.66</u>
	<u>140</u>	<u>10,756,353.00</u>	<u>7,209,110.96</u>	<u>376,472.36</u>	<u>323,190.80</u>
RMIC					
AUTHORITY CONTRIBUTION	2	112,520.00	93,704.05	3,938.20	0.00
SERIES 2004 C	25	2,229,396.00	1,827,142.93	78,028.86	19,694.09
SERIES 2005 A	14	1,676,540.00	1,360,887.77	58,678.90	67,370.58
SERIES 2005C	19	2,222,260.00	1,885,266.26	77,779.10	100,807.84
SERIES 2006 A1-A2/2006B	20	2,151,045.00	1,884,092.60	75,286.58	196,380.12

Mortgage Pool Insurers

For each Series of Bonds (other than that portion of a Series of Bonds outstanding as Convertible Option Bonds or Notes), the following table sets forth (i) the Mortgage Loans held under the Program (including Contributed Mortgage Loans and Second Mortgage Loans) and subject to Pool Policy as of March 31, 2014, (ii) the original principal amount of such Mortgage Loans, (iii) the principal amount of Mortgage Loans outstanding, (iv) the amount of loss coverage provided by the applicable Pool Policy (inclusive of the Deductible) for such Mortgage Loans, and (v) the historical claims against the Deductible or the Pool Policy under the Program.

Mortgage Pool Insurer / Funding Series	No. of Mortgage Loans	Original Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Remaining Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Amount of Loss Coverage on Original Principal Purchased	Historical Claims Against Deductible or Pool Policy under the Program (3)
SERIES 2006 C1 - C2	17	2,040,785.00	1,763,149.91	71,427.48	295,360.44
SERIES 2007 A1-A2	1	142,700.00	129,351.79	4,994.50	0.00
SERIES 2007D	<u>2</u>	<u>400,800.00</u>	<u>364,412.62</u>	<u>14,028.00</u>	<u>0.00</u>
	<u>100</u>	<u>10,976,046.00</u>	<u>9,308,007.93</u>	<u>384,161.61</u>	<u>679,613.07</u>
UGI					
AUTHORITY CONTRIBUTION	15	1,666,415.00	1,360,424.55	0.00	0.00
CONTRIBUTED ASSETS (1)	20	1,831,250.00	1,310,201.42	64,093.75	73,200.28
OTHER MORTGAGE LOANS (2)	238	16,932,734.00	10,825,570.57	592,645.69	699,012.83
SERIES 1998Dii	1	32,300.00	21,019.77	1,130.50	0.00
SERIES 1998Dii / 1996C	1	70,000.00	32,403.14	2,450.00	0.00
SERIES 1998E / 1998Di	9	494,500.00	375,480.01	17,307.50	23,207.27
SERIES 1998E/ 1998Di/ 1996B	3	123,900.00	84,405.60	4,336.50	10,794.90
SERIES 1999C / 1998Diii	15	1,184,655.00	788,864.95	41,462.93	57,145.36
SERIES 1999C/1998Diii/1996F	6	342,550.00	221,324.17	11,989.25	9,580.85
SERIES 2000A/1998Diii/1999C	5	377,075.00	227,509.58	13,197.63	0.00
SERIES 2001C 1/2 - 20013/4 D	15	1,681,923.00	1,199,979.68	58,867.31	0.00
SERIES 2001E 1/2 - /2001 F	12	915,300.00	690,178.40	32,035.50	0.00
SERIES 2002 C	20	1,722,724.00	1,302,406.13	60,295.34	50,884.02
SERIES 2002A-1/2 - / 2002 B	18	1,664,180.00	1,323,011.57	58,246.30	33,363.57
SERIES 2003 B	45	3,947,137.00	3,072,449.78	138,149.80	39,327.02
SERIES 2004 A	52	5,281,322.00	4,064,130.34	184,846.27	270,145.13
SERIES 2004 C	115	12,106,976.00	9,455,517.10	70,974.33	207,406.90
SERIES 2005 A	83	9,476,840.00	7,909,703.38	0.00	510,056.52
SERIES 2005C	132	13,532,770.00	11,328,014.14	0.00	675,382.83
SERIES 2006 A1-A2/2006B	103	10,269,699.62	8,752,486.76	0.00	334,898.69
SERIES 2006 C1 - C2	73	7,370,330.71	6,481,938.77	0.00	328,199.58
SERIES 2007 A1-A2	47	4,371,609.77	3,794,312.52	0.00	66,918.60
SERIES 2007 H1-H2 RMKTD	5	549,730.00	437,270.70	0.00	0.00
SERIES 2007D	<u>9</u>	<u>683,849.75</u>	<u>594,503.09</u>	<u>0.00</u>	<u>26,181.91</u>
	<u>1,042</u>	<u>96,629,770.85</u>	<u>75,653,106.12</u>	<u>1,352,028.58</u>	<u>3,415,706.26</u>
Radian					
AUTHORITY CONTRIBUTION	1	166,500.00	139,023.84	5,827.50	0.00
CONTRIBUTED ASSETS (1)	18	1,673,234.00	1,320,813.78	58,563.19	47,075.05
OTHER MORTGAGE LOANS (2)	147	7,581,356.79	3,798,862.35	265,347.49	528,153.92
SERIES 2001C 1/2 - 20013/4 D	17	1,220,576.00	908,124.12	42,720.16	23,129.46
SERIES 2001E 1/2 - /2001 F	26	1,786,544.31	1,365,929.54	62,529.05	68,315.13
SERIES 2002 C	16	1,248,004.00	984,893.84	43,680.14	73,286.51
SERIES 2002A-1/2 - / 2002 B	14	1,163,786.00	930,647.17	40,732.51	0.00
SERIES 2003 B	61	5,252,158.00	4,036,077.35	183,825.53	75,415.42
SERIES 2004 A	54	5,607,124.00	4,378,704.54	196,249.34	7,326.40
SERIES 2004 C	17	2,015,794.00	1,568,696.30	70,552.79	748.93
SERIES 2005 A	6	921,800.00	771,209.70	32,263.00	0.00
SERIES 2006 C1 - C2	17	1,819,112.00	1,584,279.88	63,668.92	0.00
SERIES 2007 A1-A2	29	2,976,935.00	2,588,557.20	104,192.73	0.00
SERIES 2007 H1-H2 RMKTD	139	14,107,142.30	12,648,338.86	493,749.98	0.00
SERIES 2007D	43	4,621,681.01	3,970,771.09	161,758.84	30,020.66
SERIES 2008 A1-A2	<u>7</u>	<u>803,310.00</u>	<u>734,162.40</u>	<u>28,115.85</u>	<u>0.00</u>
	<u>612</u>	<u>52,965,057.41</u>	<u>41,729,091.96</u>	<u>1,853,777.01</u>	<u>853,471.48</u>
USDA					
SERIES 2006 A1-A2/2006B	1	34,900.00	24,382.97	0.00	0.00
SERIES 2006 C1 - C2	1	49,470.00	43,619.82	0.00	0.00
SERIES 2007 A1-A2	9	629,086.00	551,415.36	0.00	0.00
	11	713,456.00	619,418.15	0.00	0.00

Mortgage Pool Insurers

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Mortgage Pool Insurer / Funding Series	No. of Mortgage Loans	Original Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Remaining Principal Purchased of Mortgage Loans Outstanding Subject to Pool Policy	Amount of Loss Coverage on Original Principal Purchased	Historical Claims Against Deductible or Pool Policy under the Program (3)
FHA					
SERIES 2004 A	1	22,025.00	18,228.34	0.00	0.00
SERIES 2004 C	3	271,790.00	220,943.30	0.00	0.00
SERIES 2005 A	<u>1</u>	<u>174,905.00</u>	<u>146,294.47</u>	<u>0.00</u>	<u>0.00</u>
	<u>5</u>	<u>468,720.00</u>	<u>385,466.11</u>	<u>0.00</u>	<u>0.00</u>
	<u>4,657</u>	<u>412,604,848.81</u>	<u>323,288,395.57</u>	<u>7,712,309.09</u>	<u>18,505,702.47</u>

The following table sets forth (i) the Mortgage Loans held under the Program (including Contributed Mortgage Loans and Second Mortgage Loans) and not subject to Pool Policy as of March 31, 2014, (ii) the original principal amount of such Mortgage Loans, (iii) the principal amount of Mortgage Loans outstanding.

Funding Series	No. of Mortgage Loans	Original Principal Purchased of Mortgage Loans Outstanding Not Subject to Pool Policy	Remaining Principal Purchased of Mortgage Loans Outstanding Not Subject to Pool Policy
AUTHORITY CONTRIBUTION	5	534,400.00	403,724.98
CONTRIBUTED ASSETS (1)	1	68,800.00	54,953.31
HOMEOWNER GENERAL RECYCLE 1	10	873,200.00	803,945.53
OTHER MORTGAGE LOANS (2)	29	2,380,190.00	1,541,026.71
SERIES 1998E/ 1998D/ 1996B	1	37,450.00	22,660.06
SERIES 2002 C	1	21,340.00	11,383.89
SERIES 2002A-1/2 - / 2002 B	1	104,300.00	83,327.45
SERIES 2003 B	6	590,760.00	443,389.36
SERIES 2004 A	7	707,200.00	575,704.88
SERIES 2004 C	26	2,720,810.00	2,236,783.96
SERIES 2005 A	40	4,622,858.00	3,821,766.72
SERIES 2005C	18	1,963,630.00	1,614,397.88
SERIES 2006 A1-A2/2006B	14	1,208,100.00	1,054,174.07
SERIES 2006 C1 - C2	44	4,311,550.00	3,754,534.10
SERIES 2007 A1-A2	53	6,341,486.88	5,565,900.25
SERIES 2007 H1-H2 RMKTD	40	3,130,071.00	2,844,467.43
SERIES 2007D	63	6,468,138.38	5,843,358.31
SERIES 2008 A1-A2	31	3,074,749.00	2,786,334.76
	<u>390</u>	<u>39,159,033.26</u>	<u>33,461,833.65</u>

(1) Contributed Mortgage Loans noted herein under the caption "SECURITY AND SOURCES OF PAYMENT OF THE BONDS - Transfer Amounts".

(2) Mortgage Loans funded by Prior Bonds but for which the Prior Bonds have been redeemed and are no longer outstanding.

(3) Historical Claims include loans financed under Residential Mortgage Revenue Bonds.

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.

Delinquency and Other Information

Certain information regarding delinquencies with respect to Mortgage Loans purchased and serviced under the Program (including Contributed Mortgage Loans and Second Mortgage Loans) is summarized in the following table. The information is based upon the March 31, 2014 reports from the Servicer.

	Number of Mortgage Loans Outstanding	Percentage of Number of Loans Outstanding	Mortgage Principal Outstanding	Percentage of Total Principal Outstanding
Current	4,673	92.58	322,626,437.03	90.43
Two payment delinquencies	53	1.05	3,784,609.19	1.06
Three or more payment delinquencies ¹	321	6.37	30,339,183.00	8.50
Total	5,047	100.00	356,750,229.22	100.00

¹ Includes 151 loans with a loan balance of \$ 16,486,042.32 in foreclosure

Certain information regarding real estate owned (REO) 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 March 31, 2014 reports from the Servicer.

Number of REO properties	Unpaid Mortgage Loans Balance
302	32,174,275.22 ¹

¹ Includes recovered proceeds on a portion of the loans in the amount of \$14.32 million

**HOMEOWNER MORTGAGE REVENUE BONDS
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SERIES: 1998 SERIES A
ISSUANCE DATE: 04/30/1998
ISSUANCE AMOUNT: 20,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201RUC4	6.520	280,000.00	08/01/2015
TERM	45201RUJ9	6.450	235,000.00	08/01/2015
			515,000.00	

SERIES: 2001 SERIES F
ISSUANCE DATE: 01/23/2002
ISSUANCE AMOUNT: 10,000,000

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YGM3	6.615	10,000,000.00	08/01/2020
			10,000,000.00	

SERIES: 2002 SERIES B
ISSUANCE DATE: 05/02/2002
ISSUANCE AMOUNT: 10,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YHG5	0.567	3,395,000.00	02/01/2023
			3,395,000.00	

SERIES: 2003 SUBSERIES B-1
ISSUANCE DATE: 09/30/2003
ISSUANCE AMOUNT: 17,215,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YJX6	4.450	4,490,000.00	08/01/2017
			4,490,000.00	

SERIES: 2003 SUBSERIES B-2
ISSUANCE DATE: 09/30/2003
ISSUANCE AMOUNT: 32,785,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YJY4	5.050	8,590,000.00	08/01/2023
TERM	45201YKA4	5.150	5,530,000.00	02/01/2034
			14,120,000.00	

**HOMEOWNER MORTGAGE REVENUE BONDS
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SERIES: 2004 SUBSERIES A-1
ISSUANCE DATE: 03/16/2004
ISSUANCE AMOUNT: 14,320,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YKW6	3.550	400,000.00	08/01/2014
SERIAL	45201YKX4	3.700	405,000.00	02/01/2015
SERIAL	45201YKY2	3.700	405,000.00	08/01/2015
TERM	45201YKZ9	4.000	1,740,000.00	08/01/2017
			2,950,000.00	

SERIES: 2004 SUBSERIES A-2
ISSUANCE DATE: 03/16/2004
ISSUANCE AMOUNT: 25,005,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YLA3	4.600	3,285,000.00	02/01/2024
TERM	45201YLB1	4.600	4,110,000.00	08/01/2024
TERM	45201YLD7	4.750	2,570,000.00	02/01/2034
TERM	45201YLE5	4.750	1,705,000.00	08/01/2034
			11,670,000.00	

SERIES: 2004 SUBSERIES A-3
ISSUANCE DATE: 03/16/2004
ISSUANCE AMOUNT: 10,675,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YLF2	VARIABLE	10,675,000.00	08/01/2034
			10,675,000.00	

SERIES: 2004 SUBSERIES C-1
ISSUANCE DATE: 07/13/2004
ISSUANCE AMOUNT: 6,875,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YLP0	4.450	545,000.00	08/01/2014
SERIAL	45201YLQ8	4.550	550,000.00	02/01/2015
SERIAL	45201YLR6	4.550	675,000.00	08/01/2015
SERIAL	45201YLS4	4.650	690,000.00	02/01/2016
SERIAL	45201YLT2	4.650	705,000.00	08/01/2016
			3,165,000.00	

SERIES: 2004 SUBSERIES C-2
ISSUANCE DATE: 07/13/2004
ISSUANCE AMOUNT: 57,125,000.00

**HOMEOWNER MORTGAGE REVENUE BONDS
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<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YML8	5.200	3,685,000.00	02/01/2024
TERM	45201YMM6	5.200	10,700,000.00	08/01/2024
TERM	45201YMN4	5.250	3,465,000.00	02/01/2028
TERM	45201YMP9	5.250	3,685,000.00	08/01/2028
TERM	45201YMQ7	5.350	11,365,000.00	08/01/2034
			32,900,000.00	

SERIES: 2004 SUBSERIES C-3
ISSUANCE DATE: 07/13/2004
ISSUANCE AMOUNT: 16,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YLJ4	VARIABLE	16,000,000.00	08/01/2034
			16,000,000.00	

SERIES: 2005 SUBSERIES A-1
ISSUANCE DATE: 03/10/2005
ISSUANCE AMOUNT: 19,200,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YNL7	3.800	545,000.00	08/01/2014
SERIAL	45201YNNM5	3.900	545,000.00	02/01/2015
SERIAL	45201YNN3	3.900	560,000.00	08/01/2015
TERM	45201YNP8	4.100	2,370,000.00	08/01/2017
			4,020,000.00	

SERIES: 2005 SUBSERIES A-2
ISSUANCE DATE: 03/10/2005
ISSUANCE AMOUNT: 35,800,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YNQ6	4.600	11,000,000.00	08/01/2025
TERM	45201YNS2	4.800	6,105,000.00	08/01/2035
			17,105,000.00	

SERIES: 2005 SUBSERIES A-3
ISSUANCE DATE: 03/10/2005
ISSUANCE AMOUNT: 20,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
VARIABLE	45201YMS3	VARIABLE	20,000,000.00	08/01/2035
			20,000,000.00	

**HOMEOWNER MORTGAGE REVENUE BONDS
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SERIES: 2005 SUBSERIES C-1
ISSUANCE DATE: 06/29/2005
ISSUANCE AMOUNT: 23,475,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YPN1	3.800	735,000.00	08/01/2014
TERM	45201YPP6	4.100	5,180,000.00	08/01/2017
			5,915,000.00	

SERIES: 2005 SUBSERIES C-2
ISSUANCE DATE: 06/29/2005
ISSUANCE AMOUNT: 75,285,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YPQ4	5.250	5,450,000.00	08/01/2030
TERM	45201YPR2	4.550	38,255,000.00	08/01/2035
			43,705,000.00	

SERIES: 2006 SUBSERIES A-1
ISSUANCE DATE: 01/26/2006
ISSUANCE AMOUNT: 19,495,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YQL4	4.000	605,000.00	08/01/2014
SERIAL	45201YQM2	4.100	625,000.00	02/01/2015
SERIAL	45201YQN0	4.100	625,000.00	08/01/2015
SERIAL	45201YQP5	4.150	635,000.00	02/01/2016
SERIAL	45201YQQ3	4.150	650,000.00	08/01/2016
SERIAL	45201YQR1	4.250	665,000.00	02/01/2017
SERIAL	45201YQS9	4.250	685,000.00	08/01/2017
			4,490,000.00	

SERIES: 2006 SUBSERIES A-2
ISSUANCE DATE: 01/26/2006
ISSUANCE AMOUNT: 65,060,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YQT7	4.850	12,070,000.00	08/01/2026
TERM	45201YRE9	4.900	15,000,000.00	02/01/2036
TERM	45201YQU4	5.000	5,195,000.00	08/01/2036
TERM	45201YQV2	5.000	1,585,000.00	08/01/2036
			33,850,000.00	

SERIES: 2006 SUBSERIES C-1
ISSUANCE DATE: 07/27/2006
ISSUANCE AMOUNT: 21,005,000.00

**HOMEOWNER MORTGAGE REVENUE BONDS
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<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YRW9	4.250	705,000.00	08/01/2014
SERIAL	45201YRX7	4.350	715,000.00	02/01/2015
SERIAL	45201YRY5	4.350	735,000.00	08/01/2015
SERIAL	45201YRZ2	4.400	765,000.00	02/01/2016
SERIAL	45201YSA6	4.400	780,000.00	08/01/2016
TERM	45201YSB4	4.450	1,645,000.00	08/01/2017
			5,345,000.00	

SERIES: 2006 SUBSERIES C-2
ISSUANCE DATE: 07/27/2006
ISSUANCE AMOUNT: 103,995,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YSC2	4.950	7,580,000.00	08/01/2021
TERM	45201YSD0	5.050	15,865,000.00	08/01/2027
TERM	45201YSE8	5.100	14,475,000.00	08/01/2031
TERM	45201YSG3	5.000	10,000,000.00	02/01/2037
TERM	45201YSF5	5.150	16,615,000.00	08/01/2037
			64,535,000.00	

SERIES: 2007 SUBSERIES A-1
ISSUANCE DATE: 04/25/2007
ISSUANCE AMOUNT: 755,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YSK4	4.000	130,000.00	08/01/2015
SERIAL	45201YSL2	4.050	120,000.00	08/01/2016
SERIAL	45201YSM0	4.100	325,000.00	08/01/2017
			575,000.00	

SERIES: 2007 SUBSERIES A-2
ISSUANCE DATE: 04/25/2007
ISSUANCE AMOUNT: 64,245,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YSY4	4.200	870,000.00	08/01/2014
SERIAL	45201YSZ1	4.300	795,000.00	08/01/2015
SERIAL	45201YTA5	4.350	855,000.00	08/01/2016
SERIAL	45201YTB3	4.400	715,000.00	08/01/2017
TERM	45201YTC1	4.750	6,210,000.00	08/01/2022
TERM	45201YTD9	4.800	8,380,000.00	08/01/2027
TERM	45201YTE7	4.850	11,250,000.00	08/01/2032
TERM	45201YTF4	4.900	15,775,000.00	08/01/2037
			44,850,000.00	

**HOMEOWNER MORTGAGE REVENUE BONDS
BONDS OUTSTANDING
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SERIES: 2007 SERIES D
ISSUANCE DATE: 08/29/2007
ISSUANCE AMOUNT: 65,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YTY3	4.500	215,000.00	08/01/2014
SERIAL	45201YTZ0	4.600	230,000.00	02/01/2015
SERIAL	45201YUA3	4.600	235,000.00	08/01/2015
SERIAL	45201YUB1	4.700	245,000.00	02/01/2016
SERIAL	45201YUC9	4.700	245,000.00	08/01/2016
SERIAL	45201YUD7	4.800	245,000.00	02/01/2017
SERIAL	45201YUE5	4.800	250,000.00	08/01/2017
TERM	45201YUF2	5.150	3,925,000.00	08/01/2023
TERM	45201YUG0	5.250	3,590,000.00	08/01/2027
TERM	45201YUH8	5.300	6,035,000.00	08/01/2032
TERM	45201YUK1	5.350	4,055,000.00	02/01/2038
TERM	45201YUJ4	5.200	15,000,000.00	08/01/2038
			34,270,000.00	

SERIES: 2007 SUBSERIES H-1 RMKTD
ISSUANCE DATE: 01/30/2008
ISSUANCE AMOUNT: 4,115,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YVQ7	3.350	350,000.00	08/01/2014
SERIAL	45201YVR5	3.500	355,000.00	02/01/2015
SERIAL	45201YVS3	3.500	355,000.00	08/01/2015
SERIAL	45201YVT1	3.625	365,000.00	02/01/2016
SERIAL	45201YVU8	3.625	375,000.00	08/01/2016
SERIAL	45201YVV6	3.750	375,000.00	02/01/2017
SERIAL	45201YVW4	3.750	390,000.00	08/01/2017
			2,565,000.00	

SERIES: 2007 SUBSERIES H-2 RMKTD
ISSUANCE DATE: 01/30/2008
ISSUANCE AMOUNT: 51,885,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YWG8	4.850	5,910,000.00	08/01/2023
TERM	45201YWH6	5.050	6,840,000.00	08/01/2028
TERM	45201YWJ2	5.150	9,235,000.00	08/01/2033
TERM	45201YWK9	5.200	13,825,000.00	02/01/2039
			35,810,000.00	

SERIES: 2008 SUBSERIES A-1
ISSUANCE DATE: 01/30/2008
ISSUANCE AMOUNT: 8,485,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
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**HOMEOWNER MORTGAGE REVENUE BONDS
BONDS OUTSTANDING
Information As Of March 31, 2014 (Unless Otherwise Indicated)**

SERIAL	45201YVD6	3.350	395,000.00	08/01/2014
SERIAL	45201YVE4	3.500	400,000.00	02/01/2015
SERIAL	45201YVF1	3.500	415,000.00	08/01/2015
SERIAL	45201YVG9	3.625	420,000.00	02/01/2016
SERIAL	45201YVH7	3.625	410,000.00	08/01/2016
SERIAL	45201YVJ3	3.750	410,000.00	02/01/2017
SERIAL	45201YVK0	3.750	420,000.00	08/01/2017
			2,870,000.00	

SERIES: 2008 SUBSERIES A-2
ISSUANCE DATE: 01/30/2008
ISSUANCE AMOUNT: 2,240,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
TERM	45201YVL8	5.050	745,000.00	08/01/2028
TERM	45201YVM6	5.200	590,000.00	08/01/2038
			1,335,000.00	

SERIES: 2011 SUBSERIES A-1
ISSUANCE DATE: 03/10/2011
ISSUANCE AMOUNT: 6,140,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YWW3	2.800	480,000.00	08/01/2014
SERIAL	45201YWX1	3.250	485,000.00	02/01/2015
SERIAL	45201YWY9	3.400	500,000.00	08/01/2015
SERIAL	45201YWZ6	3.625	510,000.00	02/01/2016
SERIAL	45201YXA0	3.750	530,000.00	08/01/2016
TERM	45201YXB8	4.000	860,000.00	08/01/2017
TERM	45201YXC6	4.300	530,000.00	08/01/2018
SERIAL	45201YXD4	4.450	265,000.00	02/01/2019
SERIAL	45201YXE2	4.550	375,000.00	08/01/2019
			4,535,000.00	

SERIES: 2011 SERIES B
ISSUANCE DATE: 03/10/2011
ISSUANCE AMOUNT: 14,000,000.00

<u>BOND TYPE</u>	<u>CUSIP</u>	<u>BOND RATE</u>	<u>BONDS OUTSTANDING</u>	<u>MATURITY DATE</u>
SERIAL	45201YXS1	2.800	215,000.00	08/01/2014
SERIAL	45201YXT9	3.250	230,000.00	02/01/2015
SERIAL	45201YXU6	3.400	230,000.00	08/01/2015
SERIAL	45201YXV4	3.625	230,000.00	02/01/2016
SERIAL	45201YXW2	3.750	230,000.00	08/01/2016
TERM	45201YXX0	4.000	465,000.00	08/01/2017
TERM	45201YXY8	4.300	490,000.00	08/01/2018
SERIAL	45201YXZ5	4.450	270,000.00	02/01/2019
SERIAL	45201YYA9	4.550	275,000.00	08/01/2019
TERM	45201YYB7	4.750	1,135,000.00	08/01/2021
TERM	45201YYC5	5.375	2,655,000.00	08/01/2026
TERM	45201YYD3	5.000	2,350,000.00	08/01/2028

**HOMEOWNER MORTGAGE REVENUE BONDS
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8,775,000.00

HOMEOWNER MORTGAGE REVENUE BONDS

444,430,000.00

Summary of Investment Obligations

The following table sets for the nature of the investment, in which funds in the Program Account, Reserve Fund and Revenue Fund are invested, weighted average maturity in years and the weighted average interest rate or yield applicable to the Investment Obligation as of March 31, 2014.

Bond Accounts	Investment Principal Outstanding Balance	Investment Principal Outstanding Weighted Average Interest Rate (%) ⁽¹⁾	Investment Principal Balance Weighted Average Maturity (Years)
<u>Program Account</u>			
FHLB DISCOUNT NOTES	15,000,000.00	0.09	0.73
FNMA DISCOUNT NOTES	5,000,000.00	0.08	0.69
FEDERAL NATIONAL MORTGAGE ASSOCIATION	3,847,496.41	2.86	28.96
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	11,407,339.55	4.10	26.96
GINNIE MAE II	391,780.93	2.50	29.41
	35,646,616.89	1.70	12.48
<u>Reserve Account</u>			
FHLB DISCOUNT NOTES	5,000,000.00	0.09	0.79
FEDERAL HOME LOAN MORTGAGE CORP	1,105,000.00	6.25	18.30
FEDERAL NATIONAL MORTGAGE ASSOCIATION	573,125.05	3.00	28.93
FEDERAL NATIONAL MORTGAGE ASSN DEBENTURE	2,235,000.00	7.12	9.23
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	3,045,769.99	2.50	29.06
US TREASURY NOTES	3,815,000.00	4.50	3.12
	15,773,895.04	3.16	10.26
<u>Revenue Account</u>			
FHLB DISCOUNT NOTES	9,000,000.00	0.09	0.79
FHLMC DISCOUNT NOTES	7,873,000.00	0.12	0.81
FREDDIE MAC	8,627,000.00	0.63	0.75
US TREASURY NOTES	9,996,000.00	0.13	0.33
	35,496,000.00	0.24	0.65
	86,916,511.93	1.37	7.25

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

APPENDIX C

SUMMARY OF CERTAIN MORTGAGE INSURANCE
AND ILLINOIS MORTGAGE FORECLOSURE PROCEDURES

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APPENDIX C

SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS MORTGAGE 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 Loans and Mortgage-Backed Securities- Mortgage Loans." As described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS- Mortgage Loans and Mortgage-Backed Securities," the Authority has converted 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 Loans and Mortgage-Backed Securities- 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 basic entitlement to each eligible veteran is \$36,000. Lenders will generally loan up to four times a veteran's entitlement without a down payment, provided the veteran is income and credit qualified and the property appraises for the asking price.

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.

APPENDIX D

GNMA, FANNIE MAE AND FHLMC PROGRAMS

Neither the Illinois Housing Development Authority nor the Underwriters makes any representation as to the accuracy or adequacy of the information contained below relating to GNMA, Fannie Mae or FHLMC and their respective Mortgage-Backed Securities 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 20th 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 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.

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 and 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. 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 1551 Park Run Drive, McLean, Virginia 22102 (800-336-FMPC; e-mail: 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 15th 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.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

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

We have examined a certified copy of the record of proceedings of the Illinois Housing Development Authority (the “Authority”), together with various accompanying certificates, pertaining to the issuance by the Authority of (i) \$17,720,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Subseries A-1 (Non-AMT) (the “2014 Subseries A-1 Bonds”), (ii) \$41,280,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Subseries A-2 (AMT) (the “2014 Subseries A-2 Bonds”), (iii) \$4,375,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Subseries A-3 (Federally Taxable) (the “2014 Subseries A-3 Bonds”), (iv) \$10,675,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Subseries A-4 (Federally Taxable Variable Rate) (the “2014 Subseries A-4 Bonds”), (v) \$20,000,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Subseries A-5 (Federally Taxable Variable Rate) (the “2014 Subseries A-5 Bonds”), and (vi) \$17,200,000 aggregate principal amount of Illinois Housing Development Authority Homeowner Mortgage Revenue Bonds, 2014 Series B (Non-AMT) (the “2014 Series B Bonds”) (collectively, the “Bonds”). The 2014 Subseries A-1 Bonds, the 2014 Subseries A-2 Bonds and the 2014 Series B Bonds are collectively referred to herein as the “Tax-Exempt Bonds,” and the 2014 Subseries A-3 Bonds, the 2014 Subseries A-4 Bonds and the 2014 Subseries A-5 Bonds are collectively referred to herein as the “Federally Taxable Bonds.” The record of proceedings includes the Authority’s Amended and Restated Homeowner Mortgage Revenue Bonds General Resolution, dated September 19, 2008 (the “General Resolution”), a Series Resolution pertaining to the Bonds adopted June 27, 2014, and a Determination made by authorized officers of the Authority (together, the “Series Resolution” and, collectively with the General Resolution, the “Resolution”). The record of proceedings also includes a Tax Exemption Certificate and Agreement of the Authority, dated today. As to matters of fact material to this opinion, we have relied upon the certified copy of the record of proceedings and accompanying certificates, without having undertaken to make an independent investigation of those factual matters.

The Bonds mature on the dates, bear interest at the rates payable on the interest payment dates, are issuable in the denominations and are subject to redemption at the times, and upon the terms, that are set forth in the Series Resolution. The Federally Taxable Bonds are subject to mandatory tender for purchase on the tender dates as set forth in the Series Resolution.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain continuing requirements which must be met in order that interest on the Tax-Exempt Bonds not be included in gross income of the owners thereof for federal income tax purposes. These include requirements as to the use and investment of proceeds of the Bonds, the payment of certain amounts to the United States, and the Mortgage Loans or Mortgage-Backed Securities to be purchased with proceeds of the Tax-Exempt Bonds. The Authority has covenanted in the Series Resolution and in the Tax Exemption Certificate and

Agreement to take all steps within its power that are required to maintain the status of interest on the Tax-Exempt Bonds as not includible in the income of their owners under federal income tax law existing on the date of initial issuance of the Tax-Exempt Bonds. In the Documents, the Authority has made various covenants with respect to these requirements. Failure to comply with certain of such covenants could cause interest on the Tax-Exempt Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactively to the date of issuance of the Bonds.

Based upon this examination, we are of the opinion that:

1. The Authority is a legally existing body politic and corporate of the State of Illinois.
2. Under the Illinois Housing Development Act, as amended to the date of this opinion (the “Act”), the Authority has the right and power to adopt the Resolution. The Resolution 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.
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, and not general obligations, of the Authority secured and payable 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 benefit of the Resolution and the Act.
5. Under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the 2014 Subseries A-1 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code but is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax imposed on corporations by the Code, (iii) interest on the 2014 Subseries A-2 Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code and is included in adjusted current earnings for purposes of the alternate minimum tax imposed on corporations by the Code, and (iv) income on the 2014 Series B Bonds is neither a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code nor included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations by the Code. Ownership of the Tax-Exempt Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.
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.
7. Under the Act, in its present form, the income from the Bonds is exempt from all taxes of the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the documents relating thereto (the “Documents”), may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights. Enforcement of provisions of the Bonds and the

Documents by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law that may occur after that date.

Respectfully submitted,

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APPENDIX F

SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKING OF THE AUTHORITY

Undertaking

The Authority undertakes to 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 Bonds. The Authority will enter into a Continuing Disclosure Undertaking to regulate its compliance with the Rule. The following information summarizes the obligations of the Authority under its Continuing Disclosure Undertaking.

Annual Financial Information

Each year the Authority will provide annual financial information concerning the 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 the Rule. The annual financial information will include the Authority’s audited financial statements, prepared in accordance with generally accepted accounting principles as in effect from time to time and an update of the information contained in Appendix A. The annual financial information will be provided as soon as possible after completion of the Authority’s audited financial statements, beginning with the fiscal year ending June 30, 2014. Copies of the annual financial information will also be made available to any beneficial or registered owner of the Bonds upon request.

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 will include a notice of any change in the Authority’s fiscal year.

Reporting Significant Events

Upon the occurrence of any of the following events with respect to the 2014 Series AB Bonds, the Authority will report the event to EMMA in a timely manner and in any event within ten (10) business days of the occurrence of such event:

principal and interest payment delinquencies;

non-payment related defaults, if material;

unscheduled draws on debt service reserves reflecting financial difficulties;

unscheduled draws on credit enhancements (if any are subsequently provided) reflecting financial difficulties;

substitution of credit or liquidity providers (if any such enhancement is subsequently provided) or their failure to perform;

if applicable, 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 2014 Series AB Bonds, or other material events affecting the tax status of the 2014 Series AB Bonds;

modifications to rights of Owners of the 2014 Series AB Bonds, if material;

bond calls, if material, and tender offers;

defeasances;

release, substitution, or sale of property securing repayment of the 2014 Series AB Bonds, if material;

rating changes;

bankruptcy, insolvency, receivership or similar event of the Authority;

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

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.

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 2014 Series AB Bonds. Such agreements may be enforced by any beneficial or registered owner of the 2014 Series AB Bonds. The sole remedy with respect to the Authority's compliance with its undertaking will be to require compliance. The Continuing Disclosure Undertaking is solely for the benefit of the beneficial or registered owners of the 2014 Series AB Bonds from time to time, and will create no right in anyone else. The Trustee has no powers or duties under the Continuing Disclosure Undertaking. No violation by the Authority of any provision described in the Continuing Disclosure Undertaking will constitute any Event of Default or a default under the Indenture or under the Act.

Termination

The obligation of the Authority under the Continuing Disclosure Undertaking will end upon the 2014 Series AB Bonds being paid or treated as paid as provided in the Indenture, except for the obligations to give notice under clauses (vi) or (viii) above under the caption "Reporting Significant Events."

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, provided that the Authority's agreements under the Continuing Disclosure Undertaking, as amended, continue to comply with the Rule. Any amendment will 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 amendment must be described in the Authority's next annual financial information disclosure provided to EMMA and the Trustee.

Past Compliance

During the last five years, the Authority has failed to file event notices with respect to (i) a rating downgrade of housing bonds in 2011 (issued under an Authority resolution other than the General Resolution) and a second rating downgrade of housing bonds in 2012 due to a rating downgrade of the provider of the letters of credit then securing the related bonds, (ii) ratings downgrades in 2010 and 2011 of four series of housing bonds due to rating downgrades of the insurer providing bond insurance for such bonds, and (iii) ratings downgrades in 2010 and 2011 of one series of housing bonds. In accordance with its continuing disclosure undertakings, the Authority has filed a remedial notice with EMMA disclosing its failure to provide timely notice of these events.

In addition, the Authority has learned that the audited financial statements for the fiscal years ending June 30, 2011 and June 30 2013, are posted with respect to most, but not all, of the CUSIP numbers related to bonds for which such postings are required under a related undertaking. The Authority has undertaken the steps needed to rectify such omissions.

Other than the instances mentioned above, the Authority has complied in all material respects with its continuing disclosure undertakings during the five years previous to the issuance of the 2014 Series AB Bonds.

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APPENDIX G

THE VARIABLE RATE BONDS

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APPENDIX G

THE VARIABLE RATE BONDS

This Official Statement is not intended to describe the terms of any Variable Rate Bond after its conversion to a Long-Term Interest Rate Period. Variable Rate Bonds that are converted to a Long-Term Interest Rate Period will no longer have the benefit of an Initial Liquidity Facility or be subject to tender by the Owners thereof during, or following, such Long-Term Interest Rate Period.

The Variable Rate Bonds will be dated the date of their delivery and will mature on the maturity date set forth on the inside cover page of this Official Statement.

The Variable Rate Bonds will be issued in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Short-Term Interest Rate Period.

The principal of and redemption premium, if any, on the Variable Rate Bonds shall be payable at the principal corporate trust office of the Fiscal Agent. Interest due on the Variable Rate Bonds will be paid to the registered owners thereof by the Trustee by check or, in the case of owners of Variable Rate Bonds in a principal amount equal to or exceeding \$1 million upon request by wire transfer. The Variable Rate Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee of DTC, which will act as securities depository for the Variable Rate Bonds. Purchasers of the Variable Rate Bonds will not receive a physical delivery of the bond certificates representing their beneficial ownership interests. See “THE 2014 SERIES AB BONDS - Book-Entry Only System.”

The Variable Rate Bonds will bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication is an Interest Accrual Date to which interest on the Variable Rate Bonds has been paid in full or duly provided for or the date of initial authentication of the Variable Rate Bonds, from such date of authentication. However, if, as shown by the records of the Registrar, interest on the Variable Rate Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange will bear interest from the date to which interest has been paid in full on the Variable Rate Bonds or, if no interest has been paid on the Variable Rate Bonds, from the date of the first authentication of Bonds hereunder. Interest will be computed, in the case of any Interest Rate Period other than a Long-Term Interest Rate Period, on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

For any Daily Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period commencing on the preceding Interest Accrual Date and ending on the day preceding such Interest Payment Date. For any Weekly Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day preceding such Interest Payment Date. For any Short-Term Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period commencing on the preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Variable Rate Bonds will be payable for the final Interest Rate Period to but not including the date on which the Variable Rate Bonds have been paid in full.

The term of the Variable Rate Bonds will be divided into consecutive Interest Rate Periods during each of which the Variable Rate Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate. At any time, all Bonds must bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate.

Variable Rate Bonds shall not bear interest at a rate higher than the Maximum Rate (as defined herein). The first Interest Rate Period for the Variable Rate Bonds shall commence on the date of issuance of the Variable Rate Bonds and shall be a Weekly Interest Rate Period. Upon the date of issuance of the Variable Rate Bonds, the initial Weekly Interest Rate borne by the Variable Rate Bonds shall be determined by the Remarketing Agent in the manner provided in the Resolution.

The determination of the interest rate of Variable Rate Bonds by the Remarketing Agent shall be conclusive and binding upon the Authority, the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent, the Liquidity Provider and the holders of the Variable Rate Bonds, except that the interest rate borne by Purchased Bonds shall be determined in accordance with the Liquidity Facility (subject to the Maximum Rate).

Interest Rate Periods

Weekly Interest Rate Period

Determination of Weekly Interest Rate. During each Weekly Interest Rate Period, the Variable Rate Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 4:30 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the first preceding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on Wednesday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell the Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110 percent of One Month LIBOR made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 125 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Weekly Interest Rate Period, in either case as determined by the Tender Agent.

Adjustment to Weekly Interest Rate. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority's providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest at a Weekly Interest Rate. Such notice of the Authority shall specify the effective date of such adjustment to a Weekly Interest Rate, which shall be (A) a Business Day not earlier than the 12th day following the

second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period. During each Weekly Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Variable Rate Bonds shall be a Weekly Interest Rate.

Notice of Adjustment to Weekly Interest Rate. The Registrar shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the holders of the Variable Rate Bonds and, if a Book Entry System is in effect, the Depository, not less than 12 days prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (1) that the interest rate on the Variable Rate Bonds will be adjusted to a Weekly Interest Rate unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Daily Interest Rate Period or a Short-Term Interest Period, shall continue to bear interest at the Daily Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, (2) the effective date of such Weekly Interest Rate Period, (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable purchase price (see “THE VARIABLE RATE BONDS - Purchase of Bonds — Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix), and (4) if the Variable Rate Bonds are no longer in Book Entry Form and are therefore in certificated form, information with respect to required delivery of Bond certificates and payment of the purchase price under the Resolution.

Daily Interest Rate Period

Determination of Daily Interest Rate. During each Daily Interest Rate Period, the Variable Rate Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell the Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110 percent of One Month LIBOR made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 125 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Daily Interest Rate Period, in either case as determined by the Tender Agent.

Adjustment to Daily Interest Rate. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority’s providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest

at a Daily Interest Rate. Such notice of the Authority shall specify the effective date of such adjustment to a Daily Interest Rate, which shall be (A) a Business Day not earlier than the 12th day following the second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period. During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period or the Maturity Date, the interest rate borne by the Variable Rate Bonds shall be a Daily Interest Rate.

Notice of Adjustment to Daily Interest Rate. The Registrar shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the holders of the Variable Rate Bonds not less than 12 days prior to the effective date of such Daily Interest Rate Period. Such notice shall state (1) that the interest rate on the Variable Rate Bonds will be adjusted to a Daily Interest Rate unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Weekly Interest Rate Period or a Short-Term Interest Rate Period, shall continue to bear interest at the Weekly Interest Rate or the Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, (2) the effective date of such Daily Interest Rate Period, and (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable purchase price. See “THE VARIABLE RATE BONDS - Purchase of Bonds — Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix.

Short-Term Interest Rate Period

Determination of Bond Interest Terms and Bond Interest Term Rates

(A) During each Short-Term Interest Rate Period, each Bond shall bear interest during each Bond Interest Term for such Bond at the Bond Interest Term Rate for such Bond. The Bond Interest Term and the Bond Interest Term Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. Each Bond Interest Term for each Bond shall be a period of not less than one day nor more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Bonds then outstanding, will result in the lowest overall interest expense on the Variable Rate Bonds, taking into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Variable Rate Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Variable Rate Bonds, (VI) the Bond Interest Terms of other Bonds, and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Any Bond purchased on behalf of the Authority and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for that Bond shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date, but in no event shall any Bond Interest Term extend beyond the day which is three Business Days prior to the Expiration Date of the Liquidity Facility. If for any reason a Bond Interest Term for any Bond cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be

invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the last day so determined shall not be a day immediately preceding a Business Day, such Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, such Bond Interest Term shall end on the day immediately preceding the Maturity Date. In determining the number of days in each Bond Interest Term, the Remarketing Agent shall take into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Variable Rate Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Variable Rate Bonds, (VI) the Bond Interest Terms of other Bonds, and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

(B) The Bond Interest Term Rate for each Bond Interest Term for each Bond shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by such Bond, would enable the Remarketing Agent to sell such Bond on the date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 125 percent of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

Adjustment to Bond Interest Term Rates. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority's providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest at Bond Interest Term Rates; *provided* that the Liquidity Facility then in effect must have an interest component of at least 180 days of interest coverage. Such notice of the Authority shall specify the effective date of the Short-Term Interest Rate Period (during which the Variable Rate Bonds shall bear interest at Bond Interest Term Rates), which shall be (A) a Business Day not earlier than the 12th day following the second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Daily Interest Rate Period or a Weekly Interest Rate Period, the day immediately following the last day of such Interest Rate Period. During each Short-Term Interest Rate Period commencing on the date so specified and ending, with respect to each Bond, on the day immediately preceding the effective date of the next succeeding Interest Rate Period with respect to such Bond, each Bond shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Bond.

Notice of Adjustment to Bond Interest Term Rates. The Registrar shall give notice by first-class mail of an adjustment to a Short-Term Interest Rate Period to the holders of the Variable Rate Bonds and, if a Book Entry System is in effect, the Depository, not less than 12 days prior to the effective date of such Short-Term Interest Rate Period. Such notice shall state (1) that the Variable Rate Bonds shall bear interest at Bond Interest Term Rates unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect immediately prior to such proposed adjustment in the

Interest Rate Period, (2) the effective date of such Short-Term Interest Rate Period, (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on the effective date of such Short-Term Interest Rate Period, setting forth the applicable purchase price (see “THE VARIABLE RATE BONDS - Purchase of Bonds — Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix), and (4) if the Variable Rate Bonds are no longer in Book Entry Form, information with respect to the required delivery of Bond certificates and payment of the purchase price.

Adjustment from Short-Term Interest Rate Period. At any time during a Short-Term Interest Rate Period, the Authority may elect that the Variable Rate Bonds no longer shall bear interest at Bond Interest Term Rates and shall instead bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate, as specified in such election. The date on which all Bond Interest Terms determined shall end, shall be the last day of the then current Short-Term Interest Rate Period, and the day next succeeding such date shall be the effective date of the Daily Interest Rate Period, the Weekly Interest Rate Period or the Long-Term Interest Rate Period elected by the Authority.

Favorable Bond Counsel Opinion as Condition to Any Adjustment of an Interest Rate Period

In connection with any adjustment of the Interest Rate Period on the Variable Rate Bonds, the Authority shall cause to be provided to the Trustee, the Liquidity Provider and the Remarketing Agent a Favorable Bond Counsel Opinion on the effective date of such adjustment. In the event that Bond Counsel fails to deliver a Favorable Bond Counsel Opinion on any such date, then the Interest Rate Period on the Variable Rate Bonds shall not be adjusted, and the Variable Rate Bonds shall continue to bear interest at a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rates, as the case may be, as in effect immediately prior to such proposed adjustment in the Interest Rate Period. In any event, if notice of such adjustment has been mailed to the owners of the Variable Rate Bonds and Bond Counsel fails to deliver a Favorable Bond Counsel Opinion on the effective date as herein described, the Variable Rate Bonds shall continue to be subject to mandatory purchase on the date which would have been the effective date of such adjustment.

Purchased Bonds

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

Purchase of Bonds

Described below are the circumstances under which the Variable Rate Bonds are subject to optional and mandatory tender for purchase.

During a Daily Interest Rate Period. During any Daily Interest Rate Period when a Book Entry System is in effect, a Beneficial Owner (through its direct Participant in the Depository) may tender its interest in a Bond on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond and the date on which the same shall be purchased, which date shall be the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 10:30 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

During a Weekly Interest Rate Period. During any Weekly Interest Rate Period when a Book Entry System is in effect, a Beneficial Owner (through its direct Participant in the Depository) may tender its interest in a Bond on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its principal corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the 7th day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

Not later than 12:00 Noon, New York City time, on the date for purchase specified in the notice, the Beneficial Owner shall effect delivery of such Bonds by causing the direct Participant through which such Beneficial Owner owns such Bonds to transfer its interest in such Bonds equal to such Beneficial Owner's interest on the records of the Depository for such Bonds to the participant account of the Tender Agent with the Depository. During any Daily Interest Rate Period or Weekly Interest Rate Period when a Book Entry System is not in effect, an owner of a Bond may tender the Variable Rate Bond by delivery of the notice described above by the time set forth above and shall also deliver the Variable Rate Bond to the Tender Agent on the date specified for purchase.

Mandatory Tender for Purchase on Day Next Succeeding the Last Day of Each Bond Interest Term. On the day next succeeding the last day of each Bond Interest Term for a Bond, unless such day is the Maturity Date or the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to the provisions of the Resolution summarized in the immediately succeeding paragraph), such Bond shall be purchased from its holder at a purchase price equal to the principal amount thereof payable in immediately available funds. The purchase price of any Bond so purchased shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied, when such Bonds are not in a Book Entry System, by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Variable Rate Bonds shall be subject to mandatory tender for purchase on the first day (or, under certain circumstances, on the day that otherwise would have been the first day) of each Interest Rate Period at a purchase price, payable in immediately available funds, equal to the principal amount of the Variable Rate Bonds.

Mandatory Tender for Purchase Upon Termination, Expiration, Reduction, Suspension, Modification or Replacement of the Liquidity Facility. If the Registrar shall give holders of the Variable Rate Bonds payable from the Liquidity Facility (or if a Book Entry System is in effect, the Depository) notice that the Variable Rate Bonds shall, on the date specified in such notice, cease to be payable from such Liquidity Facility as a result of (i) (A) the termination or expiration of the term of such Liquidity Facility, or (B) the Liquidity Facility being reduced, replaced or modified (other than a reduction or modification in connection with the redemption of Variable Rate Bonds) with the effect that the Variable Rate Bonds are no longer payable from the Liquidity Facility, or (ii) the Liquidity Provider notifying the Trustee of a Liquidity Facility Event of Default and that the Liquidity Provider is

suspending or terminating the Liquidity Facility in accordance with its terms as described under the caption “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS - Liquidity Facility Events of Default” in Appendix H, then 45 days prior to the applicable event, in the case of clause (i) above, and no later than 30 days after the date of the notice specified in clause (ii) above, each Variable Rate Bond shall be subject to mandatory tender for purchase; *provided, however*, that no mandatory tender for purchase shall occur as a result of such Liquidity Facility being reduced or modified in connection with Variable Rate Bonds being redeemed and no mandatory tender for purchase shall occur as a result of a Liquidity Facility Event of Default if such event of default is also a Termination Event, which results in the immediate suspension or termination of the obligation of the Liquidity Provider to purchase Variable Rate Bonds thereunder. See “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS - Liquidity Facility Events of Default” in Appendix H. The purchase price for such Variable Rate Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds pursuant to the provisions of the Resolution described in the immediately preceding three paragraphs, the Trustee shall give notice of a mandatory tender for purchase. Such notice shall state (A) in the case of a mandatory tender for purchase described under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix, the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase described under “Mandatory Tender for Purchase Upon Termination, Expiration, Suspension, Modification or Replacement of Liquidity Facility” in this Appendix, that the Liquidity Facility will expire, terminate, be suspended, be replaced or be modified and that the Variable Rate Bonds shall no longer be payable from the Liquidity Facility then in effect or that the coverage thereof with respect to the Variable Rate Bonds shall be reduced and that any rating applicable thereto may be reduced or withdrawn; (C) that the purchase price of any Bond so subject to mandatory purchase shall be payable only upon (i) if a Book Entry System is not in effect, surrender of such Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange; or (ii) if a Book Entry System is in effect, registration of the ownership rights in such Bond to the Tender Agent on the records of the Depository; (D) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Bonds by the Remarketing Agent, through the Liquidity Facility or through payments made by the Authority, all Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if any owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase (or if a Book Entry System is in effect, effect the transfer of ownership rights to the Tender Agent on the records of the Depository) on such mandatory purchase date, and moneys sufficient to pay the purchase price thereof are on deposit with the Tender Agent, then such Bond shall be deemed to be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the holder thereof shall have no rights under the Resolution other than to receive payment of the purchase price thereof, and (E) in the event that moneys sufficient to pay the purchase price of such Variable Rate Bonds have not been provided to the Tender Agent from (i) proceeds of remarketing of such Variable Rate Bonds, (ii) amounts drawn on the Liquidity Facility, and (iii) amounts legally available therefor under the Resolution, then no such tendered or deemed tendered Variable Rate Bonds shall be purchased, and instead, all outstanding Variable Rate Bonds (x) shall thereafter bear interest in the Weekly Interest Rate Period, at a rate, reset weekly, equal to the One Month LIBOR plus three percent (not to exceed the Maximum Rate), and (y) Owners of such Bonds shall have no further right to tender their Bonds for purchase. In connection with any mandatory tender for purchase of Bonds as a result of the termination, expiration, reduction, modification or replacement of a Liquidity Facility (see “THE VARIABLE RATE

BONDS - Purchase of Bonds — Mandatory Tender for Purchase Upon Termination, Expiration, Suspension, Modification or Replacement of Liquidity Facility” in this Appendix), such notice also shall (F) describe generally the Alternate Liquidity Facility, if any, in effect or to be in effect upon such termination, expiration, suspension, modification or replacement and identify the provider of such Alternate Liquidity Facility, (G) state the date of such termination, expiration, suspension, modification or replacement and the date of the proposed provision of the Alternate Liquidity Facility, if any, (H) specify the ratings, if any, to be applicable to such Bonds after such termination, expiration, suspension, modification or replacement of the Liquidity Facility or state that no ratings will be assigned to such Bonds subsequent to such termination, expiration, suspension, modification or replacement of the Liquidity Facility, and (I) describe any special restrictions or procedures (if any) applicable to the registration of transfer of such Bonds. The Authority shall provide the Trustee with a form of any such notice. No notice of mandatory purchase shall be given in connection with the provision of an Alternate Liquidity Facility unless and until the Alternate Liquidity Facility shall have been delivered to the Tender Agent.

Subject to the provisions of the Resolution relating to Variable Rate Bonds held in a Book Entry System, for payment of the purchase price of any Bond required to be purchased pursuant an optional or mandatory tender for purchase described herein, on the date specified, such a Bond must be delivered, at or prior to 12:00 noon, New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. In the event any such Bond is delivered after 12:00 noon, New York City time, on such date, payment of the purchase price of such Bond need not be made until the Business Day following the date of delivery of such Bond, but such Bond shall nonetheless be deemed to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds. The giving of notice by an owner of a Bond shall constitute the irrevocable tender for purchase of each such Bond with respect to which such notice shall have been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant purchase date; *provided* that moneys sufficient to pay the purchase price of such Bonds are on deposit with the Tender Agent for such purpose. The Tender Agent may refuse to accept delivery of any Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Bond as herein described. If any holder of a Bond who shall have given notice of tender of purchase, if a Book Entry System is not in effect, shall fail to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Bond properly endorsed, or if a Book Entry System is in effect, shall fail to cause its beneficial ownership to be transferred to the Tender Agent on the records of the Depository, and moneys sufficient to pay the purchase price thereof are on deposit with the Tender Agent for such purpose, such Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Resolution, (2) interest shall no longer accrue thereon, and (3) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (*provided* that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

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

Redemption Prior to Maturity

In addition to other circumstances under which the Offered Bonds are subject to redemption, the Variable Rate Bonds shall be subject to redemption prior to maturity as follows:

Optional Redemption of Bonds

During a Daily Interest Rate Period or a Weekly Interest Rate Period. On any Interest Payment Date during a Daily Interest Rate Period or Weekly Interest Rate Period, the Variable Rate Bonds shall be subject to optional redemption by the Authority, at the direction of the Authority, in whole or in part, at a redemption price of par.

On the Day Succeeding the Last Day of a Bond Interest Term. On the day succeeding the last day of any Bond Interest Term with respect to any Bond, such Bond shall be subject to optional redemption by the Authority, at the direction of the Authority, in whole or in part, at a redemption price of par.

Definitions

The following are definitions in summary form of certain terms contained in the Resolution with respect to the Variable Rate Bonds.

“Alternate Liquidity Facility” means an irrevocable letter of credit, a standby bond purchase agreement, a line or lines of credit or other similar agreement or agreements or any other agreement or agreements used to provide liquidity support for the Variable Rate Bonds, satisfactory to the Authority and the Remarketing Agent and containing administrative provisions reasonably satisfactory to the Trustee, issued and delivered to the Trustee in accordance with the Resolution.

“Authenticating Agent” means the Trustee.

“Bond Interest Term” means, with respect to any Variable Rate Bond, each period during which such Variable Rate Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to any Variable Rate Bond, a term, non- variable interest rate on such Variable Rate Bond established for a Bond Interest Term.

“Bond Purchase Fund” means the fund so designated which is established with the Tender Agent pursuant to the Tender Agreement and the Resolution.

“Business Day” means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal corporate trust offices of the Trustee, the Tender Agent, the Remarketing Agent, the Paying Agent, the Registrar, the Authority, the Liquidity Provider or the Authenticating Agent are located, or in which the office of the Liquidity Provider from which payments are made pursuant to the Liquidity Facility is located, are authorized or required to remain closed; or (ii) a day on which the New York Stock Exchange is closed.

“*Daily Interest Rate*” means a variable interest rate on the Variable Rate Bonds established on each Business Day during a Daily Interest Rate Period.

“*Daily Interest Rate Period*” means each period during which Daily Interest Rates are in effect.

“*Favorable Bond Counsel Opinion*” means a bond counsel opinion, addressed to the Authority, the Remarketing Agent and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of Illinois and the Resolution and, in the case of any Variable Rate Bonds issued on a tax-exempt basis, will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Variable Rate Bonds.

“*Interest Accrual Date*” means (i) with respect to any Daily Interest Rate Period or any Weekly Interest Rate Period, the first day thereof, and, thereafter, each next Interest Payment Date; and (ii) with respect to each Bond Interest Term within a Short-Term Interest Rate Period, the first day of each Bond Interest Term.

“*Interest Payment Date*” means (i) with respect to any Daily Interest Rate Period, the first Business Day of each calendar month; (ii) with respect to any Weekly Interest Rate Period, first Business Day of each calendar month; (iii) with respect to any Short-Term Interest Rate Period, the day next succeeding the last day of each Bond Interest Term; and (iv) with respect to each Interest Rate Period, the day next succeeding the last day thereof (or the day next succeeding the day that would have been last day thereof had one of the events described in this Appendix in the last paragraph under “THE VARIABLE RATE BONDS - Interest Rate Periods — *Favorable Bond Counsel Opinion as Condition to Any Adjustment of An Interest Rate Period*” not occurred).

“*Interest Rate Period*” means any Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

“*Liquidity Provider*” means initially the Federal Home Loan Bank of Chicago and its successors and assigns, as the provider of the initial Liquidity Facility for the Variable Rate Bonds, and if an Alternate Liquidity Facility is provided, the provider thereof and in any case where a Liquidity Facility is provided by more than one bank or other entity, the term “Liquidity Provider” means all such entities collectively, *provided* that each such entity’s obligation for the purchase price of bonds tendered for purchase shall be determined in accordance with the applicable Liquidity Facility.

“*Long-Term Interest Rate*” means, with respect to each Variable Rate Bond, a term or indexed interest rate on such Variable Rate Bond established in accordance with the terms of the Resolution.

“*Long-Term Interest Rate Period*” means each period during which a Long-Term Interest Rate is in effect.

“*Mandatory Tender for Purchase Date*” shall mean the mandatory tender for purchase date set forth in Sections 201(d)(iii), 201(e)(iii), 201(f)(iii), 201(g)(iii), 202(b), 202(c) and 202(d), as applicable. In Section 202(e), the words “the date specified in such notice” shall be the date five days prior to the termination, expiration, reduction, suspension, modification or replacement event giving rise to the related mandatory tender for purchase.

“*Maximum Rate*” shall mean, in the case of 2014 Subseries A-4 issued on a tax-exempt basis, the lesser of (i) 12% per year and (ii) the maximum rate permitted by law, in the case of 2014 Subseries A-4 Bonds issued on a taxable basis, the lesser of (i) 12% per year and (ii) the maximum rate permitted by law, and in the case of Purchased Bonds, the lesser of (i) 13.5% per year and (ii) the maximum rate permitted by law

“*One Month LIBOR*” means, on any date, the rate for deposits in U.S. dollars for the 1-month period which appears on Bloomberg Page BBAM1 at approximately 11:00 a.m., London time, on the applicable date, or as it appears in any successor publication or location.

“*Paying Agent*” means the Trustee.

“*Purchased Bond*” means any Variable Rate Bond purchased by, or on behalf of, and/or held for the account of the Liquidity Provider.

“*Record Date*” means (i) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, any Weekly Interest Rate Period or any Bond Interest Term, the Business Day immediately preceding such Interest Payment Date.

“*Registrar*” means the Trustee.

“*Remarketing Agent*” means Morgan Stanley, the initial remarketing agent, and any successor remarketing agent for the Variable Rate Bonds appointed in accordance with the Resolution.

“*Short-Term Interest Rate Period*” means each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“*Tender Agent*” means the Trustee, and any successor or additional tender agent appointed in accordance with the Resolution.

“*Undelivered Bonds*” means any Variable Rate Bond where funds in the amount of the purchase price of such Variable Rate Bonds are available for payment to the holder(s) thereof on the date and at the time specified for the pertinent tender.

“*Weekly Interest Rate*” means a variable interest rate on the Variable Rate Bonds established for each period from Wednesday to Tuesday, inclusive, during a Weekly Interest Rate Period.

“*Weekly Interest Rate Period*” means each period during which a Weekly Interest Rate is in effect.

APPENDIX H

INITIAL LIQUIDITY FACILITIES

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APPENDIX H

INITIAL LIQUIDITY FACILITIES FOR THE VARIABLE RATE BONDS

Initial Liquidity Facility

The Authority, the Trustee and the Federal Home Loan Bank of Chicago (the “Initial Liquidity Provider”) intend to enter into a separate Standby Bond Purchase Agreement each dated as of July 21, 2014 (each an “Initial Liquidity Facility” and collectively the “Initial Liquidity Facilities”) with respect to each series of the Variable Rate Bonds. The terms of the two Initial Liquidity Facilities are identical. The following summary is qualified in its entirety by reference to the Initial Liquidity Facilities, copies of which are available from the Trustee.

Subject to the terms of the Initial Liquidity Facilities, the Initial Liquidity Provider agrees, at the request from time to time of the Trustee on behalf of the Authority, to purchase, during the “Commitment Period” (as such term is defined below), any Bonds tendered for purchase in accordance with the 2014 Series AB Resolution with respect to which the Trustee does not, on the date any such tendered Bonds are required to be purchased pursuant to the 2014 Series AB Resolution, have sufficient funds from the remarketing of such tendered Bonds to make such purchase.

The “Available Commitment” (as defined in the Initial Liquidity Facilities) under the Initial Liquidity Facility for the 2014 Subseries A-4 Bonds initially is \$11,336,850 (\$10,675,000 of that amount is the “Available Principal Commitment” for the 2014 Subseries A-4 Bonds and \$661,850 of that amount is the “Available Interest Commitment” for the 2014 Subseries A Bonds). The Available Commitment for the 2014 Subseries A-5 Bonds initially is \$21,240,000 (\$20,000,000 of that amount is the Available Principal Commitment for the 2014 Subseries A-5 Bonds and \$1,240,000 of that amount is the Available Interest Commitment for the 2014 Subseries A-5 Bonds).

The Available Interest Commitment for each series of the Variable Rate Bonds is calculated based on 186 days of interest at an assumed rate of twelve percent per annum, subject to (i) reduction for the principal amount of Variable Rate Bonds of that series previously purchased by the Initial Liquidity Provider and not resold as well as any Variable Rate Bonds of that series which are redeemed by the Authority and (ii) increase (but not above the amount of the aggregate Available Commitment for that series) for the principal amount of Variable Rate Bonds of that series which are held for the account of the Initial Liquidity Provider and remarketed. As a result, the Available Commitment for a series of Variable Rate Bonds will, during the Commitment Period, always equal at least 100 percent of the aggregate principal amount of Variable Rate Bonds of that series outstanding, plus 186 days of accrued interest at an assumed rate of twelve percent per annum, less the principal amount of any Variable Rate Bonds of that series held for the account of the Initial Liquidity Provider from time to time.

The obligation of the Initial Liquidity Provider to purchase any Bond on a Purchase Date is subject to: (i) receipt by the Initial Liquidity Provider of a notice from the Trustee that funds are needed for the purchase of Variable Rate Bonds which have been tendered and for which remarketing proceeds are not available (a “Notice of Bank Purchase,” as provided for in the Initial Liquidity Facilities), and (ii) the condition that no Automatic Termination Event (as defined below) shall have occurred.

The term “Commitment Period” for each Initial Liquidity Facility means the period from July 24, 2014 to and including the earliest of: (i) the close of business on March 15, 2019, in the case of the 2014 Subseries A-4 Bonds, and March 10, 2019, in the case of the 2014 Subseries A-5 Bonds, or such extended date as may be agreed upon by the Initial Liquidity Provider pursuant to that Initial Liquidity Facility (each an “Expiration Date”); (ii) the close of business on the business day following the date on which all

Variable Rate Bonds of the applicable series have been converted to a Long-Term Interest Period of one year or more; (iii) the date on which the Available Commitment under such Initial Liquidity Facility has been (A) reduced to zero by reason of a redemption, repayment or other payment of all of the principal amount of Variable Rate Bonds of the applicable series so that such Variable Rate Bonds cease to be outstanding, or (B) terminated in its entirety or by reason of an Automatic Termination Event; (iv) the close of business on the date on which an Alternate Liquidity Facility is delivered by the Authority to the Trustee with respect to the applicable series of Variable Rate Bonds and becomes effective (the “Substitution Date”); and (v) the close of business on the business day following the Special Mandatory Tender Date. The “Special Mandatory Tender Date” for an Initial Liquidity Facility is the date specified by the Initial Liquidity Provider as the date on which the Available Commitment under that Initial Liquidity Facility will terminate as a result of a Liquidity Facility Event of Default (which event of default is not cured and is not also an Automatic Termination Event). After the Special Mandatory Tender Date for a series of Variable Rate Bonds, the Initial Liquidity Provider will not be obligated to purchase Variable Rate Bonds of that series.

Variable Rate Bonds purchased by and held for the account of the Initial Liquidity Provider are referred to in the Initial Liquidity Facilities as “Purchased Bonds.” Purchased Bonds bear interest from their date of purchase at a rate equal to the “LIBOR Rate” (as defined in the Initial Liquidity Facility) plus 1.50 percent but not to exceed the Maximum Rate, calculated on the basis of a year of 360 days and actual days elapsed. Following a Liquidity Facility Event of Default, from the date of such Liquidity Facility Event of Default until such date as Purchased Bonds of the applicable series are redeemed and fully paid, Purchased Bonds of such series shall bear interest at the LIBOR Rate plus 3.50 percent but not to exceed the Maximum Rate, calculated on the basis of a year of 360 days and actual days elapsed.

The Authority has agreed to pay certain fees to the Initial Liquidity Provider for its services as Initial Liquidity Provider. Failure to pay these fees, when due, will constitute a Liquidity Facility Event of Default but not an Automatic Termination Event as discussed below under “Liquidity Facility Events of Default.” The Initial Liquidity Provider is permitted to increase these fees under certain circumstances which are set forth in the Initial Liquidity Facilities; upon such increase, the Authority may either pay such increased fees or terminate the applicable Initial Liquidity Facility or Facilities. The Authority may also terminate an Initial Liquidity Facility upon (1) not less than 30 days’ prior written notice to the Bank of such termination or (2) immediately upon written notice to the Initial Liquidity Provider that the rating on senior unsecured short-term obligations issued by the Initial Liquidity Provider shall have been reduced to a category below “A-1” by S&P or below “P-1” by Moody’s.

Any Purchased Bond that has not been remarketed or redeemed by the Authority within 60 days (which may be extended to 90 days upon written notice by the Authority to the Bank, the Trustee and the Tender Agent prior to the expiration of the 60-day period) following the Purchase Date with respect thereto shall become an “Amortizing Purchased Bond.” Each Amortizing Purchased Bond will mature on the date that is five years from the date on which such bond became an Amortizing Purchased Bond (the “Purchased Bond Maturity Date”). The Authority shall make a scheduled repayment of the outstanding principal amount of each Amortizing Purchased Bond on each semi-annual payment date with respect thereto in an amount equal to 1/10th of the aggregate principal amount of all Amortizing Principal Bonds scheduled for repayment on such semi-annual payment date, plus all accrued and unpaid interest upon such Amortizing Purchased Bonds. If a Liquidity Facility Event of Default has occurred and is continuing on or at any time following a Purchase Date, the Purchased Bond Maturity Date of any Purchased Bond (including any Amortizing Purchased Bond) purchased by the Bank before the occurrence of or during the continuance of such Liquidity Facility Event of Default shall be the earliest, with respect to each such

Purchased Bond, of (i) the date that is 60 days after such Purchase Date for such Purchased Bond or (ii) the date that is 60 days after the occurrence of such Liquidity Facility Event of Default.

Purchased Bonds shall at all times be deemed outstanding for all purposes, and the Initial Liquidity Provider, as beneficial owner of such Purchased Bonds, shall have all of the rights of any Owner of Variable Rate Bonds, except as such rights may be modified by the Initial Liquidity Facility (for example, as set forth above, Purchased Bonds bear interest at a rate which is or may be different than the rate on other outstanding Variable Rate Bonds). Under certain circumstances this may enable the Initial Liquidity Provider to exercise control over certain enforcement proceedings (see “Liquidity Facility Events of Default” below).

The aggregate principal amount of Variable Rate Bonds or portions of Variable Rate Bonds purchased for the account of the Initial Liquidity Provider shall be in Authorized Denominations and shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment, and (ii) the actual amount of interest accrued on the Variable Rate Bonds so purchased.

The Initial Liquidity Facilities include typical affirmative and negative covenants, including among others a requirement for notice of certain events, provision of audited annual and unaudited quarterly financial statements and a prohibition of amendments to certain documents without the prior written consent of the Initial Liquidity Provider, except for amendments necessary to issue new bonds under the Indenture and amendments which do not in any way negatively affect the terms of the Variable Rate Bonds or the obligations of the Initial Liquidity Provider under the Initial Liquidity Facility or certain related documents. These covenants are for the benefit of the Initial Liquidity Provider and not for the benefit of the Owners, which will have no rights with respect to them.

The Authority’s obligation to reimburse the Initial Liquidity Provider for amounts paid under the Initial Liquidity Facility and other obligations of the Authority under the Initial Liquidity Facility will be the direct and general obligations of the Authority.

Liquidity Facility Events of Default

The Liquidity Facility Events of Default are as set forth below. A Liquidity Facility Event of Default described in clauses 1, 8, 9 or 10 below is called an “Automatic Termination Event,” provided, that a Liquidity Facility Event of Default under clause 9 shall only constitute an Automatic Termination Event if (i) the Variable Rate Bonds become unrated by both S&P and Moody’s, in each case, for credit related reasons, (ii) the ratings assigned to the Variable Rate Bonds are both below BBB- by S&P and below Baa3 by Moody’s, or (iii) the Variable Rate Bonds are currently rated by only one rating agency, the rating assigned to the Variable Rate Bonds is below BBB- if only rated by S&P or below Baa3 if only rated by Moody’s or, in each case, the only rating is suspended or withdrawn for credit related reasons. Upon the occurrence of an Automatic Termination Event under an Initial Liquidity Facility, the Initial Liquidity Provider’s obligation to purchase Variable Rate Bonds under that Initial Liquidity Facility shall immediately terminate without notice or demand to any person, and thereafter the Initial Liquidity Provider shall be under no obligation to purchase Variable Rate Bonds of the applicable series.

1. The Authority shall default in the payment when due of any principal of or interest on any Bond, whether or not a Purchased Bond (other than as a result of the acceleration of the payment of

any Purchased Bond due to the occurrence of an Event of Default that is not an Automatic Termination Event).

2. The Authority shall default in the payment when due of any commitment fee or other payment obligation under the Initial Liquidity Facility.

3. Any representation or warranty of the Authority made or deemed to be made in the Initial Liquidity Facility or in any other documents relating to the Variable Rate Bonds or any Related Document (as defined in the Initial Liquidity Facilities) or any other writing or certificate furnished by or on behalf of the Authority to the Initial Liquidity Provider for the purposes of or in connection with the Initial Liquidity Facility or any such Related Document is or shall be incorrect when made in any material respect.

4. The Authority shall amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, modification, or grant of a waiver under any Related Document without the prior written consent of the Initial Liquidity Provider, except the amendments relating to the issuance from time to time of additional bonds under the Indenture or other amendments which do not negatively affect the terms of the Variable Rate Bonds or the obligations of the Initial Liquidity Provider under the Initial Liquidity Facility.

5. The Authority shall default in the due performance and observance of any covenant or agreement contained in the Initial Liquidity Facility or in any other Related Document, and such default shall continue unremedied for a period of 30 days after notice thereof shall have been given to the Authority by the Initial Liquidity Provider.

6. A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any indebtedness of the Authority (other than the Variable Rate Bonds) having a principal amount, individually or in the aggregate, in excess of \$5,000,000, or a default shall occur in the performance or observance of any obligation or condition with respect to such indebtedness if the effect of such default is to accelerate the maturity of any such indebtedness or such default shall continue unremedied for any applicable period of time to permit or cause such indebtedness to become due and payable prior to its expressed maturity.

7. Any judgment or order for the payment of money in excess of \$1,000,000 shall be rendered against the Authority and such judgment or order shall remain unstayed, unsatisfied, or bonded for more than 30 days or enforcement proceedings shall have been commenced by a creditor upon such judgment or order.

8. The Authority shall (i) become insolvent within the meaning of the Bankruptcy Code or admit in writing its inability or unwillingness to pay debts as they become due; (ii) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, or other custodian for the Authority or any property of any thereof, or make a general assignment for the benefit of creditors; (iii) in the absence of such application, consent, or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, or other custodian for the Authority, which appointment shall not be discharged within 60 days; (iv) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Authority, and, if any such case or proceeding is not commenced by the

Authority, such case or proceeding shall be consented to or acquiesced in by the Authority or shall result in the entry of an order for relief or shall remain for 60 days undismissed; (v) become subject to a moratorium (whether or not in writing) with respect to any debt of the Authority that (A) has been declared by the Authority or (B) has been imposed as a result of any finding or ruling by any government agency or authority having jurisdiction over the Authority; or (vi) take any action authorizing, or in furtherance of, any of the foregoing.

9. The Variable Rate Bonds shall be rated lower than A- by S&P or A3 by Moody's, or the Variable Rate Bonds shall become unrated.

10. An authorized officer of the Authority or the State of Illinois shall repudiate any obligation with respect to principal of and interest on the Variable Rate Bonds, the Initial Liquidity Facility or the other Related Documents; or any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency, or official having jurisdiction over the Authority, pursuant to an effective order, shall have determined that any of the payment obligation of the Authority related to principal and interest on the Variable Rate Bonds or the Initial Liquidity Facility is not a valid and binding obligation.

Initial Liquidity Provider

The following information has been provided by the Federal Home Loan Bank of Chicago (the "FHLBC"). You should assume that the information under this caption, as well as the information referred to below that the FHLBC previously filed with the Securities and Exchange Commission ("SEC"), is accurate only as of the dates referred to below or in the document containing such information. The FHLBC does not undertake any duty to update any such information as a result of new information, subsequent events or otherwise. Neither the Authority, the Tender Agent, nor the Remarketing Agent makes any representation or warranty as to the accuracy or completeness of the information contained under this caption.

The FHLBC is one of the twelve regional banks in the Federal Home Loan Bank ("FHLB") System, which was created by authority of the Federal Home Loan Bank Act ("FHLB Act") to provide a flexible credit reserve for shareholder institutions engaged in home mortgage lending. The twelve regional Federal Home Loan Banks ("Regional FHLBs") are corporations operating under a charter issued by the United States government and their capital stock is owned by their shareholder institutions. The management of each Regional FHLB is vested in a board of directors. Ten of the FHLBC's directors are elected by the FHLBC's shareholders from among its shareholders and the other seven independent directors are also elected by the FHLBC's shareholders. The directors of each Regional FHLB elect a president and other officers.

The Federal Housing Financing Agency ("FHFA"), an agency of the United States government, supervises the FHLBC and the other Regional FHLBs. The FHFA also sets system-wide policies for the Regional FHLBs, prescribes the conditions upon which the Regional FHLBs are authorized to make advances to shareholders, determines the conditions under which the Regional FHLBs are authorized to borrow and to pay interest on borrowings, and requires an independent audit of each of the Regional FHLBs. In addition, the FHFA monitors the overall investment policies of the Regional FHLBs and reviews the operating budgets of the Regional FHLBs.

The FHLBC serves shareholder institutions of the Seventh District of the Federal Home Loan Bank System (the “District”). As of March 31, 2014, there were 752 shareholder institutions in the District (unaudited). At December 31, 2013, the FHLBC’s total assets were \$68.8 billion, and its total capital stock, retained earnings and accumulated other comprehensive income were \$3.8 billion. At March 31, 2014, the FHLBC’s total assets were \$72.0 billion, and its total capital stock, retained earnings and accumulated other comprehensive income were \$4.0 billion (unaudited). The FHLBC had net income of \$343 million for the year ended December 31, 2013 and net income of \$81 million for the three months ended March 31, 2014 (unaudited).

Each shareholder institution of the FHLBC is required to purchase stock in relation to its holding of mortgage loans and its outstanding borrowings from the FHLBC. The FHLBC obtains other lendable funds through the issuance of FHLB System debt obligations (the “Consolidated Obligations”) in the public money and capital markets, which are the joint and several liabilities of the twelve Regional FHLBs, and through time and demand deposits accepted from shareholder institutions and other Regional FHLBs. Consolidated Obligations of the Regional FHLBs are issued in the form of notes or bonds. The Regional FHLBs are required to maintain, in the aggregate, unpledged qualifying assets in an amount equal to the Consolidated Obligations outstanding. Qualifying assets include cash, obligations of, or instruments fully guaranteed by, the United States government, collateralized advances to shareholder institutions and federally insured or guaranteed mortgages.

Although the Regional FHLBs are instrumentalities of the United States government, their securities and letters of credit are not obligations of, and are not guaranteed by, the United States government. Upon certain conditions, the Secretary of the Treasury is authorized, in his or her discretion, by the FHLB Act to extend credit to the Regional FHLBs up to an aggregate amount of \$4.0 billion outstanding at any one time. There were no outstanding borrowings from the United States Treasury during the two-year period ended March 31, 2014.

The primary business of the FHLBC is lending to its shareholder institutions. Total advances by the FHLBC to shareholders amounted to \$23.5 billion on December 31, 2013 and \$22.4 billion on March 31, 2014 (unaudited). The FHLBC implements its statutory responsibility to support thrift and housing finance by providing appropriate loans to its shareholders to supplement savings flows in meeting recurring variations in the supply of, and demand for, residential mortgage credit and other loans. The FHLBC does not conduct a banking business with the general public.

The financial statements of the FHLBC for the year ending December 31, 2013, as set forth in the FHLBC’s Annual Report on Form 10-K for the year ended December 31, 2013 (the “Form 10-K”), and for the three months ending March 31, 2014, as set forth in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (the “Form 10-Q”) are available for inspection at www.sec.gov. The FHLBC is subject to a number of risks that could affect the FHLBC’s business, financial condition or future results, including, without limitation, risks referred to in Part I, Item 1A of the FHLBC Form 10-K, Part II, Item 1A of the FHLBC Form 10-Q and any risks that may be described in future filings the FHLBC makes with the SEC. The risks described in those SEC filings are not the only risks facing the FHLBC. Additional risks and uncertainties not currently known to the FHLBC or that the FHLBC currently deems immaterial may also severely affect the FHLBC.

THE ABOVE INFORMATION RELATING TO THE FHLBC RELATES TO AND HAS BEEN SUPPLIED BY THE FHLBC. YOU SHOULD ASSUME THAT THE INFORMATION UNDER THIS CAPTION, AS WELL AS THE INFORMATION THE FHLBC PREVIOUSLY FILED WITH THE

SEC, IS ACCURATE ONLY AS OF THE DATE REFERRED TO IN THIS APPENDIX OR THE DOCUMENT CONTAINING SUCH INFORMATION. THE FHLBC DOES NOT UNDERTAKE ANY DUTY TO UPDATE ANY SUCH INFORMATION AS A RESULT OF NEW INFORMATION, SUBSEQUENT EVENTS OR OTHERWISE. NEITHER THE AUTHORITY, THE TENDER AGENT, NOR THE REMARKETING AGENT MAKES ANY REPRESENTATION AS TO THE ABILITY OF THE FHLBC TO FULFILL ITS OBLIGATIONS PURSUANT TO THE INITIAL LIQUIDITY FACILITIES.

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PRINTED BY AUTHORITY OF THE STATE OF ILLINOIS

Date of Publication: July 16, 2014

Number of copies printed: 48

Printing Order No. 180858



Printed by: ImageMaster, LLC
www.imagemaster.com