

Interest on the Offered Bonds will NOT be excludible from the gross income of the owners thereof for federal income tax purposes. Under the Illinois Housing Development Act (the "Act"), in its present form, income from the Offered Bonds is exempt from all taxes of the State of Illinois (the "State") or its political subdivisions, except for estate, transfer and inheritance taxes. See "CERTAIN TAX MATTERS."

NEW ISSUE – BOOK-ENTRY ONLY

Dated: Date of Delivery

Due: See inside cover

\$34,480,000

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A**

The proceeds of the Authority's Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A (the "Series 2005A Bonds" or the "Offered Bonds") will be used, together with certain other available moneys, to (a) refund the Refunded Bonds (as defined herein), and (b) pay costs incurred in connection with the issuance of the Offered Bonds and the refunding of the Refunded Bonds, including redemption premium and the initial premium for the Financial Guaranty Insurance Policy and the premium for the Debt Service Reserve Fund Surety Bond to be issued by the Bond Insurer. See "SOURCES AND USES OF FUNDS."

The Offered Bonds are issuable only in registered form. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository of the Offered Bonds and its nominee will be the registered owner of the Offered Bonds. Individual purchases of interests in the Offered Bonds must be in the principal amount of \$5,000 or any integral multiple thereof and will be recorded on a book-entry only system operated by DTC. For further details on ownership, payments, notices and other matters under the book-entry only system, see "THE OFFERED BONDS – Book-Entry Only System."

The Offered Bonds will be issued as Fixed Rate Term Bonds and will bear interest from their respective dates at the respective rates set forth on the inside cover page, payable semiannually on each June 1 and December 1, with the first interest payment date being December 1, 2005. Principal of and premium, if any, and semiannual interest on the Offered Bonds will be paid by J.P. Morgan Trust Company, N.A., Chicago, Illinois, as Master Paying Agent. LaSalle Bank National Association, Chicago, Illinois, serves as Trustee for the Offered Bonds. See "THE OFFERED BONDS – Master Paying Agent and Trustee."

The Offered Bonds are subject to redemption prior to maturity, as described herein under the caption "THE OFFERED BONDS – Redemption."

The Offered Bonds are special limited obligations of the Authority. Together with Prior Bonds and Additional Bonds, the Offered Bonds are secured by a pledge of and lien on the Pledged Property (as defined herein). In addition, the Authority has pledged its General Obligation to the payment of the Offered Bonds to the limited extent and in limited amounts as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Limited General Obligation" and "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES RESOLUTIONS."

Payment of the principal of and interest on the Offered Bonds when due will be insured by a financial guaranty insurance policy to be issued by AMBAC Assurance Corporation simultaneously with the delivery of the Offered Bonds.

Ambac

EXCEPT AS OTHERWISE DESCRIBED IN THIS OFFICIAL STATEMENT, THE OFFERED BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. THE OFFERED BONDS ARE NOT A DEBT OF OR GUARANTEED BY THE STATE OR THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF. THE AUTHORITY HAS DETERMINED BY RESOLUTION THAT SECTION 26.1 OF THE ACT, WHICH REQUIRES THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY THE AMOUNT CERTIFIED BY THE AUTHORITY AS BEING REQUIRED TO PAY DEBT SERVICE ON ITS BONDS BECAUSE OF INSUFFICIENT MONEYS AVAILABLE FOR SUCH PAYMENTS, SHALL NOT APPLY TO THE OFFERED BONDS.

The Offered Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Foley & Lardner LLP, Chicago, Illinois, Bond Counsel to the Authority. Certain legal matters in connection with the issuance of the Offered Bonds will be passed upon for the Authority by its general counsel, and by its special counsel, Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, and for the Underwriter by its counsel, Bell, Boyd & Lloyd LLC, Chicago, Illinois. See "Legal Matters." The Offered Bonds are forward delivery bonds; it is expected that they will be available for delivery to DTC in New York, New York, on or about May 31, 2005.

Banc of America Securities LLC

The date of this Official Statement is August 25, 2004.

\$34,480,000
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A

MATURITY SCHEDULES

Dated: Date of Delivery

Offered Bonds

\$13,955,000 5.60% Term Bonds due December 1, 2015
\$14,640,000 6.25% Term Bonds due December 1, 2022
\$5,885,000 6.35% Term Bonds due June 1, 2027

Price of all Offered Bonds 100%

NO PERSON HAS BEEN AUTHORIZED BY THE AUTHORITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF, THE OFFERED BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER IT SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY SINCE THE DATE AS OF WHICH INFORMATION IS GIVEN IN THIS OFFICIAL STATEMENT.

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS 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 UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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

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OFFICIAL STATEMENT
of
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

\$34,480,000
Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A

INTRODUCTION

This Official Statement (including the cover page and the Appendices) is being distributed by the Illinois Housing Development Authority (the “Authority”) in order to furnish information in connection with the issuance and sale of the Authority’s \$34,480,000 aggregate principal amount of Affordable Housing Program Trust Fund Refunding Bonds Series 2005A (the “Offered Bonds”) pursuant to the Illinois Housing Development Act, as amended (the “Act”), and the Illinois Affordable Housing Act, as amended (the “Affordable Housing Act”), in furtherance of the Illinois Affordable Housing Program and the Authority’s Trust Fund Bond Program (the “Bond Program”).

The Illinois Affordable Housing Program was created in 1989, with the adoption of the Affordable Housing Act, for the purpose of developing and coordinating public and private resources targeted to meet the affordable housing needs of low-income and very low-income households in the State. The Affordable Housing Act also created the Illinois Affordable Housing Trust Fund (the “Trust Fund”) as a separate fund within the State Treasury, and requires that certain moneys, including one-half of all proceeds collected by the Illinois Department of Revenue pursuant to Section 3 of the Real Estate Transfer Tax Act (35 ILCS 305/et seq.), as amended (the “Transfer Tax Act”), be deposited in the Trust Fund. The Trust Fund is administered by the Authority. See “THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Trust Fund” and “ILLINOIS REAL ESTATE TRANSFER TAX ACT.”

Under the Bond Program, the Authority may issue bonds to (a) finance the acquisition, construction, equipping, installation, renovation or rehabilitation of Developments, (b) preserve the availability of Affordable Housing for low-income and very low-income households in existing Developments, (c) retire bonds previously issued under the Bond Program, or (d) retire other indebtedness of the Authority or any other person issued for the purpose of financing or refinancing a Development. The Authority may make single-family and multi-family Mortgage Loans under the Bond Program, including by way of participation with other parties, to finance the construction, rehabilitation or development of, or to provide permanent financing for, Developments. A “Development” means a specific work or improvement undertaken to provide multi-family dwelling accommodations, including the acquisition, construction or rehabilitation of lands, buildings and community facilities and in connection therewith to provide non-housing facilities which are a part of a planned large-scale project or new community as set forth in the General Resolution (as defined herein). See “THE BOND PROGRAM.” The Authority has not issued, and does not currently contemplate issuing, bonds under the Bond Program to finance the purchase of single-family loans.

The issuance of the Offered Bonds has been authorized by (a) the Authority's Affordable Housing Program Trust Fund Bond General Resolution, adopted on May 20, 1994 and amended and restated on July 15, 1994, as further amended and supplemented from time to time (the "General Resolution"), and (b) the Series 2005A Resolution adopted by the Authority on May 21, 2004, and a determination of the Authority that establishes and approves the terms and conditions relating to the offering, sale and delivery of the Series 2005A Bonds (collectively, the "Series 2005A Determination" and together with the series resolution, the "Series 2005A Resolution" or the "Resolution").

The Authority has previously issued three Series of Bonds under the Bond Program, the Affordable Housing Program Trust Fund Bonds, Series 1994A (the "Series 1994A Bonds"), all of which were refunded by proceeds of the Series 2004 Bonds referred to below, the Affordable Housing Program Trust Fund Bonds, Series 1995A (the "Series 1995A Bonds"), \$37,080,000 aggregate principal amount of which were Outstanding as of July 31, 2004, and the Affordable Housing Program Trust Fund Bonds, Series 2004, \$45,380,000 aggregate principal amount of which were Outstanding as of July 31, 2004 (the "Series 2004 Bonds" and, together with the portion of the Series 1995A Bonds not refunded, the "Prior Bonds"). Proceeds of the Series 1994A Bonds and the Series 1995A Bonds were issued to provide funds to finance multi-family Mortgage Loans for the construction or rehabilitation and permanent financing of affordable housing Developments throughout the State.

Proceeds of the Offered Bonds will be used, together with certain other available moneys, to (a) refund all or a portion of the Series 1995A Bonds (the portion refunded being herein referred to as the "Refunded Bonds"), and (b) pay costs incurred in connection with the issuance of the Offered Bonds and the refunding of the Refunded Bonds, including redemption premium and the initial premium for the Financial Guaranty Insurance Policy and the premium for the Debt Service Reserve Fund Surety Bond to be issued by the Bond Insurer. See "SOURCES AND USES OF FUNDS."

The Prior Bonds are and, when issued, the Offered Bonds will be, Senior Lien Bonds. Additional Bonds may be issued under the General Resolution ("Additional Bonds") and may be Senior Lien Bonds secured on a parity with the Offered Bonds and the Prior Bonds for such purposes, upon such terms and subject to such conditions as are provided in the General Resolution; provided, however, that particular Series of Bonds may have security in addition to the pledge of the Pledged Property (as defined herein). Additional Bonds may also be issued as Subordinate Bonds with a claim for payment which is subordinate to Senior Lien Bonds and which need not be insured. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General" and "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Issuance of Additional Obligations."

The Refunded Bonds, the Prior Bonds, the Offered Bonds and all other bonds subsequently issued under the General Resolution are herein collectively referred to as the "Bonds."

The Offered Bonds are special limited obligations of the Authority, secured only by a pledge of and lien on (a) Trust Fund Moneys that have been annually transferred or certified or dedicated for transfer to the Authority for deposit into the Real Estate Transfer Tax Fund, (b)

Revenues, Prepayments, Recovery Payments, Acquired Development Receipts derived from the Mortgage Loans, (c) the Bond Fund, Acquired Development Fund and Debt Service Reserve Fund, including the investments thereof and the proceeds of such investments, if any, and (d) the Mortgages relating to the Mortgage Loans (collectively, the “Pledged Property”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” In connection with the Bonds previously issued under the General Resolution the Authority has pledged, and with the issuance of the Offered Bonds the Authority will pledge, under certain limited circumstances and in limited amounts, its General Obligation to the payment of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Limited General Obligation.”

The Authority has agreed to annually certify to the Department of Revenue on or about July 1 of each year the amount of Trust Fund Moneys required to be withdrawn from the Trust Fund and deposited into the Real Estate Transfer Tax Fund created pursuant to the Resolution to pay that portion of the debt service on all Bonds to be paid from Trust Fund Moneys or required to reimburse the Authority for moneys advanced to fund any such deposit (the “Transfer Tax Debt Service Amount”), up to an aggregate maximum of \$10,000,000 in any Fiscal Year. Such amounts will be pledged as security for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Real Estate Transfer Tax Fund” and “– Coverage Ratios” for certain information regarding amounts the Authority has certified for deposit in the Real Estate Transfer Tax Fund for the previously issued Bonds.

In addition, payment of the principal of and interest on the Offered Bonds when due will be insured by a financial guaranty insurance policy to be issued by AMBAC Assurance Corporation, a Wisconsin-domiciled insurance company (the “Bond Insurer”), simultaneously with the delivery of the Offered Bonds. See “FINANCIAL GUARANTY INSURANCE POLICY.”

The Authority has agreed with the Bond Insurer that it will not issue any additional Senior Lien Bonds under the General Resolution which are not insured by the Bond Insurer or a successor to the Bond Insurer unless the Bond Insurer or such successor has failed to make payment on any financial guaranty insurance policy issued to the Authority, or the rating of the Bond Insurer has declined below the highest rating category by any Rating Agency rating it, or the Bond Insurer is determined to be insolvent by the Wisconsin Insurance Department. The Prior Bonds are also insured by the Bond Insurer. See “FINANCIAL GUARANTY INSURANCE POLICY.”

Initially capitalized terms used but not otherwise defined in this Official Statement have the meanings set forth in the “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.” The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document.

PLAN OF FINANCE

The proceeds of the Offered Bonds will be used, together with certain other available moneys, to (a) refund the Refunded Bonds, which were issued to provide funds to finance multi-

family Mortgage Loans for the construction or rehabilitation and permanent financing of affordable housing Developments throughout the State, and (b) pay costs incurred in connection with the issuance of the Offered Bonds and the refunding of the Refunded Bonds, including redemption premium and the initial premium for the Financial Guaranty Insurance Policy and the premium for the Debt Service Reserve Fund Surety Bond to be issued by the Bond Insurer.

In order to provide for the refunding of the Refunded Bonds, the Authority will use the proceeds of the Offered Bonds, together with other available funds, to make a deposit to the redemption account in an amount, the principal of which, together with the interest to be earned thereon, will be sufficient to pay on June 1, 2005, the redemption price of and accrued interest on the Refunded Bonds.

The portion of the proceeds of the Offered Bonds to be used to refund the Refunded Bonds will be held by the Trustee in the Bond Fund for the benefit of the holders of the Refunded Bonds until the redemption date.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Offered Bonds and the Prior Bonds are Senior Lien Bonds and are special limited obligations of the Authority. These Senior Lien Bonds are secured only by a pledge of and lien on (a) Trust Fund Moneys that have been annually transferred or certified or dedicated for transfer to the Authority for deposit into the Real Estate Transfer Tax Fund, (b) Revenues, Prepayments, Recovery Payments, Acquired Development Receipts derived from the Mortgage Loans, (c) the Bond Fund, Acquired Development Fund and Debt Service Reserve Fund, including the investments thereof and the proceeds of such investments, if any, and (d) the Mortgages relating to the Mortgage Loans subject to the rights of the Authority to assign, sell, restructure or otherwise deal with or transfer said mortgages (collectively, the "Pledged Property"). Amounts on deposit in the Subsidy Fund are not part of the Pledged Property. See "THE BOND PROGRAM – Section 8 and Subsidized Developments."

The Authority has also pledged its General Obligation to the payment of the Offered Bonds to the limited extent and in the limited amounts described in "Limited General Obligation" hereunder.

For additional information regarding the use of Trust Fund Moneys to support payment of the Bonds, see "Real Estate Transfer Tax Fund" hereunder, "THE BOND PROGRAM – General," "THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Trust Fund" and "ILLINOIS REAL ESTATE TRANSFER TAX ACT."

The Act provides that any pledge, assignment, lien or security interest made pursuant to the Act is valid and binding and immediately effective upon its being made or granted, without any physical delivery, filing, recording or further act, and is valid and binding as against, and superior to any claims of, all others having claims of any kind against the Authority or any other person, irrespective of whether such other parties have notice of the pledge, assignment, lien or security interest.

For a description of the underwriting criteria applicable to the Mortgage Loans to be financed with the proceeds of Additional Bonds, see “THE BOND PROGRAM – Multi-Family Mortgage Loan Underwriting Criteria.” For a description of the Developments heretofore financed under the Bond Program (“Financed Developments”), and the related Mortgages, see Appendix D.

EXCEPT AS OTHERWISE DESCRIBED IN THIS OFFICIAL STATEMENT, THE OFFERED BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. THE OFFERED BONDS ARE NOT A DEBT OF OR GUARANTEED BY THE STATE OR THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF.

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

Real Estate Transfer Tax Fund

The Bonds issued under the General Resolution will be secured by, among other things, an assignment and pledge to the Trustee of any and all moneys, deposits, revenues, income, interest, dividends, receipts, taxes, proceeds and other amounts deposited or to be deposited in the Real Estate Transfer Tax Fund and any proceeds, investments or increases thereof. The Authority may also issue Subordinate Bonds under the General Resolution. Any such Subordinate Bonds will be secured on a subordinate basis by amounts in the Real Estate Transfer Tax Fund. See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Issuance of Additional Obligations.”

Under the Affordable Housing Act, the Authority is authorized to certify to the State’s Department of Revenue, the State Comptroller and the State Treasurer each Fiscal Year the amounts, up to an aggregate in any Fiscal Year of \$10,000,000, of Trust Fund Moneys expected to be used or pledged by the Authority for the Bond Program during such Fiscal Year. In addition, other Trust Fund Moneys may be used to make grants, mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single-family and multi-family housing in the State. A majority of the Trust Fund Moneys appropriated in any year must be used for affordable housing for very low-income households. See “THE BOND PROGRAM – General Program Requirements.” Subject to annual appropriation, upon receipt of such certification, the Department of Revenue and the State Comptroller are required to dedicate and the State Treasurer is required to transfer not less often than monthly to the Trustee for deposit into the Real Estate Transfer Tax Fund, without requisition or further request therefor, all amounts accumulated in the Trust Fund within the State Treasury and not already transferred in connection with prior commitments, until the Authority has received the aggregate amount so certified. See “THE BOND PROGRAM,” “THE ILLINOIS AFFORDABLE HOUSING PROGRAM” and “ILLINOIS REAL ESTATE TRANSFER TAX ACT.”

The Authority has agreed to annually certify to the Department of Revenue on or about July 1 of each year the amount of Trust Fund Moneys required to be withdrawn from the Trust Fund and deposited into the Real Estate Transfer Tax Fund to pay that portion of the debt service on the Bonds to be paid with Trust Fund Moneys up to an aggregate maximum of \$10,000,000 in any Fiscal Year. Set forth in the following table are amounts the Authority has certified for deposit in the Real Estate Transfer Tax Fund for the Bonds outstanding under the General Resolution.

<u>Fiscal Year</u>	<u>Amount</u>
1995	\$ 3,950,000
1996	9,000,000
1997	5,500,000
1998	5,300,000
1999	5,310,000
2000	5,350,000
2001	5,350,000
2002	5,350,000
2003	5,200,000
2004	5,200,000
2005	5,200,000

Trust Fund Moneys on deposit in the Real Estate Transfer Tax Fund are part of the security pledged for the Bonds. No Trust Fund Moneys, other than the Trust Fund Moneys certified to the Department of Revenue in each year for the foregoing purpose, shall be used by the Authority for any purposes permitted by the Affordable Housing Act prior to such time as the full amount so certified for such year has been delivered to the Trustee for deposit in the Real Estate Transfer Tax Fund for the purpose of securing the Bonds. Notwithstanding the foregoing, the Authority shall not be precluded from certifying amounts pursuant to the Affordable Housing Act to pay administrative costs incurred in connection with the issuance of Bonds or the underwriting of Mortgage Loans financed with the proceeds of Bonds, or for other purposes specified in the Affordable Housing Act incurred in connection with the issuance of the Bonds to the extent specified in a Series Resolution. The Resolution permits the Authority to certify amounts pursuant to the Affordable Housing Act to pay administrative costs or other costs permitted by the Affordable Housing Act only to the extent the Trust Fund Bond Coverage Ratio as in effect at the time of such certification has been met as demonstrated in a Certificate of an Authorized Officer delivered to the Bond Insurer and the Rating Agency. See “Coverage Ratios” hereunder.

In addition to any such amounts certified by the Authority pursuant to the Affordable Housing Act and used to pay administrative costs or other costs permitted thereunder, the State Finance Act (30 ILCS 105/1 et seq.) was recently amended to (i) transfer \$5 million from the Trust Fund to the State’s General Revenue Fund in Fiscal Year 2004 and (ii) to authorize annual interfund transfers by the Director of the Office of Management and Budget, on behalf of the State, from certain funds (including the Trust Fund) to the State’s General Revenue Fund in order to help defray the State’s operating costs. In Fiscal Year 2004, the Director of the Office of Management and Budget transferred \$3.8 million from the Trust Fund to the State’s General Revenue Fund. Pursuant to the State Finance Act, as amended, the total annual transfer from any

fund (including the Trust Fund) in any Fiscal Year shall not exceed the lesser of 8 percent of the revenues to be deposited into such fund during that year or 25% of the beginning balance in such fund and (ii) no transfer may be made from any fund (including the Trust Fund) that would have the effect of reducing the available balance in such fund to an amount less than the amount remaining unexpended and unreserved from the total appropriation from that fund for that Fiscal Year.

Notwithstanding the authorization to make such transfers, pursuant to the Affordable Housing Act, the State has pledged and agreed with the holders of the Bonds issued pursuant to the Act that it will not limit or alter the rights and powers vested in the Authority by the Affordable Housing Act so as to impair the terms of any contract made by the Authority with such holders or in any way impair the rights and remedies of such holders until the principal and premium, if any, of the Bonds, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders are fully met and discharged. The State has further agreed with the holders of the Bonds that the State will not limit or alter the basis on which Trust Fund Moneys are to be collected and paid to the Authority as provided in the Affordable Housing Act, or the use of such funds, and the State will not take any action to repeal or reduce the Real Estate Transfer Tax so as to impair the terms of any such contract.

Revenues, Prepayments, Recovery Payments and Acquired Development Receipts

“Revenues” are defined by the General Resolution to include all income to the Authority in its capacity as mortgagee derived pursuant to Mortgage Loans, including, but not limited to, Acquired Development Operating Income, Mortgage Repayments (including the portion of any government assistance or subsidy payments received by or pledged to the Authority in its capacity as mortgagee or received by or pledged to the Trustee in its capacity as Trustee) and investment earnings on Funds and Accounts established by the General Resolution and transferred to the Bond Fund pursuant to the General Resolution, but excluding Prepayments, Recovery Payments, Acquired Development Receipts (except to the extent included in Acquired Development Operating Income and deposited to the Mortgage Revenue Account pursuant to the General Resolution), Escrow Payments, Authority service fees and reimbursements to the Authority required to be made under the Mortgage Loans, and any loan origination fee received by or committed to be paid to the Authority at or about the time of initial issuance of funds to a Mortgagor. “Prepayment” is defined by the General Resolution to mean any (a) moneys received from any voluntary payment of principal or interest, including any prepayment penalties or other charges, on any Mortgage Loan more than 60 days prior to the scheduled payments of principal and interest called for thereby (b) Liquidation Proceeds, (c) moneys from the sale of a multi-family Mortgage Loan pursuant to the General Resolution, other than moneys constituting a Recovery Payment or (d) moneys from the sale of a single family Mortgage Loan other than a Recovery Payment. “Recovery Payment” is defined by the General Resolution to mean any moneys received or recovered by the Authority, in excess of the expenses necessarily incurred by the Authority in collection thereof, from (a) the sale or other disposition of an Acquired Development, (b) condemnation of a Development or part thereof, (c) other actions taken in the event of default or restructuring of a Mortgage Loan (including without limitation the issuance of refunding bonds), (d) the sale or other disposition of a Mortgage Loan in default for the purpose of realizing on the Authority’s interest therein, pursuant to the General Resolution, (e) mortgage

insurance or guaranty or hazard insurance or other sources of funding in the event of casualty of a Development or (f) the portion of any Insurance Proceeds to the extent not applied to the repair or restoration of any premises which has a mortgage lien on it. "Acquired Development Receipts" is defined by the General Resolution to mean all moneys received by the Authority in connection with its acquisition, ownership or operation of an Acquired Development.

Mortgage Loans

The Bonds issued under the General Resolution are secured by Revenues, Prepayments, Recovery Payments and Acquired Development Receipts derived from the Mortgage Loans made by the Authority pursuant to the Bond Program. See "THE BOND PROGRAM." The General Resolution requires that, prior to the Authority's disbursing amounts under any Mortgage Loan, the Mortgage Loan be secured by a first mortgage lien on the related Development, except for such nonmaterial exceptions to title as in the discretion of the Authority will not impair the value of the property, including, but not limited to, tenant leases and any liens that are insured over by the title policy insuring the Mortgage. See "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Covenants Relating to Multi-Family Mortgage Loan Program."

The Mortgage Loans with respect to the Developments financed under the Bond Program are not subject to voluntary prepayment in whole or in part prior to 15 years from the date the Authority authorizes final disbursement of the loan proceeds. See Appendix D "DEVELOPMENTS FINANCED UNDER THE BOND PROGRAM." After such date, a Mortgagor may, with the consent of the Authority, prepay a Mortgage Loan with respect to a Development. See "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Covenants Relating to the Multi-Family Mortgage Loan Program – Prepayment" herein, for the amount which the Mortgagor is required to pay in the event of a Prepayment. The Authority has, pursuant to the General Resolution, pledged and assigned for the benefit of the Bondholders all of the Mortgages securing the Mortgage Loans subject to certain rights of the Authority to assign, sell, restructure or otherwise deal with or transfer such Mortgages in which event such pledge shall attach solely to the proceeds received by the Authority from any such assignment, sale or transfer. The Authority has agreed for the benefit of the Bondholders to enforce all of its rights and obligations under the Mortgage Loans as is necessary to obtain payment as due thereunder and to comply with the Act and has agreed that the Trustee, in the name of the Authority, may enforce all rights of the Authority under the Mortgage Loans, whether or not an Event of Default exists under the Resolution. See "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Pledge of the Resolution" and "- Covenants Relating to Multi-Family Mortgage Loan Program."

Debt Service Reserve Fund

The General Resolution established a Debt Service Reserve Fund for the Senior Lien Bonds for the purpose of paying Principal and Redemption Price of, and Sinking Fund Installments and interest on, Senior Lien Bonds maturing and becoming due for the payment when other moneys are not available under the Resolution. Under the Resolution, when such a deficiency exists, the Trustee is required to make up such deficiency first from the Mortgage Revenue Account, including the Investment Earnings Subaccount of the Bond Fund, and then

from the Real Estate Transfer Tax Fund before withdrawing moneys from the Debt Service Reserve Fund. See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Bond Fund; Flow of Funds” and “- Debt Service Reserve Fund.” The General Resolution requires moneys on deposit in the Debt Service Reserve Fund to be invested in Permitted Investments.

The General Resolution requires the Authority to maintain the Debt Service Reserve Fund in an amount at least equal to the Debt Service Reserve Fund Requirement, which is an amount equal to the maximum amount of Principal and interest maturing and becoming due in any succeeding calendar year on all Senior Lien Bonds then Outstanding. The General Resolution permits an amount lower than the amount so calculated to constitute the Debt Service Reserve Fund Requirement if the Authority receives the written consent of the Bond Insurer to a lower amount and the Authority by resolution authorizes the lower amount. Currently, the Debt Service Reserve Fund is funded with a surety bond issued by the Bond Insurer in the amount of \$8,798,583, which amount equals the Debt Service Reserve Fund Requirement. Upon issuance of the Offered Bonds, the aggregate Debt Service Reserve Fund Requirement will be \$7,231,723.25, which shall be funded by the deposit of a substitute debt service reserve fund surety bond policy issued by the Bond Insurer in the amount of \$7,231,723.25 (the “Debt Service Reserve Fund Surety Bond”).

The Debt Service Reserve Fund Surety Bond will permit the Trustee to obtain amounts thereunder for deposit in the Debt Service Reserve Fund which is not more than the Debt Service Reserve Fund Requirement for all Series of Bonds. Amounts so obtained are to be applied to such respective Series of Bonds for a purpose which it is permissible to apply moneys in the Debt Service Reserve Fund. Prior to making any draw against the Debt Service Reserve Fund Surety Bond, the Authority has agreed, upon the request of the Trustee, to deliver to the Trustee an amount equal to any deficiency in the amounts available to pay Principal of or interest on the Offered Bonds and the Prior Bonds up to the Coverage Ratio General Obligation applicable to the respective Series of Bonds. See “Limited General Obligation” hereunder for the definition of “Coverage Ratio General Obligation.” The Trustee shall make a drawing on the Debt Service Reserve Fund Surety Bond to the extent described above whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied; provided, however, that no such drawing need be made if (i) other moneys are available in the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, or (ii) moneys are no longer required to be held on deposit in the Debt Service Reserve Fund; and provided further, no such drawing shall be made until after the Trustee has requested payment from the Authority as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Limited General Obligation.” The Trustee is authorized, to the extent moneys are available therein, to apply amounts on deposit in the Debt Service Reserve Fund to reimburse the Bond Insurer, or the provider of any other surety bond policy, in the event moneys are drawn to make payments of the Principal of or interest on the Offered Bonds or the Prior Bonds.

The Debt Service Reserve Fund Surety Bond provides that upon the later of (i) one day after receipt by the Bond Insurer of a demand for payment executed by the Paying Agent certifying that provision for the payment of Principal of or interest on any Bonds when due has not been made and the Trustee has requested payment from the Authority pursuant to the limited pledge of the General Obligation with respect to such Bonds as described in the preceding

paragraph or (ii) the interest payment date specified in the demand for payment submitted to the Bond Insurer, the Bond Insurer will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the initial amount available under the Debt Service Reserve Fund Surety Bond (the “Surety Bond Coverage”).

Pursuant to the terms of the Debt Service Reserve Fund Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by the Bond Insurer under the terms of the Debt Service Reserve Fund Surety Bond. The Trustee is authorized to apply any amounts on deposit in the Debt Service Reserve Fund to reimburse the Bond Insurer, or the provider of any other surety bond, in the event any such bond is drawn upon to make payment of Principal or interest on the Offered Bonds. Upon such reimbursement, the Debt Service Reserve Fund Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. Failure to reimburse the Bond Insurer does not constitute an Event of Default under the Resolution.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Debt Service Reserve Fund Surety Bond, any draw on the Debt Service Reserve Fund Surety Bond shall be made only after all the funds in the Debt Service Reserve Fund have been expended.

The Debt Service Reserve Fund Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

For information regarding the Bond Insurer, see “FINANCIAL GUARANTY INSURANCE POLICY.”

Other Funds

In addition to the security provided by the Debt Service Reserve Fund and the Real Estate Transfer Tax Fund, the Bonds will also be secured by a pledge to the Trustee for the benefit of the Bondholders of the amounts held in the Bond Fund, the Acquired Development Fund and the Bond Proceeds Fund provided that with respect to the Bond Proceeds Fund any Series of Bonds will only be secured by amounts on deposit in the account in such Fund relating specifically to such Series of Bonds. See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Pledge of the Resolution.” Upon issuance of the Offered Bonds and the refunding of the Refunded Bonds, there will be no amounts on deposit in the Bond Proceeds Fund.

Limited General Obligation

The Authority under the limited circumstances and to the limited extent described below has pledged its General Obligation to the payment of the Bonds in an amount which under no circumstances will exceed with respect to any Bond Year the Debt Service on the Bonds in such Bond Year. The amount of the General Obligation pledge by the Authority may decline but in no event to an amount less than the Coverage Ratio General Obligation described below.

Percentage of Maximum Annual Debt Service Requirement. The Authority has pledged its General Obligation (the “Coverage Ratio General Obligation”) to the payment of each Series of Bonds on an annual basis in an amount not to exceed (i) \$275,975, with respect to the Offered Bonds and the Series 1995A Bonds not refunded, and (ii) \$350,000, with respect to the Series 2004 Bonds, which amounts are equal to 8.93 percent of the sum of the maximum annual Debt Service Requirement for any Bond Year on each of the Mortgage Loans financed directly or indirectly with proceeds of such Series of Bonds. The percentage represents the difference in the amount of the Mortgage Repayments that would be available for the payment of debt service on the respective Series of Bonds: (a) assuming that the Debt Service Requirement for each Mortgage Loan is 160 percent of the amount required to pay principal and interest on the Mortgage Loan and (b) assuming that the Debt Service Requirement for each Mortgage Loan is 140 percent of the amount that would actually be required for such purpose. The Coverage Ratio General Obligation pledge with respect to a Series of Bonds will remain in effect so long as any Mortgage Loan financed directly or indirectly with proceeds of such Series of Bonds is outstanding. The maximum amount that the Authority may be required to pay in each Bond Year with respect to a Series of Bonds as a result of the Coverage Ratio General Obligation will equal (on a non-cumulative basis) 8.93 percent of the sum of the maximum Debt Service Requirement for any future Bond Year for each of the underlying Mortgage Loans that is outstanding as of the first day of such Bond Year.

The Authority has agreed in the event there is a deficiency in the amounts available to pay Principal of or interest on the Offered Bonds or the Prior Bonds requiring the Trustee to withdraw funds from the Debt Service Reserve Fund, that upon request of the Trustee it shall deliver to the Trustee an amount equal to such deficiency, up to but not exceeding the amount of the relevant Coverage Ratio General Obligation, prior to the Trustee’s drawing any funds on the Debt Service Reserve Fund Surety Bond obtained and on deposit in the Debt Service Reserve Fund. The Trustee shall request payment from the Authority prior to drawing on the Debt Service Reserve Fund Surety Bond, provided, however, that the Debt Service Reserve Fund Surety Bond can be drawn against for the amounts of any such deficiency in excess of the Coverage Ratio General Obligation before such request is made.

Bond General Obligation Release Test. In addition, pursuant to the Resolution and the Resolutions relating to the Prior Bonds, the Authority has pledged its General Obligation to the payment of the Offered Bonds and the Prior Bonds, respectively, to the extent of, and in an amount limited to, Related Annual Debt Service until the Bond General Obligation Release Test is met as to a Financed Development, subject to the limitation that the General Obligation shall not exceed the aggregate of Related Annual Debt Service for all such Developments that have not met the Bond General Obligation Release Test in any Bond Year. The “Bond General Obligation Release Test” means, with respect to each Development, that the ratio of Net Operating Income to Debt Service Requirements for each of three consecutive Bond Years equals or exceeds 1.15:1 as set forth in an annual audit of such Development to be delivered to the Trustee and the Bond Insurer pursuant to the respective Series Resolution. In addition, with respect to Developments originally financed with proceeds of the Series 1995A Bonds only, for purposes of demonstrating compliance with the Bond General Obligation Release Test, Net Operating Income for a particular Development shall include amounts on deposit in the Subsidy Fund allocable to such Development.

If the Bond General Obligation Release Test is met in connection with any Development, the General Obligation with respect to the Related Annual Debt Service shall be released during the Release Period in accordance with the following formula: during the first Bond Year after the Bond General Obligation Release Test Date (*i.e.*, the date on which the Bond General Obligation Release Test for such Development to be tested has been met), the General Obligation shall be limited to 100 percent of such Related Annual Debt Service; during the second Bond Year after the Bond General Obligation Release Test Date, the General Obligation shall be limited to 66.66 percent of such Related Annual Debt Service; and during the third Bond Year after the Bond General Obligation Release Test Date, the General Obligation shall be limited to 33.33 percent of such Related Annual Debt Service; thereafter the General Obligation with respect to such Related Annual Debt Service shall be released and discharged; provided, however, that if in any Bond Year during the Release Period the required ratio with respect to each Development to be tested, of Net Operating Income to Debt Service Requirement is not maintained at 1.15 to 1.00 as set forth in the Bond General Obligation Release Test, the Release Period shall be suspended and the percentage of the General Obligation that is then applicable shall remain in effect for the three next succeeding consecutive Bond Years and thereafter the Release Period shall resume and the General Obligation shall be limited in accordance with the formula above (the “Construction General Obligation”). The Authority agrees to make the payments required under its General Obligation as described in this paragraph to the Trustee at the same times and in the same manner as moneys pledged to the payment of the Bonds are required to be paid, to the extent that such moneys are insufficient for such purpose, subject to the limitations described in this paragraph.

For purposes of calculating the total amount of the General Obligation pledged by the Authority pursuant to the preceding three paragraphs the total amount of the General Obligation shall not exceed the greater of the amounts of (a) the Coverage Ratio General Obligation and (b) the Construction General Obligation, and the Coverage Ratio General Obligation shall not take effect until such time as the amount of the Construction General Obligation declines to the amount of the Coverage Ratio General Obligation. If in any Bond Year on any Principal payment date, interest payment date or Sinking Fund Installment date the Trustee has requested the Authority to make payments on the Bonds pursuant to the Coverage Ratio General Obligation and the Trustee has drawn the full amount available under the Surety Bond on deposit in the Debt Service Reserve Fund and there still remains a deficiency in the amount available to pay Principal of, interest on or Sinking Fund Installments on the Bonds, then the Trustee shall request payment from the Authority in an amount equal to any such deficiency to the extent that the Construction General Obligation is greater than the Coverage Ratio General Obligation.

The Authority is required annually to deliver to the Trustee and the Bond Insurer a Certificate of an Authorized Officer setting forth the amount of its limited General Obligation so determined. As of July 29, 2004, the delivery date of the Series 2004 Bonds, the amount of the limited General Obligation pledge so determined by the Authority for the Series 2004 Bonds and the Series 1995A Bonds was \$4,289,184. The limited General Obligation pledge for the Bonds shall be determined upon issuance of the Offered Bonds.

Trust Fund Bond Coverage Ratio Reduction. The Authority has agreed to pledge its General Obligation for the benefit of the Offered Bonds and the Prior Bonds, respectively, to a limited extent in the event the Authority elects to reduce the Trust Fund Bond Coverage Ratio for

the Offered Bonds and the Prior Bonds, respectively, from 1.50 to 1 to 1.25 to 1. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Coverage Ratios.”

Additional Obligations

The General Resolution provides that additional obligations may be issued in Series subject to certain conditions and limitations. Such additional obligations may be Senior Lien Bonds on a parity with the Prior Bonds and the Offered Bonds with respect to the Pledged Property described above. The Authority may also issue Subordinate Bonds under the General Resolution with a claim for payment which is subordinate to Senior Lien Bonds. The General Resolution does not limit the aggregate principal amount of Bonds which may be issued, provided that the Authority does not exceed any limitation on the amount of its obligations established by law. See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Issuance of Additional Obligations.” The Authority anticipates that any additional obligations will also be insured pursuant to a financial guaranty insurance policy issued by the Bond Insurer. See “FINANCIAL GUARANTY INSURANCE POLICY.”

In connection with the issuance of additional Series of Bonds, the Authority agrees to notify the Rating Agency and the Bond Insurer of the proposed issuance of such Series of Bonds, the Bond Insurer shall have consented to the issuance of such Series of Bonds and, in the event the rating of the Bond Insurer falls below the highest rating category of Standard & Poor’s Ratings Group, the Rating Agency shall have delivered to the Authority a letter to the effect that the issuance of the additional Obligations shall not adversely impact the shadow ratings on the Bonds.

Coverage Ratios

Various coverage ratios are described below and elsewhere in this Official Statement that pertain to different aspects of the Resolution, the Mortgage Loans and the security for the Offered Bonds. The following is a summary of the coverage ratios contained in the Resolution and a brief description of certain contexts or circumstances in which they are used. See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” and “SUMMARY OF CERTAIN PROVISIONS OF THE SERIES RESOLUTIONS.” These summaries and descriptions do not purport to be comprehensive definitions, and reference is made to the document in which such coverage ratio is defined and used for the complete details of such terms and conditions.

“*Bond Coverage Ratios*” are the requirements with respect to the Bonds pursuant to the Cash Flow Statement as defined by each Series Resolution. The respective Series Resolutions establish the following Bond Coverage Ratios for the Offered Bonds and the Prior Bonds, respectively:

- (i) *Trust Fund Bond Coverage Ratio* – is the ratio of (a) amounts collected by the Illinois Department of Revenue for deposit to the Trust Fund during any 12 consecutive months out of the 24-month period immediately preceding the time of such calculation to (b) Transfer Tax Debt Service Amount. The Trust Fund Bond Coverage Ratio for the Offered Bonds and the Prior Bonds shall be 1.50 to 1; provided, however,

that pursuant to the respective Series Resolutions the Authority can reduce such ratio to 1.25 to 1 if the Authority pledges its General Obligation to the payment of the applicable Series of Bonds in an amount not to exceed \$700,365 in any Bond Year in the case of the Series 2004 Bonds, or such lesser amount as is set forth in a Supplemental Series 2004 Resolution, and \$599,635 in any Bond Year in the case of the Offered Bonds and the Series 1995A Bonds not refunded, or such lesser amount as is set forth in a Supplemental Series 1995A Resolution or Supplemental Series 2005A Resolution.

(ii) *Multi-Family Mortgage Revenue Bond Coverage Ratio* – for each date of calculation means,

(1) in the case of Developments originally financed with proceeds of the Series 1994A Bonds, the ratio of (a) amounts on deposit in the Mortgage Revenue Account derived from Revenues from multi-family Mortgage Loans which have commenced principal amortization (excluding investment earnings on deposit in the Investment Earnings Subaccount) to (b) the Mortgage Revenue Debt Service Amount, and

(2) in the case of Developments originally financed with proceeds of the Series 1995A Bonds, the ratio of (a) the sum of (i) the amounts on deposit in the Mortgage Revenue Account derived from Revenues from multi-family Mortgage Loans which have commenced principal amortization (excluding investment earnings on deposit in the Investment Earnings Subaccount) plus (ii) the lesser of (A) the amounts on deposit in the Subsidy Fund available for debt service on the Subsidized Developments on the next succeeding interest payment date or (B) that portion of the debt service owing on the Mortgage Loans for the Subsidized Developments for the next succeeding interest payment date to be paid from amounts on deposit in the Subsidy Fund to (b) the Mortgage Revenue Debt Service Amount.

Initially, the Multi-Family Mortgage Revenue Bond Coverage Ratio shall be 1.40 to 1, except with respect to a Section 8 Development for which it shall be 1 to 1. The Multi-Family Mortgage Revenue Bond Coverage Ratio shall take effect only upon commencement of the principal amortization of a Mortgage Loan. Any subsequent Cash Flows shall incorporate in the Multi-Family Mortgage Revenue Bond Coverage Ratio any reductions in such ratio only with the consent of the Bond Insurer and the Rating Agency.

On or before each interest payment date, prior to making any transfers of surplus moneys from the Mortgage Revenue Account to the Subordinate Bond Fund and the Surplus Fund, the Bond Coverage Ratios and the Mortgage Loan Maintenance Coverage Ratio (described below) must be met. In addition, prior to making any such transfers, the Trustee must verify that on each such interest payment date the Real Estate Transfer Tax Debt Service Amount is on deposit in the Real Estate Transfer Tax Fund. In the event either of the Bond Coverage Ratios is not met or the Real Estate Transfer Tax Debt Service Amount was not on deposit in the Real Estate Transfer Tax Fund as required by the General Resolution, no surplus amounts shall be transferred to the Subordinate Bond Fund or the Surplus Fund but shall be retained in the Mortgage Revenue Account of the Bond Fund until the next succeeding interest payment date.

Any surplus amounts which are so retained in the Mortgage Revenue Account may be included in the calculation of the Multi-Family Mortgage Revenue Bond Coverage Ratio on the next succeeding interest payment date.

In the event any amounts on deposit in a Multi-Family Mortgage Loan Account have not been expended within three years from the date of their initial deposit or such later date set forth in a draw schedule delivered in connection with the related Mortgage Loan, a Cash Flow Statement shall be delivered by the Authority to the Trustee and the Bond Insurer on each interest payment date thereafter demonstrating the Authority is in compliance with the Bond Coverage Ratios as set forth in the most recent Cash Flow Statement until such amounts have been expended. As of the date of issuance of the Offered Bonds, no amounts are on deposit in any Multi-Family Mortgage Loan Account. If the Authority is not in compliance with the Bond Coverage Ratios the Authority shall consult with the Bond Insurer as to the actions the Authority shall take. In addition, prior to (i) redeeming Bonds other than on a pro rata basis, (ii) taking certain foreclosure actions or (iii) applying Prepayments or Recovery Payments to make new Mortgage Loans, the Authority shall either (a) deliver to the Trustee, the Bond Insurer and the Rating Agency a Cash Flow Statement giving effect to the proposed action that demonstrates that the projected numerical value of the Multi-Family Mortgage Revenue Bond Coverage Ratio as of each future interest payment date as set forth in the Cash Flows will not be less than the numerical value of such ratio as projected in the Cash Flow Statement then on deposit with the Trustee; or (b) obtain the written consent of the Bond Insurer to such action.

“Mortgage Loan Maintenance Coverage Ratio” shall mean the ratio required to be satisfied with respect to each Development financed under the Multi-Family Component of the Bond Program along with the Bond Coverage Ratios described above prior to transferring funds from the Mortgage Revenue Account pursuant to the General Resolution to the Subordinate Bond Fund or the Surplus Fund and shall be as defined by each Series Resolution.

For Developments originally financed with proceeds of the Series 1994 Bonds, the Mortgage Loan Maintenance Coverage Ratio is as follows:

The ratio of (a) Net Operating Income for such Development for the immediately preceding calendar year to (b) Debt Service Requirements for such Development for the immediately preceding calendar year.

For Developments originally financed with proceeds of the Series 1995A Bonds, the Mortgage Loan Maintenance Coverage Ratio is as follows:

The ratio of (a) the sum of (i) Net Operating Income for such Development for the immediately preceding calendar year and (ii) any amounts in the Subsidy Fund available for debt service for such Development for such period to (b) Debt Service Requirements for such Development for the immediately preceding calendar year. The Mortgage Loan Maintenance Coverage Ratio shall only take effect on the date which is 12 months after the commencement of principal amortization of the Mortgage Loan for such Development. All of the Mortgage Loans for Developments originally financed with proceeds of the Series 1995A Bonds have commenced principal amortization.

See “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions” herein for the definitions of “Net Operating Income,” “Subsidy Fund” and “Debt Service Reserve Requirement.”

The Mortgage Loan Maintenance Coverage Ratio for the Mortgage Loans shall be not less than 1.15 to 1. On or before each interest payment date the Authority is required to deliver to the Trustee and the Bond Insurer a certificate which (i) sets forth the Mortgage Loan Maintenance Coverage Ratio for each Development which is required to be tested, and the dollar amount for each Development which represents the difference between a Mortgage Loan Maintenance Coverage Ratio of 1.15 and the actual Mortgage Loan Maintenance Coverage Ratio in the event such ratio is less than 1.15 (the “Mortgage Loan Maintenance Shortfall”) and (ii) instructs the Trustee to retain in the Mortgage Revenue Account of the Bond Fund an amount equal to one half of the annual aggregate of each of the individual Mortgage Loan Maintenance Shortfalls until the next succeeding interest payment date; provided, however, that in the event the Authority instructs the Trustee to retain in the Bond Fund all Surplus Amounts no such certificate shall be required to be delivered by the Authority to the Trustee, until such time as the Authority instructs the Trustee to transfer Surplus Amounts to the Subordinate Bond Fund or Surplus Fund and any Surplus Amounts which have accumulated in the Bond Fund may be taken into account in subsequent computations of the Multi-Family Mortgage Revenue Bond Coverage Ratio.

“*Additional Bonds Coverage Ratios*” shall mean the coverage ratios required to be satisfied prior to the issuance of any additional Series of Bonds as set forth in the General Resolution and as set forth in a Series Resolution. The respective Series Resolutions establish the following Additional Bonds Coverage Ratios:

(i) the Authority shall have delivered Cash Flows demonstrating that after giving effect to the proposed issuance of the additional Series of Bonds the Multi-Family Mortgage Revenue Bond Coverage Ratio set forth in the respective Resolutions shall be maintained in each Bond Year; and

(ii) the ratio of (a) amounts collected by the Illinois Department of Revenue for deposit to the Trust Fund during any 12 consecutive months out of the 24 month period immediately preceding the issuance of such additional Series of Bonds to (b) that portion of the debt service on the Bonds Outstanding including the Series of Bonds proposed to be issued to be paid from Trust Fund Moneys as set forth in Cash Flows delivered in connection with such issuance of Bonds shall not be less than the ratio set forth in the Trust Fund Bond Coverage Ratio in effect at such time.

FINANCIAL GUARANTY INSURANCE POLICY

The following information has been furnished by the Bond Insurer for use in this Official Statement and neither the Authority nor the Underwriter takes any responsibility for its accuracy or completeness. Reference is made to Appendix J hereto for a specimen of the Financial Guaranty Insurance Policy and the Debt Service Reserve Fund Surety Bond Policy to be issued by the Bond Insurer.

Payment Pursuant to Financial Guaranty Insurance Policy

The Bond Insurer has made a commitment to issue the Financial Guaranty Insurance Policy relating to the Offered Bonds effective as of the date of issuance of the Offered Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Offered Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Commission (as such terms are defined in the Financial Guaranty Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Offered Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Offered Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Offered Bonds, the Bond Insurer will remain obligated to pay principal of and interest on outstanding Offered Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Offered Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on the Obligations which has become Due for Payment and which is made to a bondholder by or on behalf of the Commission has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Offered Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Offered Bonds to be

registered in the name of the Bond Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering bondholder's rights to payment. The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of Obligations upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of Obligations upon tender by a registered owner thereof.

Ambac Assurance Corporation

The Bond Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,142,000,000 (unaudited) and statutory capital of approximately \$4,824,000,000 (unaudited) as of June 30, 2004. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations.

The Bond Insurer makes no representation regarding the Offered Bonds or the advisability of investing in the Offered Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "FINANCIAL GUARANTY INSURANCE POLICY."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other

information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer’s financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company’s Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company’s Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004; and
5. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “**Available Information.**”

DELAYED DELIVERY OF OFFERED BONDS

The Offered Bonds are being issued on a delayed delivery basis. The Underwriter will agree to purchase the Offered Bonds pursuant to the terms of a Forward Delivery Purchase Contract. The following is a summary of certain provisions of the Forward Delivery Purchase Contract and the conditions therein. This description is not to be considered a full statement of the terms of the Forward Delivery Purchase Contract and accordingly is qualified by reference thereto and is subject to the full text thereof.

Forward Delivery Purchase Contract Signing and Initial Closing

Pursuant to the Forward Delivery Purchase Contract, the Underwriter will agree to purchase the Offered Bonds at the Delayed Delivery Closing. An initial closing will be held with respect to the Offered Bonds on or about September 1, 2004 (the “Initial Closing”). At that

time, all the conditions for the execution and delayed delivery of the Offered Bonds and payment therefor by the Underwriter will be met, except for the confirmation of certain facts and delivery of certain certificates and opinions, including an opinion of Bond Counsel substantially in the form set forth in Appendix C (collectively, the “Closing Conditions”), which are to be delivered on the date the Offered Bonds are executed and delivered (and receipt thereof is a condition to the execution and delivery of the Offered Bonds). Upon consummation of the Initial Closing, subject to compliance with the Delayed Delivery Closing Conditions, described below and in the Forward Delivery Purchase Contract, the Authority will be obligated to execute and deliver the Offered Bonds, and the Underwriter will be obligated to accept and pay for the Offered Bonds at the Delayed Delivery Closing. **There will be no delivery of the Offered Bonds nor any payment therefor on the Initial Closing.**

Delayed Delivery Closing

On May 31, 2005, or at such other time or on such other date as has been mutually agreed upon by the Authority and the Underwriter (the “Delayed Delivery Closing”), the Authority will, subject to the terms and conditions of the Forward Delivery Purchase Contract, deliver the Offered Bonds to DTC on behalf of the Underwriter and deliver or cause to be delivered to the Underwriter the other documents, opinions, certificates and instruments required by the Forward Delivery Purchase Contract to be delivered, as more fully discussed below (the “Delayed Delivery Closing Documents”). Subject to the terms and conditions of the Forward Delivery Purchase Contract, the Underwriter will be obligated to accept such delivery and pay the purchase price for the Offered Bonds at the Delayed Delivery Closing.

Conditions to Delayed Delivery Closing

General. The Authority’s obligation to execute and deliver the Offered Bonds to the Underwriter, and the Underwriter’s obligation to accept delivery of and pay for the Offered Bonds at the Delayed Delivery Closing, are subject to certain conditions precedent, as set forth in the Forward Delivery Purchase Contract; these conditions include, in particular, the following:

1. there has been no “Change in Law,” as hereinafter described; and
2. Bond Counsel shall render its approving opinion in substantially the form attached hereto as Appendix C.

It is also a condition of the Authority’s obligation to sell and deliver the Offered Bonds to the Underwriter that the entire authorized principal amount thereof be accepted and paid for by the Underwriter at the Delayed Delivery Closing. It is a condition to the Underwriter’s obligation to accept delivery of and to pay for the Offered Bonds that the entire authorized principal amount thereof be executed and delivered by the Authority at the Delayed Delivery Closing.

Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Purchase Contract at the Delayed Delivery Closing, no assurances can be made that, as of the Delayed Delivery Closing: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will

not differ from the facts and circumstances as of the Initial Closing, or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed execution and delivery of the Offered Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered, with the possible result that the Delayed Delivery Closing will not occur.

FAILURE TO SATISFY THE REQUIREMENTS OF THE DELAYED DELIVERY CLOSING, INCLUDING FAILURE OF ANY PARTY TO DELIVER ANY OF THE DELAYED DELIVERY CLOSING DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE FORWARD DELIVERY PURCHASE CONTRACT (UNLESS SUCH FAILURE IS WAIVED BY THE UNDERWRITER), WILL MEAN THAT THE OFFERED BONDS WILL NOT BE EXECUTED AND DELIVERED. THE UNDERWRITERS HAVE THE RIGHT, BUT ARE UNDER NO OBLIGATION, TO WAIVE ANY SUCH FAILURE.

Change in Law. Subsequent to the Initial Closing, the Underwriter may terminate the Forward Delivery Purchase Contract, without liability, by notification to the Authority if, at the Delayed Delivery Closing, as a result of a Change in Law, the Underwriter is or would be prohibited either from lawfully accepting delivery of and paying for the Offered Bonds in accordance with the provisions of the Forward Delivery Purchase Contract or from lawfully selling and/or delivering the Offered Bonds to bona fide purchasers.

Under the Forward Delivery Purchase Contract, a “Change in Law” means:

- (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies;
- (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Delayed Delivery Closing);
- (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delayed Delivery Closing);
- (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case, would (A) as to the Underwriter, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from (1) accepting delivery of and paying for the Offered Bonds in accordance with the provisions of this Purchase Contract or (2) selling the Offered Bonds or beneficial ownership interests therein to bona fide purchasers, or (B) as to the Authority, would (1) make the sale or issuance and delivery of the Offered Bonds illegal (or have the retroactive effect of making such sale, issuance, or delivery illegal, if enacted, adopted, passed or finalized), (2) eliminate the exclusion from State of Illinois income tax of interest with respect to the Offered

Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized), (3) require the Offered Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (or have the retroactive effect of requiring such registration or qualification if enacted, passed, finalized, or adopted); provided, however, that such change in or addition to law, legislation, rule or regulation, or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, or been proposed or been issued, as the case may be, subsequent to the date of execution of this Purchase Contract; or

- (v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the execution and delivery, offering, or sale of the Offered Bonds, or the delivery of the Resolution is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended.

Issuance of Legal Opinions. It is a condition to the execution and delivery of the Offered Bonds at the Delayed Delivery Closing that Bond Counsel deliver its final approving opinion in substantially the form attached hereto as Appendix C. The ability of Bond Counsel to deliver such an opinion at the Delayed Delivery Closing is subject to its review and analysis as of the Delayed Delivery Closing of certain matters, including, among others, pertinent provisions of statutes, regulations, rulings and court decisions, including, but not necessarily limited to, Illinois law and federal income tax law then in effect or proposed to be in effect. Bond Counsel has advised the Authority and the Underwriter that, subject to such review and analysis and certain assumptions, it expects to be able to issue at the Delayed Delivery Closing an opinion substantially in the form attached hereto as Appendix C. Execution and delivery of the Offered Bonds at the Delayed Delivery Closing is further conditioned upon the receipt of the other opinions of Bond Counsel and other counsel (as further described under the caption “LEGAL MATTER”) as to the continued accuracy of their opinions as to certain additional legal matters, and relating to the continued accuracy or adequacy of the Official Statement, initially addressed in the respective opinions delivered by such counsel in connection with the Initial Closing.

***Ratings.* The assignment of a rating of “AAA” and “Aaa,” respectively by Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc., to the Offered Bonds is a condition of the obligation of the Underwriter to accept delivery of and pay for the Offered Bonds at the Delayed Delivery Closing. See “RATINGS” herein.**

Financial Guaranty Insurance Policy. The Underwriter’s obligation to accept and pay for the Bonds and is also conditioned upon the Bond Insurer issuing the Financial Guaranty Insurance Policy insuring the Offered Bonds.

Delayed Delivery Contract with Prospective Bond Holders

Each person placing an order for the Offered Bonds which is accepted by the Underwriter will be required to execute a document (a “Delayed Delivery Contract”), in substantially the form set forth in Appendix I hereto, in which such person acknowledges and agrees that it has reviewed this Official Statement in its entirety and has placed such an order with full knowledge and understanding of the Delayed Delivery Closing Conditions and risks and that it is obligated to purchase the Offered Bonds which are the subject of such order, so long as the conditions of the Forward Delivery Purchase Contract for the Delayed Delivery Closing of the Offered Bonds are satisfied.

Delayed Delivery Risks

The Authority anticipates that the Offered Bonds will be executed and delivered on or about May 31, 2005. Delivery of the Offered Bonds is contingent upon the delivery of certain certificates, reports, documents and legal opinions and the satisfaction of certain other conditions as of the Delayed Delivery Closing, as provided in the Forward Delivery Purchase Contract and described under the subcaption “Conditions to Delayed Delivery Closing” above.

During the period of time between the date hereof and the Delayed Delivery Closing (the “Delayed Delivery Period”), certain information contained in this Official Statement could change in one or more material respects. The Authority has agreed to provide to purchasers of the Offered Bonds an updated form of this Official Statement at least ten days prior to the Delayed Delivery Closing. Purchasers of the Offered Bonds will be subject to this and other risks, some of which are described below, and which will not constitute grounds for such purchasers to refuse to accept delivery of and pay for the Offered Bonds.

Secondary Market Risk. While the Underwriter may make a secondary market in the Offered Bonds during the Delayed Delivery Period, there can be no guarantee that the Underwriter will be successful in establishing such a secondary market, or, if a secondary market is established, that it will be maintained or that the Offered Bonds can be sold for any particular price. **Prospective purchasers of the Offered Bonds should assume that the Offered Bonds will be illiquid throughout the Delayed Delivery Period.**

Market Value Risk. The market value of the Offered Bonds as of the Delayed Delivery Closing may be affected by a variety of factors including, without limitation, general market conditions, the ratings on the Offered Bonds, the financial condition and business operations of the Authority, and federal and state income tax and other laws. The market value of the Offered Bonds at the Delayed Delivery Closing, therefore, could be greater or less than the purchase price agreed to be paid by the initial purchasers thereof, and the difference could be substantial. The purchasers will, nevertheless, be obligated to take delivery of and pay for the Offered Bonds if the Conditions to Delayed Delivery Closing described above are satisfied. Neither the Authority nor the Underwriter makes any representation as to the market price of the Offered Bonds as of the Delayed Delivery Closing.

BONDHOLDERS' RISKS

No person should purchase any Offered Bonds without carefully reviewing the following information which summarizes some, but not all, of the risks related to an investment in such Bonds.

As of July 31, 2004, of the Mortgage Loans listed in Appendix D, Drexel Terrace/Woodlawn Manor funded by the Prior Bonds, was delinquent in payment in excess of 60 days. The total outstanding principal amount in delinquency is approximately \$3 million, and the Authority has initiated foreclosure proceedings against this Development.

Dependence on Trust Fund

The Real Estate Transfer Taxes transferred to the Trust Fund is one of the primary sources of cash flow needed to pay the debt service with respect to the Offered Bonds under the Bond Program. To that end, the Authority will annually certify to the Department of Revenue on or about July 1 of each year the amount of Trust Fund Moneys required to be withdrawn from the Trust Fund and deposited into the Real Estate Transfer Tax Fund, up to an aggregate maximum of \$10,000,000 in any Fiscal Year which is needed to pay that portion of the debt service on the Bonds to be paid from Trust Fund Moneys, for so long as the Bonds are Outstanding. The availability of the amounts required to be deposited with the Trustee from the Trust Fund will depend on the continued collection of Real Estate Transfer Taxes and their deposit in the Trust Fund by the State. See "ILLINOIS REAL ESTATE TRANSFER TAX ACT" herein and Appendix G hereto. Trust Fund Moneys are not part of the Trust Estate until the Authority certifies or dedicates them for transfer and they are deposited into the Real Estate Transfer Tax Fund. While the interest payment dates on the Bonds have been fixed to mitigate the effect of any budgeting delays in the collection or transfer of funds to the Trust Fund or from the Trust Fund to the Trustee there can be no assurances that such delays will not occur. Deposits into the Trust Fund are subject to annual appropriation by the General Assembly of the State to the Department of Revenue. The State has agreed in the Affordable Housing Act for the benefit of holders of the Bonds that the State will not limit or alter the basis on which Trust Fund Moneys are to be collected and paid to the Authority as provided in the Affordable Housing Act, or the use of such funds, and the State will not take any action or repeal or reduce the Real Estate Transfer Tax so as to impair the terms of any such contract.

Adequacy of Revenues; Occupancy and Operating Costs

Revenues derived from the Mortgage Loans to Financed Developments are expected to be one of the two primary sources of funds for payment of Principal of and interest on the Bonds. The security of the Bonds will depend not only on Revenues derived from the Developments purchased or financed by the Outstanding Bonds, but also on Revenues derived from Developments which may be financed by the Prior Bonds and future Series of Bonds. No guarantee as to the amount of Revenues from any Mortgage Loan can be given. The amount of Revenues of each Development will be subject to various conditions which cannot be accurately predicted in all material respects, and which may be beyond the control of the Authority, including, but not limited to, inadequate occupancy or inability to maintain or raise rental rates due to (i) the income limitations on tenants, (ii) insufficient tenant demand, (iii) competition from alternative housing facilities and financing sources, (iv) competition from other subsidized

housing programs and facilities, including other facilities owned and operated by the Authority, (v) unacceptable rental rates, including by reason of rent restrictions imposed by the Bond Program or applicable HUD regulations, (vi) unattractive facilities, amenities or location, (vii) inadequate management or maintenance, (viii) general or local economic conditions, and (ix) bankruptcy and other factors.

Housing Assistance Payments

General. One of the Financed Developments, Anchor House, located in the City of Chicago, is the subject of housing assistance payments on behalf of eligible families under the Section 8 Housing Assistance Program pursuant to a Housing Assistance Payments Contract with HUD. The obligation of HUD to fund housing assistance payments under a Housing Assistance Payment Contract is an obligation of the United States of America. However, such obligation will be subject to the terms of a Housing Assistance Payment Contract (the “HAP Contracts”) which will permit reduction, abatement or termination of such payments in certain cases. Violation of the provisions of HAP Contracts gives rise to various remedies, including termination of the housing assistance payments. See “Appendix E – Description of the Section 8 Housing Assistance Payments Program and the HAP Contracts.” Such obligation is also subject to restrictions in annual budgetary appropriations to HUD and changes in HUD regulations, which may delay or reduce housing assistance payments.

Termination, Abatement, Limitation and Expiration. Any HAP Contract may be terminated by HUD prior to the applicable termination date after notice, if the Mortgagor violates, fails to comply with or evidences an intention not to perform provisions of or obligations under the HAP Contract or any tenant lease with respect to the Development which is the subject of housing assistance payments. Housing assistance payments may be abated in whole or in part if HUD determines that the Mortgagor is not maintaining units in this Development in a decent, safe and sanitary condition. Further, the current maximum aggregate annual amount of housing assistance payments payable under the HAP Contract for the Anchor House Development is approximately \$725,000 at 100 percent occupancy (subject to reduction or increase under certain circumstances).

If housing assistance payments are terminated or abated, in order to pay operating costs of any Section 8 Development and debt service on the related Mortgage Loan, the Mortgagor will be required to collect increased rents. In such case, it is unlikely that the Mortgagor will be able to charge and collect sufficient rents from existing tenants and maintain sufficient occupancy with existing tenants to pay operating costs of the affected Development and debt service on the related Mortgage Loan and, consequently, it will be necessary for the Mortgagor to seek new tenants capable of paying the required increased rents. Under such circumstances, the Authority expects that it will take an extended period to obtain the necessary new tenants, and, consequently, that the revenues derived from such Development during such period may not be sufficient to cover the operating expenses of such Development and the debt service payments on the related Mortgage Loan.

The HAP Contract for the Anchor House Development expires on April 30, 2005. Pursuant to the Grant Agreement (as defined below), City of Chicago grant moneys will be made available to subsidize this Development if the HAP Contract entered into with respect to this

Development is not renewed. See “THE BOND PROGRAM – Section 8 and Subsidized Developments.”

Vacancies. If a vacancy occurs in such Development, under certain conditions, HUD is obligated to make housing assistance payments with respect to the vacant unit in such Development for up to the full amount for the remainder of the month in which the vacancy occurred and for the next month in an amount equal to 80 percent of the contract rent as defined in the HAP Contract. The Mortgagor is permitted to request additional housing assistance payments for a maximum of 12 months, subject to certain limitations. See “Appendix E – Description of the Section 8 Housing Assistance Payments Program and the HAP Contracts.” The economic feasibility of any Section 8 Development, therefore, depends in large part upon its being nearly fully occupied. It is possible that there may be difficulties in keeping such Development almost fully occupied in future years.

Adequacy of Contract Rents. Housing assistance payments are based on the contract rent rates permitted by the HAP Contracts, which are subject to certain adjustments pursuant to the HAP Contract. If expenses of any Section 8 Development should increase without corresponding increases in the Contract Rents, the ability of such Development to produce sufficient Revenues to enable the Mortgagor to pay operating expenses of such Development and debt service requirements with respect to the Bonds may be adversely affected.

Delays in Payment by HUD. Over the last several years, the Authority has experienced delays in receiving Section 8 housing assistance payments from HUD. Future delays may result in the use of certain reserves to fund operating expenses of Section 8 Developments pending receipt of overdue payments from HUD.

Obligations of Borrower Are Nonrecourse

The obligations of the Mortgagors under the Multi-Family Mortgage Loan Documents are nonrecourse obligations (other than certain construction period guarantees and indemnification obligations to the Authority which are not pledged to secure payment of debt service on the Bonds), and such Mortgagors will have no personal liability to make payments under such Multi-Family Mortgage Loan Documents (except as noted above). The only source of payment for each Mortgage Loan financed is the Development financed. See “SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS.” The ability of the Authority to make debt service payments on the Bonds is dependent on, among other factors, the Revenues derived from the Mortgage Loans.

Adequacy of the Developments as Security

The security for the Bond includes the pledge of the Mortgages for the applicable Developments, which have been granted or assigned in favor of the Authority and assigned to the Trustee under the Resolution. If the Borrower, under any Mortgage Loan, fails to make sufficient and timely payments required under the applicable loan documents, it may be necessary for the Authority and the Trustee to exercise their remedies under the applicable mortgage and other security documents, including foreclosure. See Appendix D and “SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS – Mortgage.”

There can be no assurance that if and when it becomes necessary to foreclose against any of the Developments or to realize amounts from the sale thereof, that resulting proceeds or Revenues, if such Development is retained and operated, would be sufficient when added to available Trust Fund Moneys to pay the debt service on the Bonds in full when due and, if such Development is retained and operated, the operating expenses thereof. The Trustee is not in the business of operating facilities such as the Developments and any amounts which might be realized from operation of the Developments are uncertain. Further, attempts to foreclose under the Mortgages and the other security documents or to obtain other remedies under such documents, the Resolution, the Multi-Family Mortgage Loan Documents or any other documents relating to the Bonds may be met with protracted litigation and/or bankruptcy proceedings, which could cause delays, and a court may decide not to order specific performance of covenants contained in such documents. Thus, there can be no assurance that upon the occurrence of an event of default with respect to the Mortgage Loan that the person foreclosing will be able to obtain possession of the applicable Development or generate proceeds of sale or Revenues from such Development, or obtain other relief, in a timely fashion.

There can also be no assurance that the various payment and performance bonds, letters of credit or cash reserves pledged to the Authority as additional security for the completion of construction or rehabilitation and to cover operating deficits in connection with financing Developments will be sufficient to cover such contingencies or that the providers of such instruments will be sufficiently creditworthy to honor claims made thereunder.

Authority Discretion as to Bonds, Mortgage Loans and Developments

The Authority has broad discretion to issue additional Series of Bonds, subject to the restrictions discussed under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations.” Thus, the Authority may issue Bonds on such terms as it shall determine, including, but not limited to, terms related to aggregate principal amount, interest rates (whether fixed or variable), principal and interest payment dates (including terms for deferred interest or zero coupon bonds), maturities, redemptions and mandatory purchases (or balloon debt payments), subject to compliance with certain coverage ratios. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Coverage Ratios.” The terms of any future Bonds may affect the security of the Offered Bonds because all Senior Lien Bonds will be equally and ratably secured by the Pledged Property under the Resolution. EACH POTENTIAL PURCHASER OF THE OFFERED BONDS SHOULD RECOGNIZE THAT SO LONG AS THE AUTHORITY SATISFIES THE TESTS RELATING TO ISSUANCE OF ADDITIONAL SERIES OF BONDS, NO OWNER OF THE OFFERED BONDS SHALL BE REQUIRED TO CONSENT TO ISSUANCE OF ANY ADDITIONAL SERIES OF BONDS AND WILL BE RELYING ON THE DISCRETION OF THE AUTHORITY SELECTING DEVELOPMENTS TO BE FINANCED, AND ESTABLISHING TERMS FOR FUTURE SERIES OF BONDS, AND THE AUTHORITY’S EXPERIENCE IN ADMINISTERING BOND PROGRAMS AND SIMILAR MORTGAGE LOANS.

Similarly, the Authority has broad discretion to determine or approve all matters related to the financing of Developments, and to work out or restructure troubled Developments. See “THE BOND PROGRAM” and “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Covenants Relating to Multi-Family

Mortgage Loan Program – Enforcement and Foreclosure of Mortgages.” The success of the multi-family component of the Bond Program will be particularly dependent on the ability and experience of the Authority, its management and staff in selecting the future Developments to be financed. See “THE AUTHORITY – Management” and “OTHER PROGRAMS.”

Information as to Revenues and Debt Service, Nature of Historic or Projected Data

The Authority relies on information provided to it by Borrowers and outside consultants as well as projected data it develops in underwriting Mortgage Loans. When structuring a Series of Bonds, the Authority will make certain assumptions, including assumptions as to (i) the timing of the receipt of payments from Mortgage Loans, (ii) expenditures on Developments expected to be financed from the proceeds of such Series of Bonds, (iii) the investment income that will be earned on the investment of undisbursed proceeds of the Bonds, including amounts in any Multi-Family Mortgage Loan Account and Capitalized Interest Account of the Bond Proceeds Fund established with respect to such Series of Bonds, (iv) the receipt and investment of Mortgage Repayments on Mortgage Loans financed by such Series of Bonds, (v) the investment of amounts from the proceeds of such Series of Bonds held in the Debt Service Reserve Fund, if any, and (vi) amounts deposited and to be deposited in the Real Estate Transfer Tax Fund and available for the Bond Program. See “THE BOND PROGRAM – Multi-Family Mortgage Loan Underwriting Criteria” herein for a description of the assumptions underlying the underwriting of the Developments. While the Authority believes that these assumptions are reasonable, there can be no assurance that in all cases they will prove to be correct.

Enforceability of Remedies

The ability of the Trustee or the Bondholders to enforce the terms of the Resolution to realize upon the security provided thereby and otherwise to enforce the terms and agreements set forth in the Resolution will depend upon the exercise of various remedies set forth in such documents. These remedies may, in many respects, require judicial action which is often subject to discretion and delay. In addition, a court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Offered Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions and by bankruptcy, insolvency, reorganization or other laws affecting the enforceability of creditors’ rights generally.

Effect of Federal Bankruptcy Laws

The pledges securing the Offered Bonds are subject to federal bankruptcy laws. Such laws are generally designed to permit the continued lien on and application of pledged special revenues for payment of revenue bonds, notwithstanding the bankruptcy of a bond issuer. However, an issuer becomes subject to federal bankruptcy protection only if the issuer itself voluntarily seeks such protection and is found to be insolvent (generally, not paying or being unable to pay its debts as they become due). Federal bankruptcy laws grant courts various powers, including the authority to (i) in connection with revenue bonds, direct pledged revenues first to the payment of operating expenses, (ii) apply pledged funds for emergency or other purposes, (iii) permit the issuer’s incurrence of new debt secured on a senior or parity basis with previously pledged revenues (if the court concludes that adequate protection is provided to the

prior bondholders), and (iv) adjust an issuer's obligations to bondholders without the consent of such holders if, among other things, the reorganization plan provides either that deferred cash payments to holders be made having a present value equal at least to the value of the holders' interest in the collateral or that holders receive the "indubitable equivalent" of their claims. The automatic stay provisions, preventing collection of payments by creditors, are expressly not applicable to collection of pledged special revenues; although it is not presently settled whether such restriction applies only to funds held by the issuer itself and not by an indenture trustee.

Damage or Destruction

The Authority will require that each Mortgagor participating in the Bond Program maintain certain insurance for each Development as set forth under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS – Mortgage – Covenants of the Mortgagor." However, there can be no assurance that the Mortgagors will not suffer losses for which insurance or other security cannot be or has not been obtained or that the amount of any such loss, or in the case of business interruption insurance for Developments, the period during which the Developments cannot generate Revenues, will not exceed the coverage of such insurance policies. See "SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS – Mortgage."

THE OFFERED BONDS

General

The Offered Bonds will be dated their date of delivery and are issuable only in registered form in denominations of \$5,000 or any integral thereof.

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

The Offered Bonds will bear interest from their dated date at the respective rates set forth on the inside cover page, payable semiannually on each June 1 and December 1, with the first interest payment date being December 1, 2005.

Redemption

Special Redemption

The Offered Bonds are subject to special redemption at the option of the Authority, at any time, in whole or in part, at a Redemption Price equal to the principal amount of the Offered Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption without

premium from (a) Prepayments with respect to any Mortgage Loans financed from the proceeds of any Bonds; provided, however, that no such Prepayments will be applied by the Authority to cause a special redemption of the Offered Bonds prior to June 1, 2015, (b) Recovery Payments (including without limitation proceeds received through a refunding of the Offered Bonds occasioned by proceedings arising from an event of default under a Mortgage) with respect to any Mortgage Loans financed from the proceeds of any Bonds, except that Offered Bonds shall not be subject to such redemption from Recovery Payments attributable to the Mortgage Loan for the Financed Development known as Drexel Terrace/Woodlawn Manor (total outstanding principal amount in delinquency is approximately \$3 million), as listed in Appendix D, which as of July 31, 2004, was delinquent in payment in excess of 60 days, and against which the Authority has initiated foreclosure proceedings, (c) any moneys available from a reduction in the Debt Service Reserve Fund Requirement, and (d) any available moneys on deposit in the Surplus Fund after June 1, 2015; provided, however, that a redemption pursuant to clause (a) or (b) above shall not be made with Prepayments or Recovery Payments derived from Single Family Mortgage Loans.

Any special redemption of the Offered Bonds pursuant to the foregoing paragraph shall be on a pro rata basis among all maturities of the Offered Bonds of the Series to be redeemed, unless the Authority shall either (a) deliver to the Trustee, the Bond Insurer and the Rating Agency a Cash Flow Statement demonstrating that the projected numerical value of the Multi-Family Mortgage Revenue Bond Coverage Ratio as of each future interest payment date as set forth in the Cash Flows shall not be less than the numerical value of such ratio as projected in the Cash Flow Statement then on deposit with the Trustee, or (b) obtain the written consent of the Bond Insurer to such redemption; provided that a redemption pursuant to clause (d) above shall be on any basis without the necessity of delivering any Cash Flow Statement or obtaining the consent of the Bond Insurer.

Optional Redemption

On or after June 1, 2015, the Offered Bonds are subject to redemption at the option of the Authority, in whole or in part, on any date in any order of maturity and by lot within a maturity, from any moneys available for such purpose, at the Redemption Price of par, plus accrued interest, if any, to the date fixed for redemption.

Sinking Fund Redemption

The Offered Bonds maturing December 1, 2015, are subject to mandatory redemption in part by lot, on June 1 and December 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such Offered Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>	<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
December 1, 2005	\$ 480,000	June 1, 2011	\$ 680,000
June 1, 2006	510,000	December 1, 2011	690,000
December 1, 2006	520,000	June 1, 2012	710,000
June 1, 2007	540,000	December 1, 2012	745,000
December 1, 2007	545,000	June 1, 2013	755,000
June 1, 2008	570,000	December 1, 2013	775,000
December 1, 2008	585,000	June 1, 2014	805,000
June 1, 2009	605,000	December 1, 2014	815,000
December 1, 2009	615,000	June 1, 2015	855,000
June 1, 2010	635,000	December 1, 2015 †	865,000
December 1, 2010	655,000		

† Final maturity

The Offered Bonds maturing December 1, 2022, are subject to mandatory redemption in part by lot, on June 1 and December 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such Offered Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>	<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
June 1, 2016	\$ 905,000	December 1, 2019	\$ 1,115,000
December 1, 2016	920,000	June 1, 2020	1,135,000
June 1, 2017	950,000	December 1, 2020	1,180,000
December 1, 2017	990,000	June 1, 2021	1,215,000
June 1, 2018	1,005,000	December 1, 2021	1,260,000
December 1, 2018	1,050,000	June 1, 2022	1,285,000
June 1, 2019	1,075,000	December 1, 2022 †	555,000

† Final maturity

The Offered Bonds maturing June 1, 2027, are subject to mandatory redemption in part by lot, on June 1 and December 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such Offered Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>	<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
June 1, 2023	\$ 575,000	December 1, 2025	\$ 670,000
December 1, 2023	590,000	June 1, 2026	690,000
June 1, 2024	610,000	December 1, 2026	715,000
December 1, 2024	630,000	June 1, 2027 †	745,000
June 1, 2025	660,000		

† Final maturity

The Sinking Fund Installments on the Offered Bonds maturing on any date may be reduced by the redemption of those Offered Bonds, other than pursuant to Sinking Fund Installments on the Offered Bonds (or by the purchase of those Offered Bonds from money otherwise to be used for such a redemption not pursuant to Sinking Fund Installments), on or prior to the due date of the particular Sinking Fund Installments, as shall be specified by the Authority. The total credit against Sinking Fund Installments shall equal the principal amount of the Offered Bonds so redeemed or purchased. The Authority, at the time of giving notice to the Trustee of an election or direction to redeem Offered Bonds, shall specify any Sinking Fund Installments against which the redemption will be credited and the notice of the redemption shall also include that information. Notwithstanding the foregoing, prior to making any reduction in the Sinking Fund Installments pursuant to the foregoing other than on a pro rata basis among all maturities, the Authority shall either (a) deliver to the Trustee, the Bond Insurer and the Rating Agency a Cash Flow Statement demonstrating that the projected numerical value of the Multi-Family Mortgage Revenue Bond Coverage Ratio as of each future interest payment date as set forth in the Cash Flows shall not be less than the numerical value of such ratio as projected in the Cash Flow Statement then on deposit with the Trustee; or (b) obtain the written consent of the Bond Insurer to such redemption.

General Redemption Provisions

As long as the Offered Bonds are held by Cede & Co., as nominee of DTC, notice of any redemption will be mailed not less than 30 days and not more than 60 days prior to the date set for redemption 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 Bondholder (as defined below) will not affect the validity of the proceedings for the redemption of the Offered 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 Offered Bonds.**

If the Offered Bonds are not held by the nominee of DTC or the nominee of any successor securities depository, notice of any redemption will be mailed, postage prepaid, at least 30 days but no more than 60 days prior to the date established for the redemption of Offered Bonds to the Bondowners of the Offered Bonds, or portions thereof, to be redeemed at their last addresses, if any, as they appear on the registry books of the Authority, but such mailing is not a condition precedent to such redemption and failure to so mail such notice will not affect the validity of the proceedings for the redemption of Bonds. Redemption notices shall be sent by first class mail and, in addition, by certified mail, return-receipt requested, to the Bondholders or beneficial owners owning \$1 million or more in Principal of the Bonds of a Series subject to redemption. For purposes of these provisions, a beneficial owner is as defined below under "Book-Entry Only System," provided that such beneficial ownership is established to the satisfaction of the Trustee.

Redemption notices shall also be sent by certified mail, return-receipt requested, "FAX" or overnight delivery service with the intention that they be received at least two days prior to the date of mailing of notices to Bondholders, to the following depository institutions: (i) The Depository Trust Company and (ii) Philadelphia Depository Trust Company. If any such trust company ceases operations, notices shall be sent to its successor (if any). Redemption notices shall also be sent by certified mail, return-receipt requested, or by facsimile or overnight delivery service, at least 30 days but not more than 60 days prior to the redemption date to two national information services that disseminate redemption information selected by the Authority.

Such notice will specify the Series name and designation of Bonds being redeemed, redemption date, the redemption price, the date of original purchase, CUSIP numbers and interest rates and maturity dates of the Offered Bonds to be redeemed.

The Offered Bonds may be selected for redemption and redeemed in part from time to time shall be redeemed in one or more units of \$5,000 of Principal of such Bonds at maturity. The Offered 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, moneys for the redemption of all the Offered Bonds or portions thereof of any like Series of Bonds and maturity to be redeemed, together with interest to the redemption date, is held by the Trustee and Paying Agent so as to be available therefor on said date, then from and after the redemption date, interest on the Offered Bonds or portions thereof so called for redemption will cease to accrue and become payable.

A notice of redemption may be conditional. If the proposed redemption is conditional, it may be revoked by the Authority upon written notice delivered to the Trustee not less than one business day prior to the date fixed for redemption.

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 Underwriter believe to be reliable, but neither the Authority nor the Underwriter takes any responsibility for the accuracy or completeness thereof.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered 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 Offered 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 Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered 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 Offered 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 Offered 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 Offered 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.

DTC may discontinue providing its services as securities depository with respect to the Offered 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 Offered 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 Offered 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 OFFERED 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 OFFERED 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 OFFERED BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE OFFERED BONDS.

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

LaSalle Bank National Association, Chicago, Illinois, serves as Trustee under the General Resolution.

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

SOURCES AND USES OF FUNDS

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

Sources

Offered Bond Proceeds	\$ <u>34,480,000</u>
Total Sources	\$ <u><u>34,480,000</u></u>

Uses

Deposit to Redemption Account to Refund Refunded Bonds	\$ 33,904,800
Costs of Issuance ¹	273,500
Underwriter's Fees	<u>301,700</u>
Total Uses	\$ <u><u>34,480,000</u></u>

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1. Includes \$62,134 for a forward commitment fee for the Financial Guaranty Insurance Policy, the initial premium for the Financial Guaranty Insurance Policy and the premium for the Debt Service Reserve Fund Surety Bond.

THE BOND PROGRAM

General

The Bond Program has been developed by the Authority in response to the determination by the Illinois General Assembly that a shortage of affordable housing exists in the State. The Bond Program is intended to deal directly with three key factors related to the development of affordable housing: (1) the cost of available mortgage financing, (2) the monthly rental cost of housing units, and (3) the length of time it typically takes to process affordable housing loan applications.

The Bond Program has been structured so that funds obtained from the Trust Fund and amounts transferred from the Subsidy Fund for the Subsidized Developments will be available in addition to the Revenues and other amounts derived from Mortgage Loans to pay the debt service on the Outstanding Bonds. See "THE BOND PROGRAM – Section 8 and Subsidized Developments." The Authority has assigned and pledged to the Trustee for the benefit of the Holders of the Bonds any and all Trust Fund Moneys certified or dedicated to the Bond Program and deposited in the Real Estate Transfer Tax Fund. The Authority has agreed to certify annually to the Department of Revenue the amounts required to be withdrawn from the Trust Fund to pay that portion of debt service on the Bonds which is payable from Trust Fund Moneys as set forth in the Cash Flows delivered in connection with each Series of Bonds, up to the aggregate maximum of \$10,000,000 of Trust Fund Moneys available to the Bond Program in any

Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Real Estate Transfer Tax Fund” and “– Coverage Ratios” for certain information regarding amounts the Authority has certified (and anticipates certifying) for deposit in the Real Estate Transfer Tax Fund.

The Authority has agreed to not use any Trust Fund Moneys in any Fiscal Year for any other purpose prior to such time as the full amount required by the General Resolution and applicable Series Resolutions has been deposited into the Real Estate Transfer Tax Fund for such year. Notwithstanding the foregoing, the Authority is not precluded from certifying amounts pursuant to the Affordable Housing Act to pay administrative costs incurred in connection with the issuance of Bonds or the underwriting of Mortgage Loans financed with the proceeds of Bonds or for certain other costs permitted by the Affordable Housing Act incurred in connection with the issuance of Bonds to the extent specified in a Series Resolution. The Series 2004 Resolution permits the Authority to certify amounts for such costs only to the extent the Trust Fund Bond Coverage Ratio as in effect at the time of such certification has been met as demonstrated in a Certificate of an Authorized Officer delivered to the Bond Insurer and the Rating Agency.

In addition, pursuant to the Affordable Housing Act, the State has pledged and agreed with the holders of the Bonds issued pursuant to the Act that it will not limit or alter the rights and powers vested in the Authority by the Affordable Housing Act so as to impair the terms of any contract made by the Authority with such holders or in any way impair the rights and remedies of such holders until the principal and premium, if any, of the Bonds, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders are fully met and discharged. The State has further agreed with the holders of the Bonds that the State will not limit or alter the basis on which Trust Fund Moneys are to be collected and paid to the Authority as provided in the Affordable Housing Act, or the use of such funds, and the State will not take any action to repeal or reduce the Real Estate Transfer Tax so as to impair the terms of any such contract.

Pursuant to the Affordable Housing Act, Trust Fund Moneys may be transferred to the Authority or the Trustee on behalf of the Authority in connection with the Bond Program and may be held, pledged, applied or dedicated by the Authority for the following purposes, among others, (1) to secure affordable housing trust fund bonds and notes and (2) for costs of issuance and administration and to make the payments of principal, premium, interest or other amounts or expenses incurred or accrued in connection with affordable housing trust fund bonds or notes, including rate protection contracts and credit support arrangements. For other uses for which the Authority is authorized to use Trust Fund Moneys, see “THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Trust Fund.”

General Program Requirements

Under the Bond Program, the Authority provides for acquisition, construction or rehabilitation and permanent financing for multi-family Developments to increase the availability of affordable housing for low and very low-income households. Some Developments financed under the multi-family component will be mixed income units that

contain market-rate units. While single room occupancy projects may not be financed under the Bond Program efficiency or studio units may be included in Developments financed under the Bond Program.

To participate in the multi-family component of the Bond Program, Mortgagors must provide a minimum equity contribution in an amount equal to ten percent of the total Development costs. The equity contribution requirement may be satisfied by proceeds derived from the syndication of low-income housing tax credits (“Tax Credits”) provided for under Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”). The equity contribution, exclusive of Mortgagor’s fees, must be available at or prior to the time the Mortgage Loans are closed.

In the multi-family component of the Bond Program, each Development must contain a minimum number of affordable units. Rents on the affordable units will be restricted for the length of the Mortgage Loan term and certain other regulatory deed restrictions are placed on the Development. The Bond Program rules provided that at least 20 percent of the units in each Development must consist of affordable units. To meet this requirement a minimum of ten percent of the units in a Development must be affordable to and rented to very low-income households (households earning less than or equal to 50 percent of the area median income, adjusted for household size, as defined by HUD). The remaining percentage of units needed to meet the minimum 20 percent affordable criteria can then be affordable to and rented to either very low-income households or low-income households (households earning greater than 50 percent but less than or equal to 80 percent of the area median income, adjusted for household size, as defined by HUD). However, with respect to the Financed Developments financed with the proceeds of the Series 1995A Bonds, the Authority required that at least 40 percent of the units of each Development consist of affordable housing units. For any Developments using Tax Credits, some or all of the units in that Development may be further restricted by being affordable to and rented to households earning greater than 50 percent but less than or equal to 60 percent of the area median income, adjusted for household size, as defined by HUD. All but one of the Developments have used the Tax Credits.

In the multi-family component of the Bond Program, the commitment to fund a Mortgage Loan is made by the Authority after evaluating project feasibility, developer experience, ability and capacity and the ability of the Mortgagor to start construction. Additional criteria for selection will include: (a) the degree of affordability of the Developments, with preference for Developments providing the greatest number of units for families with the lowest incomes; (b) a net increase in the number of affordable housing units; (c) the appropriateness of the site for development; (d) the suitability of the Development design; (e) the marketability of the Development, as supported by a site and market study and marketing plans; (f) the strength of the Development team; (g) geographic distribution of Developments throughout the State; and (h) the degree to which the Development serves identifiable local housing needs. The multi-family component of the Bond Program is designed to expedite and shorten the time required for the processing of funding applications for affordable housing.

A regulatory restriction will be placed on each multi-family Development requiring that the designated number of units are, and will continue to remain, available for low and very low-income residents for the term of the Authority’s loan and any other restrictions deemed

appropriate to the Development. See “SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS – The Regulatory Agreement.”

While the Bond Program provides for the financing of single-family Mortgage Loans, none of the proceeds of the Refunded Bonds or the Prior Bonds were used for this purpose. Currently, the Authority does not contemplate issuing Additional Bonds for this purpose. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations.”

Section 8 and Subsidized Developments

The Authority has financed and may in the future finance Developments that are unable, based on their own projected Cash Flows, to satisfy the Mortgage Loan Underwriting Coverage Ratio, if government assistance or subsidy payments are not received by or pledged to the Authority, in an amount sufficient so that the projected Cash Flows for such Developments adjusted to take into account such payments satisfy the Mortgage Loan Underwriting Coverage Ratio. Three of the Financed Developments rely on such payments to satisfy the Mortgage Loan Underwriting Coverage Ratio. One of these Developments, Anchor House, is 100 percent subsidized by HUD under Section 8 of the United States Housing Act of 1937, as amended, pursuant to a HAP Contract that expires April 30, 2005. This Development upon the expiration and non-renewal of this HAP Contract will be, and two other Developments, Westwood Phase II and Jade Gardens, are, subsidized with amounts deposited by the City of Chicago in the Subsidy Fund created under the Resolution pursuant to the Trust Fund Bond Program Grant Agreement (the “Grant Agreement”), between the Authority and the City of Chicago, Illinois (the “City” or the “City of Chicago”). See Appendix D for descriptions of the Anchor House, Westwood Phase II and Jade Garden Developments.

Section 8 Assistance. Under a HAP Contract, the units in an assisted Development must be leased to eligible tenants for use and occupancy solely as private dwellings. Pursuant to HAP Contract, HUD has agreed to pay housing assistance payments on behalf of eligible tenants, to enable such tenants to lease decent, safe and sanitary housing pursuant to Section 8. The HAP Contract for the Anchor House Development will expire on April 30, 2005. No assurance can be given that the HAP Contract for the Anchor House Development will be renewed.

HUD will commit a maximum total housing assistance payment for each rental unit in an assisted Development for each fiscal year (the “Maximum Contribution”) pursuant to each HAP Contract. The Maximum Contribution is based on the total of the gross rents for all of the units in the applicable Development phase. The Maximum Contribution required to be made by HUD under the HAP Contract for the Anchor House Development is approximately \$779,424 at 100 percent occupancy.

The HAP Contracts entered into by HUD with respect to an assisted Development provide for payment to the Mortgagor of an amount equal to the difference between Contract Rents (such rents, as established by the HAP Contracts for each of the units in the assisted Development being herein referred to as the “Contract Rents”) and the amount required to be paid by an eligible tenant, as determined by the Mortgagor in accordance with schedules and criteria established by HUD (the “Tenant Rent”). HUD has approved the current Contract Rents for the Anchor House Development. Amounts payable by an eligible tenant may not exceed 30

percent of the tenant's adjusted income. If a vacancy occurs, HUD is obligated to make housing assistance payments, under certain conditions, with respect to the vacant unit in this Development for up to the full amount for the remainder of the month in which the vacancy occurred and for the next month in an amount equal to 80 percent of the Contract Rent. The Mortgagor is permitted to request additional housing assistance payments for a maximum of 12 months, subject to certain limitations.

The term "Eligible Tenants," for Section 8 purposes with respect to any Development, means, generally, elderly and handicapped individuals and families whose incomes do not exceed 50 percent of the median income for the area as determined by HUD, adjusted for family size.

The Mortgagor must diligently market units available and to be available in the Development, taking all feasible actions to fill vacancies or prospective vacancies. The Mortgagor may not reject any eligible applicant except for good cause acceptable to HUD. Marketing must be in accordance with the HUD-approved Affirmative Fair Housing Marketing Plan, HUD-approved tenant selection criteria, and all applicable fair housing and non-discrimination laws and regulations. See "Appendix E – Description of the Section 8 Housing Assistance Payments Program and the HAP Contracts" and "BONDHOLDERS' RISKS – Housing Assistance Payments."

City of Chicago Assistance. Under the Grant Agreement with the City of Chicago, to induce the Authority to make Mortgage Loans for the Anchor House, Westwood Phase II and Jade Garden Developments (the "Subsidized Developments"), which without government assistance or subsidy would not qualify under the Authority's underwriting criteria, the City agreed to deposit funds in trust for the benefit of the Subsidized Developments in the Subsidy Fund created under the Resolution with the Trustee, which are sufficient when added to the projected revenues of such Developments to permit such Developments to satisfy the Authority's underwriting criteria. Amounts on deposit in the Subsidy Fund only become Pledged Property when they are transferred to the Bond Fund. In the case of the Anchor House Development, which is also the beneficiary of Section 8 housing assistance payments, such subsidy will only be needed if the related HAP Contract is not renewed when it expires on April 30, 2005.

Pursuant to the Grant Agreement, the City deposited with the Trustee \$3,861,705 from its corporate fund from which payments will be made to satisfy in part the principal and interest payment obligations under the applicable Mortgage Loan with respect to principal and interest (the "Grant"). The Grant is specifically allocated among the three Subsidized Developments. The Grant moneys allocated to the Anchor House Development will pay principal and interest on the Anchor House Development only to the extent that the HAP Contract relating to such Development is not renewed or is renewed with reduced housing assistance payments.

Moneys held by the Trustee representing the Grant are to be invested and reinvested by the Trustee at the direction of the Authority in Permitted Investments. Investment earnings on the Grant are to be used with the Grant moneys to pay a portion of this principal and interest due on the Mortgage Loans made by the Authority for the Subsidized Developments. The Authority is responsible for any investment loss incurred with respect to Grant moneys due to the failure of the Authority to invest such moneys in Permitted Investments and the Authority, under such

circumstances may not seek to recover the amount of such loss from the Mortgagors of the Subsidized Developments. There have been no investment losses to date. The Authority with respect to any other such investment losses and reinvestment may seek to recover the amount thereof from such Mortgagors.

The Grant must be repaid to the City upon the occurrences of certain limited events. See “SUMMARY OF CERTAIN PROVISIONS OF THE GRANT AGREEMENT – Terms of the Grant.” For a description of the remedies available to the City under the Grant Agreement should the Authority default in its obligations thereunder, see “SUMMARY OF CERTAIN PROVISIONS OF THE GRANT AGREEMENT – Events of Default.”

See “SUMMARY OF CERTAIN PROVISIONS OF THE GRANT AGREEMENT” for a summary of the Grant Agreement and Appendix D for a description of the Subsidized Developments.

Multi-Family Mortgage Loan Underwriting Criteria

Mortgage Loans made under the Bond Program are currently expected to meet the following loan requirements: (a) loan amounts will be between \$1 million and \$12 million; (b) the Mortgage Loan interest rate will be below then current market interest rates for similar projects; (c) once the related construction or rehabilitation period ends (if applicable), the principal amount of the Mortgage Loans will fully amortize over terms between 20 to 25 years; (d) have construction or rehabilitation periods of up to 18 months; and (e) the Mortgage Loans will be secured by a first mortgage lien on the Development except for such nonmaterial exceptions to title as in the discretion of the Authority will not impair the value of the property and any liens that are insured over by the title policy insuring the Mortgage.

See Appendix D hereto for certain information regarding the Financed Developments.

Under the Bond Program, 20 to 40 percent of the units in each multi-family Development must consist of affordable units. Rents of units designated as very low-income units may not exceed, including utility allowance, 30 percent of the maximum allowable income for a very low-income household, as defined by HUD, adjusted for unit size and based on location of the Development. Rents for units designated as low-income units also may not exceed, including utility allowance, 30 percent of the maximum allowable income for low-income households as determined by HUD, adjusted for unit size based on the location of the Development. In each case, in calculating the maximum allowable rent, the Authority will typically assume occupancy of 1.5 persons per bedroom. Any units not designated as affordable shall be considered market rate units and rents for such units will be based on prevailing market conditions.

Preference may be given to Developments with higher debt service coverage ratios. In underwriting Developments under the Bond Program, the Authority will generally assume a vacancy rate of seven percent. The Authority may raise this vacancy rate up to ten percent for some Developments. Management fees must be limited to eight percent of effective gross income for any Development and will be based upon the total number of units included in the Development. The Authority examines operating cost assumptions, including those respecting real estate taxes and insurance, which are expected to be based on comparisons of similar buildings owned or managed by the applicant and/or the management agent. The Authority

compares operating cost assumptions to the performance of the Authority's own development portfolio. The Authority will require that a replacement reserve fund be established for all Developments that propose moderate rehabilitation. On an annual basis, all Mortgagors are expected to provide, out of operating income, an amount equal to \$250 per unit per year or such other amount as the Authority may specify for an ongoing replacement reserve. These reserves, while pledged to the Authority to secure the Mortgage Loans, are not pledged to the Trustee as security for the Bonds.

Developer fees will be limited to a maximum of ten percent of total Development costs. If an identity of interests exists between the applicant and other members of the Development team, the Authority will examine the reasonableness of all fees for conformance with the foregoing Bond Program policy.

During construction or rehabilitation, Mortgagors are permitted to capitalize interest by making interest payments from proceeds of the Mortgage Loans. In addition, the Mortgagors may capitalize taxes and insurance premiums during such period through payments from the proceeds of the Mortgage Loans. During the term of each Mortgage Loan, the Mortgagor is required to fund tax and insurance escrows in amounts sufficient to pay taxes and insurance premiums as they become due. Generally, each Mortgagor is required to provide the Authority with two letters of credit, the first securing the availability of working capital for the Development being financed for such Mortgagor during construction, which letter of credit may not expire until one year after the date the Authority authorizes final disbursement of the Mortgage Loan proceeds and the second protecting the Authority should such Development incur an initial operating deficit, which letter of credit may not expire, until one year after the Development financed has reached sustaining occupancy and has maintained a Mortgage Loan Maintenance Coverage Ratio of not less than 1.15 to 1 for four consecutive quarters. Generally, each such letter of credit must have a face amount equal to at least three percent of the Mortgage Loan amount for the related Development. Neither such escrows nor the right to draw against such letters of credit will be pledged to the Trustee and the Authority may waive or modify these requirements.

Eligible applicants include experienced, private, limited-profit developers, not-for-profit developers, or a combination of these entities. Eligible applicants must also have experience in and a demonstrated commitment to affordable housing. The Authority, in its underwriting process, reviews the constituency of the Development team, including the applicant, consultant, architect, general contractor, attorney and management agent. The team must demonstrate to the Authority the experience necessary in affordable housing to achieve success with the proposed Development. Financial capacity and the ability to manage the Development over a long term are also factors evaluated by the Authority in reviewing the Development team's experience.

At the time an application is submitted, the applicant must have site control. Site control can be evidenced by a deed or interest in the property in the form of a purchase contract or option.

Applicants must agree to conform to the design and construction standards established by the State and the Authority and to state and local laws and ordinances.

Mortgage Loan Processing

In seeking to determine that Developments to be financed by Bonds qualify for the Bond Program and are financially sound, the Authority currently processes applications from Mortgagors for multi-family housing Mortgage Loans generally through the various processing stages described below. However, due to the many differences among Mortgage Loans, procedures and processing stages for any particular Development may differ from those described. The Bond Program underwriting process commences when an application for a Mortgage Loan is filed on a form prescribed by the Authority. Initially, the Authority's staff reviews the application and certain Mortgagor certifications to assure that the application is complete and that the proposed Development satisfies the criteria and objectives of the multi-family component of the Bond Program. If the application satisfies the requirements of this initial review, an in depth review is commenced. This review includes an examination of the information included in the application and a comparison of such information to comparable development information which the Authority maintains in its data base.

Preliminary Site Evaluation and Initial Feasibility Review. After the initial threshold review, a housing development officer is assigned to the Development. The housing development officer makes a preliminary physical inspection to determine that the site is well located, has few or no visible site problems and is likely a suitable site for the proposed Development. An initial project feasibility review consisting of an examination of the initial Development, costs, operating budget, proposed rental schedule and other project information is then undertaken by the Authority or by the development officer to determine initial acceptance and feasibility of the Development.

Initial Loan Committee and Letter of Intent. The development officer then prepares an initial Project Development Summary with a recommendation to the Loan Committee (comprised of senior Authority staff) to approve or deny the application. If the Loan Committee approves the application, a Letter of Intent is prepared and issued. The purpose of the Letter of Intent is to indicate that the Development is acceptable under the Bond Program, meets all criteria, and that the Authority intends to proceed with full application review. Following the execution of the Letter of Intent by the applicant and the payment of the required loan processing fee, the Authority will then undertake all required studies (as discussed below) to confirm the Development's acceptability and feasibility. After receipt from the applicant of an executed Letter of Intent and satisfaction of all Bond Program terms and conditions, the Authority then expects to present the Development to the Members of the Authority for funding approval. The Letter of Intent is not a commitment and all expenses incurred by the applicant are their risk.

Public Notice. Public notice is disseminated regarding all approved applications. Public notice letters are sent to public officials and agencies indicating that an application for funding has been received by the Authority and requesting comments. Such notices are sent to the County Board Chairperson where the Development is to be located, the Mayor or Chief Elected Official of any incorporated municipality in which a Development is to be located, if any, the General Assembly members representing the area in which the Development is to be located, the Illinois Historic Preservation Agency and the Illinois State Clearing House. Additionally, for Developments located in the City of Chicago the notice is sent to the Alderman of the ward in which the Development is to be located and the Chicago Planning Commission. The notice

requests that written comments be sent to the Authority and the applicant within 30 days. The applicant is required to respond in writing to all comments received and to submit copies of all correspondence to the Authority.

Site and Market Study Appraisal, Environmental Phase I, Construction Review and Cost Estimation. If a Letter of Intent is issued, the Authority undertakes or commissions the following studies and reviews to be undertaken on its behalf: a site and market study, an appraisal, an environmental assessment, an architectural and construction plan review and a cost estimation. The costs of these studies are paid by the applicant and are mortgageable. A site and market study is conducted by the marketing staff of the Authority or outside consultants hired by the Authority which analyzes the site characteristics, surrounding land uses, available utilities, transportation, employment opportunities, recreation and shopping facilities. The study includes a demographic analysis to determine population mobility trends and the potential market for the Development. The study also includes a review of the other rental units in the market area, the amenities offered, the comparative rental rates, the current vacancy rates and the absorption rates of these Developments. The Authority hires a certified MAI appraiser to prepare an appraisal for each Development. The appraisals for Developments requiring construction or rehabilitation will assume completion of such construction or rehabilitation and stabilized occupancy. All appraisals will take into account applicable rent restrictions. Each Development must comply with applicable requirements for local, state and federal environmental laws and regulations. For all multi-family Developments, the Authority will have a consultant prepare a Phase I assessment to determine and assess environmental issues relating to the site and proposed structures. If conditions warrant, a Phase II and Phase III assessment will also be required. As part of the Authority's construction review, the Authority hires an architect to review the final plans and specifications to determine that the plans and specifications are acceptable, conform to Bond Program standards, meet required material local, state and, if applicable, federal codes, and can be built as proposed. The plans and specifications and construction trade payment breakdown are reviewed by an outside consultant who prepares an independent construction cost estimate.

Mortgage Credit Analysis and Feasibility Study. Concurrently, the accounting staff and the development officer review the qualifications, experience and financial strength of the development team, with particular attention given to the financial strength of the applicant or guarantor after taking into account any available government assistance or subsidy payments, the principals of the applicant and the general contractor. The housing development officer evaluates the economic feasibility of the Development, including estimates of construction costs and of rental revenues necessary to cover debt amortization and operating expenses.

Advisory Commission Review. During the foregoing examination, the application is forwarded to the Advisory Commission for review. See "THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Advisory Commission." The Advisory Commission reviews the project development summaries for all projects for which Letters of Intent have been or are expected to be issued. The Advisory Commission serves in an advisory role to the Authority and makes comments and recommendations on each proposed Development.

Board Approval and Conditional Loan Commitment Processing. Generally, after the above reviews are completed, the application is presented to the Authority's internal Loan Committee for final consideration. Before the loan can be approved, any questions, comments or

concerns raised by the Loan Committee must be satisfied. If the Loan Committee has recommended approval, the project is submitted to the Authority's Board to authorize issuance of a conditional loan commitment letter. Developments recommended by the Authority's staff are submitted for approval to and approved by the Authority pursuant to a resolution prior to the issuance of a conditional loan commitment letter. If the Board approves the Development, a conditional loan commitment letter is issued. After the applicant accepts the conditional loan commitment letter, which is a binding agreement subject to the conditions therein, the applicant submits completed mortgage loan and other closing documents to the Authority. Conditional loan commitment letter processing involves the submission by the applicant of final working drawings and detailed specifications for evaluation by the Authority's review architect (if not previously completed).

Tenant Selection and Marketing. Before a Mortgage Loan may be funded under the Bond Program for a multi-family Development, the applicant must present and have approved by the Authority a tenant selection plan which includes the number of market, low and very low-income units to be included in the Development, the eligibility requirements for the households which will occupy the Development and household size guidelines, and criteria for selecting and rejecting applicants to be required for all applicant tenants. In addition, an affirmative fair housing marketing plan is required for each multi-family Development. Such plan must outline the process to be used for attracting tenants of all minority and non-minority groups within the housing market area. If a multi-family Development will result in the temporary or permanent relocation of any tenants, the applicant must submit and have approved by the Authority a relocation plan prior to the initial loan closing. Preference will be given to Developments which do not require temporary or permanent relocation.

Initial Loan Closing. The initial closing of a Mortgage Loan takes place before the disbursement of any Mortgage Loan proceeds and is the process by which the completed Mortgage Loan and other closing documents are reviewed and approved by the Authority's legal staff and outside counsel. In addition, prior to any such initial disbursement, the Mortgagor must provide to the Authority a title insurance policy or a commitment for a title insurance policy insuring its interest as a first mortgagee and an opinion of counsel to the effect that, at such time, subject to certain exceptions, the Authority has a valid mortgage lien on the Development for which such Mortgage Loan is made. At the time of initial closing, a Loan Agreement that governs the Mortgage Loan during the construction of the Development is signed by the holder of legal title to the Development and certain principals of the applicant sign a guaranty of completion guaranteeing performance of such titleholder's obligations under the loan agreement (which do not include the obligation to repay the Mortgage Loan). The equity contribution to the Development (exclusive of any fees payable to the applicants) from the applicant must be funded at the time of the initial closing. The equity contribution will be disbursed to pay costs of acquisition, construction, rehabilitation and related Development costs for the Development prior to the disbursement of the proceeds of the Mortgage Loan.

Construction and Payout Procedures. The construction contract must be a fixed price contract, with a liquidated damages clause for late completion. Generally, it provides that payment and performance bonds must be furnished to the Authority by the general contractor in an amount equal to 100 percent of the construction contract price or in lieu thereof, an irrevocable letter of credit must be furnished to the Authority in an amount acceptable to the

Authority, generally 25 percent of anticipated construction or rehabilitation costs. In addition, the Multi-Family Mortgage Loan Documents generally require ten percent retainage of all construction payouts until the Development (or, in some cases, the applicable portion of the Development) is 95 percent complete, at which time the retainage may reduce to five percent of all construction payouts. Prior to 95 percent completion, the Authority may reduce the retained amount to five percent for trade contractors whose work is 100 percent complete. During construction, the Authority's construction staff makes inspections at least monthly to monitor on-site conformity with the plans and specifications approved by the Authority. The construction staff reports construction progress and reviews all payout requests and construction change orders. Construction change orders must be approved by the Authority.

Payouts are made under the Authority's supervision and approval through a construction loan escrow held by a title insurance company acceptable to the Authority and are based on the approved percentage of construction completion at the time of each payout. The Authority receives supplemental title reports during the construction or rehabilitation of each Development which it reviews before approving the next disbursement of funds for the construction of the Development. The insurance under the title insurance policy is increased by an amount equal to each such disbursement. Furthermore, no payout may be made which would reduce the undisbursed amount of the Mortgage Loan plus any deposits by the Mortgagor below the estimated costs of completing the Development, including the cost of all construction overruns or change orders. Requests for Mortgage Loan increases may be approved by the Authority's Board pursuant to a resolution, if additional improvements have been or will be constructed either at the Authority's direction or to comply with local requirements.

In the event of a cost overrun or change order with respect to a Development, the Authority may allow draws to be made from the contingency line item or require the applicant to provide cash or a letter of credit payable to the Authority in the amount of the overrun or the cost of the change. All or a portion of the costs of an overrun may be recoverable from the contractor or pursuant to the payment and performance bonds or letter of credit provided by the contractor with respect to the construction contract. Additional costs which are not so recovered may be financed, subject to the approval of the Authority, from the cash or letter of credit in the applicant's working capital escrow account (if any) and, in the case of a loan to finance rehabilitation of a Development, from the construction contingency amount generally provided in the Mortgage Loan (generally from two to ten percent of the amount of the construction budget) to pay for potential additional construction costs. The Authority may also finance such additional costs by the issuance of bonds or notes.

Marketing Period. During the construction period, the Authority's staff will work with the Mortgagors to review and implement the previously approved tenant selection plan, affirmative fair housing marketing plan, and marketing plan and agreement. The Authority's staff conducts a pre-marketing and pre-occupancy meeting with the applicants and the respective marketing or management agents. Once marketing begins, a Mortgagor is required to submit a monthly report to the Authority verifying the status of marketing efforts and the number of leases executed to date. The Authority will monitor these efforts for compliance with fair housing laws and to verify the progress of marketing efforts. The Authority intends to help applicants work out any difficulties with marketing.

Final Closing. When all units in a Development are ready for occupancy and all construction is completed and approved by the Authority, a cutoff date will be established for cost certification. Final closing consists of a review and approval by the Authority's accounting staff of a certification by an independent certified public accountant of the total Development costs and operating income and expenses of the Development through the cut-off date. The Authority's legal staff or its outside counsel reviews and approves the commitment for the final title insurance policy, the Mortgage Loan final closing documents and other final closing documents before the final Mortgage Loan disbursement is made.

Mortgage Loan Increase Processing. Mortgage Loan increases will generally be subject to a more limited review, since the Development has undergone processing in connection with the original Mortgage Loan. The Authority will review the proposed use of the proceeds of the Mortgage Loan increase and its likely effect on the rental revenues to be derived from the Development, including whether or not such revenues will be sufficient to support the increased debt service resulting from the Mortgage Loan increase. The applicant must demonstrate that the Mortgage Loan Underwriting Coverage Ratio will be satisfied after giving effect to such increase. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Coverage Ratios." If a Mortgage Loan Increase is approved, certain of the documents relating to the Development, including the mortgage, mortgage note and title insurance policy, are amended or supplemented to reflect the increased amount of the Mortgage Loan.

Asset Management. The Authority will provide ongoing oversight of all facets of a Development's operation during the full term of the Mortgage Loan. Development site visits will be made at least annually following initial occupancy. Annual reports will be prepared by the Authority following a comprehensive site visit that includes an examination of the administrative, maintenance, physical and financial systems of the Borrowers and the Developments. Results of the annual reports will be communicated to the Development's management. In addition, the Authority will review and approve requests for withdrawals from reserve accounts, budgets, certified audits, contracts and commercial leases, management plans and agreements, monthly financial operating reports, marketing efforts, and certain federal compliance areas and will prepare rent schedules. The Authority may require a Mortgagor to provide such other reports as the Authority deems necessary to carry out its oversight responsibilities.

Insurance. The Authority requires each Development to carry various kinds of insurance, in amounts and with limits determined by, and with insurers acceptable to, the Authority. The following types of insurance are typically required: insurance against loss by fire, risks covered by extended or all-risk coverage endorsements, comprehensive public liability insurance against bodily injury and property damage, contractor's liability insurance, workers compensation insurance, builders risk completed value insurance, rent and business interruption insurance, steam boiler and machinery insurance, flood insurance, if required, and such other kinds of insurance coverage as are customarily maintained by owners of similar developments. The Authority will be named, in its capacity as Mortgagee, as an additional insured or mortgagee loss payee.

THE ILLINOIS AFFORDABLE HOUSING PROGRAM

General

The Bond Program is a part of the Illinois Affordable Housing Program created in 1989 with the adoption of the Affordable Housing Act. The Authority's powers and duties (see "THE AUTHORITY – Powers and Duties" herein) were expanded by the Affordable Housing Act which created the Trust Fund and designated the Authority to administer the Trust Fund.

The Illinois Affordable Housing Program was created for the purpose of developing and coordinating public and private resources targeted to meet the affordable housing needs of low-income and very low-income households in the State. The Authority is authorized to develop, coordinate and administer programs within the Illinois Affordable Housing Program with the advice and input from the Advisory Commission. The Authority currently operates two programs as part of the Illinois Affordable Housing Program – the Bond Program and the Affordable Housing Trust Fund Program. See "THE BOND PROGRAM" and "THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Affordable Housing Trust Fund Program." Both programs are funded, all or in part, by Trust Fund Moneys.

Trust Fund

The Affordable Housing Act created the Trust Fund as a separate fund within the State Treasury. The Trust Fund is administered by the Authority. The Affordable Housing Act requires that the following items be deposited in the Trust Fund: all receipts including dividends, principal and interest repayments from any loans or agreements made from the Trust Fund, all proceeds or assets of whatever nature received by the Authority attributable to any default with respect to loans or agreements funded from the Trust Fund, any appropriations, grants or gifts of funds or property, or financial or other aid from any federal or State agency or body, local government or any other public organization or private individual made to the Trust Fund, any income received as a result of the investment of moneys in the Trust Fund, all fees and charges collected by the Authority or the Department of Revenue pursuant to the Affordable Housing Act, an amount equal to one-half of all proceeds collected by the Department of Revenue pursuant to Section 3 of the Real Estate Transfer Tax Act (35 ILCS 200/31 et seq.), as amended (the "Transfer Tax Act") (See "ILLINOIS REAL ESTATE TRANSFER TAX FUND" herein), and other funds as appropriated by the General Assembly.

Subject to annual appropriation by the General Assembly of the State to the Department of Revenue and subject to the prior dedication, allocation, transfer and use of Trust Fund Moneys (as described in the following paragraphs), the Trust Fund may be used to make grants, mortgages, or other loans to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single-family and multi-family housing in the State for low-income and very low-income households. A majority of the Trust Fund Moneys appropriated in any year to the Trust Fund are to be used for affordable housing for very low-income households. Currently, Trust Fund Moneys are being used to fund both the Affordable Housing Trust Fund Program and the Bond Program as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Real Estate Transfer Tax Fund."

Trust Fund Moneys may also be used under the Affordable Housing Act (1) as required by the terms of any pledge of or resolution of the Authority in connection with the issuance of bonds, including Bonds issued under the Bond Program and (ii) to pay for costs of issuance and administration and the payments of any principal, interest, premium or other amounts or expenses incurred or accrued in connection with the Bonds. Under the Affordable Housing Act, the Authority is authorized to certify from time to time to the State's Department of Revenue, the State Comptroller and the Treasurer each Fiscal Year the amounts, up to an aggregate in any Fiscal Year of \$10,000,000, of Trust Fund Moneys expected to be used or pledged by the Authority for the Bond Program during such Fiscal Year. Subject to annual appropriation, upon receipt of such certification, the Department of Revenue and the State Comptroller are required to dedicate and the State Treasurer is required to transfer not less often than monthly to the Trustee for deposit into the Real Estate Transfer Tax Fund, without requisition or further request therefor, all amounts accumulated in the Trust Fund within the State Treasury and not already transferred in connection with prior commitments until the Authority has received the aggregate amount so certified. Subject to the exceptions stated in the following paragraph, the pledge by the Authority of Trust Fund Moneys obtained for the Bond Program pursuant to the Affordable Housing Act and pledged to the Trustee for the benefit of the Bondholders shall be superior to and have priority over any other uses of such moneys by the Authority under the Affordable Housing Act.

The Authority has agreed to annually certify to the Department of Revenue on or about July 1 each year, the amounts required to be withdrawn from the Trust Fund to pay that portion of the debt service on the Bonds which is payable from Trust Fund Moneys as set forth in the Cash Flows delivered in connection with each Series of Bonds subject to an aggregate limit of \$10,000,000 in any Fiscal Year of the State. In addition, the Authority has agreed that no Trust Fund Moneys, other than the Trust Fund Moneys certified to the Department of Revenue in each year as just described, shall be used by the Authority for any purposes permitted by the Affordable Housing Act prior to such time as the full amount certified in each year as just described has been delivered to the Trustee for the purpose of securing the Bonds. Notwithstanding, the Authority is not precluded from certifying amounts pursuant to the Affordable Housing Act to pay administrative costs incurred in connection with the issuance of bonds or the underwriting of Mortgage Loans financed with the proceeds of Bonds or certain other costs permitted by the Affordable Housing Act, provided the Trust Fund Bond Coverage Ratio as in effect at the time of such certification is met. Pursuant to the Affordable Housing Act, the State has agreed for the benefit of holders of the Bonds that it will not limit or alter the basis on which Trust Fund Moneys are to be collected and paid to the Authority as provided in the Affordable Housing Act, or the use of such funds, and the State will not take any action or repeal or reduce the Real Estate Transfer Tax so as to impair the terms of any such contract.

In addition, Trust Fund Moneys may also be used as follows: (i) to pay the costs of issuance and administration and payments of principal, interest, premium, loan fees and other amounts on other obligations of the Authority; (ii) to pay or reimburse the Authority for development costs, technical assistance or other amounts required to be expended by the Authority to construct, preserve, improve, renovate, rehabilitate, refinance or assist affordable housing (including in connection with the Bond Program); (iii) for deposit into any residual, sinking, reserve or revolving fund or pool established by the Authority, whether or not pledged to secure Affordable Housing Trust Fund Program Bonds, to support or to be utilized for the

issuance, redemption or payment of the principal, interest, premium or other amounts payable or with respect to any existing, additional or future Affordable Housing Trust Fund Bonds or to or for any other expenditure authorized by the Affordable Housing Act; and (iv) to help defray the State's operating costs.

Advisory Commission

The Affordable Housing Act also created the Affordable Housing Advisory Commission (the "Advisory Commission") which consists of fifteen members. Three of the commissioners are the Director of the Authority, the Director of Illinois Finance Authority and the Director of Illinois Department of Commerce and Economic Opportunity or their representatives, one of the commissioners is the commissioner of the Chicago Department of Housing and the remaining eleven members are appointed by the Governor with the advice and consent of the Senate. The responsibilities of the Advisory Commission include the study and review of the availability of affordable housing for low-income and very low-income households in the State, the development of a plan which addresses the need for additional affordable housing in the State, encouraging the development and operation of affordable housing for low-income and very low-income households and development of priorities, policies and procedures for uses and expenditures of Trust Fund Moneys, including policies which assure equitable distribution of such moneys statewide, making recommendations to the Authority concerning the Developments proposed to be financed with proceeds of Bonds and monitoring and evaluating all allocations of funds needed for the Illinois Affordable Housing Program. All Developments financed with multi-family Mortgage Loans under the Bond Program must be reviewed by the Advisory Commission.

Affordable Housing Trust Fund Program

In 1989, the Authority established the Affordable Housing Trust Fund Program, which is separate from the Bond Program, as part of the Illinois Affordable Housing Program. Trust Fund Moneys are available for use in connection with the Affordable Housing Trust Fund Program, but amounts certified or dedicated for transfer in connection with the Bond Program up to \$10 million have priority over such other use, and the Authority has agreed not to certify or dedicate for transfer any Trust Fund Moneys in any Fiscal Year prior to certifying or dedicating for transfer Trust Fund Moneys in amounts required by the General Resolution and applicable Series Resolutions for deposit into the Real Estate Transfer Tax Fund except for administrative expenses and other amounts specified in Section 8(c) of the Affordable Housing Act incurred in connection with the issuance of Bonds to the extent the Trust Fund Bond Coverage Ratio is met. See "THE ILLINOIS AFFORDABLE HOUSING PROGRAM – Trust Fund." The Authority has not issued any bonds or other debt to support this program.

Trust Fund Moneys are available under the Affordable Housing Trust Fund Program, on a competitive basis, to both non-profit and for-profit entities and units of local government. Trust Fund Moneys can, under this program, be used for new construction, rehabilitation or adaptive reuse of non-housing structures for the creation or preservation of housing units for low and very low-income households. Trust Fund Moneys can also be used to pay for mortgage insurance, rental subsidies, operating costs for rental housing, down payment assistance and security deposit assistance, construction loans, senior and junior mortgage loans, gap financing, predevelopment financing loans, mortgage participation certificates, interest rate write-downs

and technical assistance. Such moneys are available for both loans and grants. Under this program the maximum loan or grant or combination of the two per applicant in any year is \$1,500,000. Grants are made when the applicant demonstrates extraordinary strong affordability and the need for a grant in order to make the proposed project viable. The maximum grant amount under the Affordable Housing Trust Fund Program is \$3,000 per unit of low-income housing and \$5,000 per unit of very low-income housing. Grant moneys are only available to non-profit entities. Grants are available for for-profit consultants for technical assistance contracts when deemed necessary by the Authority.

ILLINOIS REAL ESTATE TRANSFER TAX ACT

The Transfer Tax Act imposes a State tax on the privilege of transferring title to real estate located in Illinois. This act applies if the transfer is made by one or more related transactions or involves one or more persons or entities and whether or not a document is recorded. It also applies to transfer of beneficial interests in real property located in Illinois and on the privilege of transferring a controlling interest on a real estate entity owning property located in Illinois. The tax is imposed at the rate of \$.50 for each \$500 or fraction thereof of the full actual consideration for the real estate transferred including the amount of any lien or liens assumed by the purchaser. Sellers and purchasers of real estate are required to file with the Department of Revenue immediately after any transfer of title to real estate by a deed, document or trust document a declaration which among other matters includes a statement of the full consideration paid for the real estate transferred. No deed transferring a controlling interest in real property or trust document may be accepted for recording in the State which is not accompanied by a declaration containing all of the information specified in the Transfer Tax Act.

The Real Estate Transfer Tax Act exempts from its provisions (a) deeds made before January 1, 1968, (b) deeds or trust documents relating to real property acquired by or from any governmental body or any corporation, society, association, foundation or institution organized and operated exclusively for charitable, religious or educational purposes, (c) deeds or trust documents which secure debt, (d) deeds or trust documents which, without additional considerations, confirm, correct, modify or supplement a previous recorded instrument, (e) deeds and trust documents where the actual consideration was less than \$100, (f) tax deeds, release deeds or trust documents of release, (g) deeds and trust documents delivered pursuant to corporate plans of reorganization, (h) deeds and trust documents made by a subsidiary corporation to its parent for no consideration other than the cancellation or surrender of the subsidiary's stock, (i) deeds where there is an exchange of real property and trust documents wherever there is an exchange of beneficial interests, except that this provision does not exempt any money difference or moneys worth paid by one party to the other as part of such exchange, (j) deeds representing transfers subject to the imposition of documentary stamps tax by the United States government and (k) deeds issued to a holder of a mortgage pursuant to a mortgage foreclosure proceeding or pursuant to a transfer in lieu of foreclosure.

Beginning on September 15, 1989 the Transfer Tax Act has required the State Treasurer to deposit an amount equal to 50 percent of the moneys collected pursuant to the Transfer Tax Act into the Illinois Affordable Housing Trust Fund.

The following table sets forth the portion of the Real Estate Transfer Tax collections by the State (50 percent) which have been deposited in the Illinois Affordable Housing Trust Fund for each of the last ten fiscal years.

<u>Fiscal Year</u>	<u>Total Receipts</u>
1995	\$ 16,634,465
1996	18,625,639
1997	19,471,247
1998	23,450,608
1999	27,253,626
2000	28,727,805
2001	28,893,530
2002	32,599,376
2003	35,677,836
2004	43,078,589

Source: Illinois Department of Revenue

Pursuant to the Affordable Housing Act all Real Estate Transfer Taxes collected by the State during Fiscal Year 1990, after October 15, 1989, were deposited into the Trust Fund. See Appendix F for certain demographic information with respect to the State and Appendix G for additional historical and projected Real Estate Transfer Tax collections in the State.

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 July

31, 2004, the Authority has debt outstanding in the amount of \$1,951,279,979, which consists of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$291,108,900 of that total.

Multi-Family Housing Experience

The Authority has significant experience in the underwriting and servicing of multi-family mortgage loans. In its more than 30 years of operation, the Authority has financed over 200 multi-family developments throughout the State under several separate multi-family bond programs, excluding single project financings. Total loans and other assets outstanding under these programs as of March 31, 2004, were approximately \$900 million.

The Authority is an FHA-Approved Mortgagee and is also an approved Seller/Service under the Fannie Mae Prior Approval Program. The Authority also serves as the State's administering agency for the Low Income Housing Tax Credit. As of June 30, 2004, the Authority's Multi-Family Programs and Technical Services Departments employed 54 people with a variety of skills in multi-family loan underwriting, market research, construction management, and subsidy contract administration, and its Asset Management Services Department employed 24 people in areas of asset management and other aspects of loan servicing.

Membership

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

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

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

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

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

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

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

RICHARD KORDESH, Member – President, The Nucleus Community Institute

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

There is currently one vacancy.

Management

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

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

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

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

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

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

RICHARD B. MULLER, Acting General Counsel, joined the Authority in 1986. He received his law degree from the University of Chicago, and prior to joining the Authority was in private practice in Springfield, Illinois. He also holds a Bachelor of Arts degree from Harvard University and a PhD in political science from Indiana University. Before going to law school, he taught political science at several universities.

LINDA THURMOND, Assistant to the Executive Director for Multifamily Programs has been the Authority's Director of Asset Management Services since January 1999. In September 2003, she took on the added responsibilities for Multifamily Programs as part of the Authority's business reorganization. She has a Masters in Management degree from the Kellogg School of Business at Northwestern University. Her previous experience includes asset management and loan servicing for Community Investment Corporation (CIC) as well as investment banking and loan securitization with AM&G Financial Services, Bankers Trust, and Oppenheimer & Company.

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

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

OTHER PROGRAMS

Other Multi-Family Mortgage Loan Programs

Information regarding the Authority's multi-family mortgage loan programs is provided below for purposes of general reference only. Many of the developments financed under these

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

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

Multi-Family Housing Bonds. Under this program, the Authority finances multi-family housing mortgage loans to provide for the construction or rehabilitation and permanent financing of rental multi-family housing developments through the issuance of Multi-Family Housing Bonds and Multi-Family Housing Bond Anticipation Notes. Housing developments so financed are designed primarily for occupancy by persons and families of low and moderate income and, generally, the multi-family housing mortgage loans are made for developments that are or are expected to be the subject of future housing assistance payments by HUD under Section 8 of the 1937 Housing Act, for all or a portion of the units therein, or FHA mortgage insurance under Section 221(d)(4) of the National Housing Act of 1934, as amended. All but a series of these bonds issued in 1995 are general obligations of the Authority. However, there is a partial pledge of the Authority’s general obligation to secure the Authority’s reimbursement obligations to the provider of the bond insurance insuring such series of these bonds issued in 1995. All bonds issued under this program prior to 1995 are also subject to certification pursuant to Section 26.1 of the Act. These bonds are the general obligations of the Authority, but not subject to certification pursuant to Section 26.1 of the Act.

Multi-Family Variable Rate Demand Bonds. The Authority established this program to assist in the construction, rehabilitation and permanent financing of multi-family, rental developments intended for occupancy principally by persons and families of low and moderate

income. The Authority issued bonds for the first time under this program in April 1996, and used their proceeds and other moneys to refund all of its then outstanding short term commercial paper notes. These bonds are not the general obligation of the Authority or subject to certification pursuant to Section 26.1 of the Act. However, the reimbursement obligations to the bond insurer and the provider of the liquidity facility for these bonds are the general obligation of the Authority, but not subject to certification pursuant to Section 26.1 of the Act.

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

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

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

Risk Sharing Program. In June 1994, the Authority entered into a Risk Sharing Agreement with HUD that permits the Authority to participate in HUD's Risk Sharing Pilot Program. Under the Risk Sharing Program, HUD will insure certain mortgage loans on multi-family housing developments ("Risk Sharing Loans"). HUD has authorized the Authority to make Risk Sharing Loans for multi-family housing developments. Under the Risk Sharing Agreement, the Authority will underwrite Risk Sharing Loans following its underwriting guidelines. HUD will insure these Risk Sharing Loans and, in the event of a foreclosure, will bear 10 to 90 percent of the loss, as elected by the Authority at the time the loan is made. The Authority will bear the remainder of the risk. The Authority has made a number of Risk Sharing Loans, and elected to assume 50 to 90 percent of the loss with respect to those loans. In October 2000, Congressional legislation made the Risk-Sharing Pilot Program into a permanent program that allows the Authority to submit an unlimited amount of loans for Risk-Sharing loan credit enhancement. The Authority is currently reviewing a number of other applications for Risk

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

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

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

Single-Family Mortgage Purchase Programs

Information regarding the Authority’s other single-family mortgage purchase programs is provided below for purposes of general reference only. For a further discussion of the single-family mortgage purchase programs, see “AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note E – Program Loans Receivable,” “– Note F – Bonds and Notes Payable,” “– Note I – Other Liabilities” and “– Note N – Subsequent Events” attached as Appendix A.

Homeowner Mortgage Revenue Bonds. Proceeds of bonds issued under this program, which was commenced in 1994, are used to purchase single-family mortgage loans made to eligible borrowers for qualified dwellings. The Authority has issued several series of bonds under this program. The Authority anticipates issuing additional bonds under this program. These bonds are not general obligations of the Authority and are not subject to certification pursuant to Section 26.1 of the Act.

Residential Mortgage Revenue Bonds. The Authority developed this Program 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 under this program for an aggregate amount of approximately \$1.7 billion in lendable proceeds. The Authority does not plan to issue additional bonds to purchase additional mortgage loans under this program. As a result of November 1, 2003, bond redemptions under this program, only a minimal amount of bonds remain outstanding.

Owner Occupied Housing Revenue Bonds. On July 15, 1994, the Authority adopted its Owner Occupied Housing Revenue Bonds General Resolution, permitting the Authority from time to time to issue bonds and to use the proceeds of such sales to refund on a replacement basis

the Authority's outstanding Homeowner Mortgage Revenue Bonds and Residential Mortgage Revenue Bonds. A number of Owner Occupied Housing Revenue Bonds have been refunded with the proceeds of the Authority's Homeowner Mortgage Revenue Bonds. The Authority anticipates that its Owner Occupied Housing Revenue Bonds will continue to be so refunded. These bonds are general obligations of the Authority, but are not subject to certification pursuant to Section 26.1 of the Act.

Other Authorized Activities

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

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

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

demolition and relocation expenses, all in connection with providing housing for low and very low income persons.

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following are certain definitions and 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 documents summarized, to which documents reference is hereby made and copies of which are available from the Trustee or the Authority. Initially capitalized terms used but not otherwise defined in these summaries have the same meanings set forth in the documents.

Certain Definitions

“Accreted Value” means, with respect to any Discount Bond, the initial principal amount at which such Discount Bond is sold to the initial purchaser thereof at the time of sale thereof by the Authority, without reduction to reflect underwriter’s discount or placement agent’s fees, compounded from the date of delivery of such Discount Bond semi-annually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity, less, with respect to any Discount Bond with interest payable on a current basis, any interest paid and payable during such period, plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts, provided, however, that the calculation of Accreted Value for purposes of actions, requests, notifications, consents or direction of Bondowners under the Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case calculated as of the date of calculation).

“Acquired Development” means a Development which the Authority has acquired title to, or taken possession of, through protection and enforcement of its rights conferred by law or the related mortgage upon such Development, but only during the period of ownership or possession.

“Acquired Development Expenses” means all of the costs and expenses incurred by the Authority in connection with the acquisition, ownership or operation of an Acquired Development, including the Mortgage Repayments required to be paid pursuant to the mortgage on such Acquired Development.

“Acquired Development Expense Requirement” means such amount of money as may from time to time be determined by an Authorized Officer of the Authority to be necessary for the payment of Acquired Development Expenses for an Acquired Development.

“*Acquired Development Fund*” means the Fund by that name established by the Resolution.

“*Acquired Development Operating Income*” means the amount by which Acquired Development Receipts from an Acquired Development exceed Acquired Development Expenses for such Acquired Development.

“*Acquired Development Receipts*” means all moneys received by the Authority in connection with its acquisition, ownership or operation of an Acquired Development.

“*Act*” means the Illinois Housing Development Act, 20 ILCS 3805/1 *et seq.*, as amended and supplemented.

“*Additional Bonds Coverage Ratios*” shall mean the coverage ratios required to be satisfied prior to the issuance of any additional Series of Bonds as set forth in the General Resolution and as set forth in a Series Resolution. The respective Series Resolutions establish the following Additional Bonds Coverage Ratios:

(i) the Authority shall have delivered Cash Flows demonstrating that after giving effect to the proposed issuance of the additional Series of Bonds the Multi-Family Mortgage Revenue Bond Coverage Ratio set forth in the respective Resolutions shall be maintained in each Bond Year; and

(ii) the ratio of (a) amounts collected by the Illinois Department of Revenue for deposit to the Trust Fund during any 12 consecutive months out of the 24 month period immediately preceding the issuance of such additional Series of Bonds to (b) that portion of the debt service on the Bonds Outstanding including the Series of Bonds proposed to be issued to be paid from Trust Fund Moneys as set forth in Cash Flows delivered in connection with such issuance of Bonds shall not be less than the ratio set forth in the Trust Fund Bond Coverage Ratio in effect at such time.

“*Affordable Housing*” means affordable housing as such term is defined in Section 3(c) of the Affordable Housing Act.

“*Affordable Housing Act*” means the Illinois Affordable Housing Act 310 ILCS 65/1 *et seq.*, as amended and supplemented.

“*Annual Debt Service*” for any Fiscal Year, as applied to the Bonds or any Series of Bonds, means the interest on such Bonds which shall be due and payable in such Fiscal Year and the principal of the Serial Bonds and the Sinking Fund Installments on the Term Bonds which shall be due and payable in such Fiscal Year.

“*Authority*” means the Illinois Housing Development Authority, the body politic and corporate created by the Act.

“*Authorized Officer*” means any member of the Authority, its Director and any other officer or employee of the Authority authorized to perform specific acts or duties by resolution or by-law duly adopted by the Authority.

“*Bond*” or “*Bonds*” means any Bond or the issue of Bonds, as the case may be, established and created by the Resolution and issued pursuant to a Series Resolution which may be either Senior Lien Bonds or Subordinate Bonds.

“*Bond Counsel*” means a firm of attorneys nationally recognized as experts in the area of municipal and public authority financing selected by the Authority.

“*Bond Coverage Ratios*” means the requirements with respect to the Bonds pursuant to the Cash Flow Statement as defined by each Series Resolution. As defined in the respective Series Resolutions, “*Bond Coverage Ratios*” means the Trust Fund Bond Coverage Ratio and the Multi-Family Mortgage Revenue Bond Coverage Ratio.

“*Bond Documents*” means, with respect to the Offered Bonds, the following documents, the Resolution, the Guaranty Agreement and the Offered Bonds and the Multi-Family Mortgage Loan Documents.

“*Bond Fund*” means the Fund by that name established by the Resolution.

“*Bond General Obligation Release Test*” means, with respect to each Development, that the ratio of Net Operating Income to Debt Service Requirements for each of three consecutive Bond Years equals or exceeds 1.15:1 as set forth in an annual audit of such Development to be delivered to the Trustee and the Bond Insurer pursuant to the respective Series Resolution. In addition, with respect to Developments originally financed with proceeds of Series 1995A Bonds only, for purposes of demonstrating compliance with the Bond General Obligation Release Test, Net Operating Income for a particular Development shall include amounts on deposit in the Subsidy Fund allocable to such Development.

“*Bond General Obligation Release Test Date*” means, with respect to each Development, the date on which the Bond General Obligation Release Test for such Development to be tested has been met.

“*Bondholder*” or “*Holder*” or “*Owner*” or any similar term when used with respect to Bonds means the registered owner of any Outstanding Bond.

“*Bond Insurance Policy*” means the financial guaranty insurance policy issued by a Bond Insurer insuring the payment of principal of and interest on a Series of Bonds and with respect to the Offered Bonds means the financial guaranty insurance policy issued by the Bond Insurer on the date of issuance of the Offered Bonds.

“*Bond Insurer*” means with respect to any Series of Bonds, the provider of a financial guaranty insurance policy insuring the payment of principal of and interest on such Series of Bonds as identified in the Series Resolution; and with respect to the Offered Bonds means AMBAC Assurance Corporation, a Wisconsin domiciled stock insurance company.

“*Bond Proceeds Fund*” means the Fund by that name established by the Resolution.

“*Bond Year*” means any 12 consecutive calendar months commencing with the first day of June and ending on the last day of the next following May.

“*Book-Entry Depository*” means a Person designated by the Authority in a Series Resolution to act as depository in connection with a book-entry system established for the Bonds of that Series as provided in the Resolution and in that Series Resolution.

“*Capitalized Interest Accounts*” means the accounts established by the Resolution.

“*Cash Equivalent*” means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Authority or the Trustee may make a draw to provide funds as needed (i) for the Debt Service Reserve Fund, or (ii) to satisfy any deficiencies during construction or rehabilitation of a Development. The nature, structure and permissible provider of a Cash Equivalent with respect to the Debt Service Reserve Fund Requirement or with respect to any collateral required by the Resolution shall be set forth in the related Series Resolution.

“*Cash Flows*” means the most recent cash flow schedules prepared by the Authority substantially in the form attached to the applicable Series Resolution and on file with the Trustee and shall be presented in sufficient detail acceptable to the Bond Insurer.

“*Cash Flow Statement*” means a Cash Flow Statement conforming to the requirements of the Resolution and which shall include the assumptions utilized in the initial Cash Flows and any subsequent assumptions delivered in connection with subsequent Cash Flows approved by the Bond Insurer.

“*Certificate of an Authorized Officer*” means a document either attesting to or acknowledging the circumstances, representations or other matters therein stated or setting forth matters to be determined pursuant to the Resolution signed by the Chairman, Vice Chairman, Director, Deputy Director or any other authorized representative as from time to time may be designated by resolution or by law to act under the Resolution on behalf of the Authority.

“*City*” means the City of Chicago, Illinois.

“*Cost of Development*” means (a) in the case of the financing of the construction or rehabilitation of Developments, (i) upon the final determination of the Cost of Development, the total of all costs authorized by law incurred by a Mortgagor with respect to a Development and approved by the Authority and (ii) prior to the final determination of the Cost of Development, the total of all costs authorized by law incurred or to be incurred by the Mortgagor with respect to a Development as estimated and approved by the Authority or (b) in the case of acquisition or refinancing of Developments, the maximum sustainable Mortgage Loan is at least equal to the applicable Mortgage Loan Underwriting Coverage Ratio.

“*Cost of Issuance*” means the items of expense to be paid or reimbursed directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees of the Bond Insurer, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding or redeeming Bonds and other costs, charges and fees in connection with the foregoing.

“*Cost of Issuance Accounts*” means the accounts established by the Resolution.

“*Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys approved by the Authority.

“*Debt Service*” means, with respect to any particular Bond Year and any Series of Bonds, an amount equal to the sum of (a) all interest payable on such Bonds during such Bond Year, plus (b) the principal of the Serial Bonds and Sinking Fund Installments of the Term Bonds payable during such Bond Year.

“*Debt Service Requirements*” means with respect to each Mortgage Loan financed with proceeds of a Series of Bonds, the amounts required to be paid as principal and interest on the related Mortgage Note.

“*Debt Service Reserve Fund*” means the Fund by that name established by the Resolution.

“*Debt Service Reserve Fund Requirement*” means, as of any date of calculation, an amount equal to the maximum amount of Principal and interest maturing and becoming due in any succeeding calendar year on all Senior Lien Bonds then Outstanding. The Trustee may rely upon a Certificate of an Authorized Officer which sets forth the Debt Service Reserve Fund Requirement as of the date of such Certificate. Notwithstanding the foregoing, in the event the Authority receives the written consent of the Bond Insurer to a lower amount, and the Authority by resolution authorizes the lower amount, upon receipt by the Trustee of a Certificate of an Authorized Officer to that effect, “*Debt Service Reserve Fund Requirement*” means such lower amount.

“*Determination*” means a written determination for and on behalf of the Authority establishing and approving the term and conditions of a Series of Bonds, including the terms and conditions relating to the offering, sale and delivery of a Series of Bonds to an underwriter.

“*Development*” means a development, as such term is defined in Section 2(f) of the Act, in respect of which the Authority makes a multi-family Mortgage Loan to the related Mortgagor pursuant to the terms of the Resolution and a Series Resolution for the purpose of (a) financing the acquisition, construction, equipping, installation, renovation or rehabilitation of such development, (b) preserving the availability of Affordable Housing for low-income and very low-income households in existing developments, (c) retiring Bonds or (d) retiring other indebtedness of the Authority or any other Person issued for the purpose of financing or refinancing a development.

“*Director*” means the Director or Acting Director of the Authority.

“*Discount Bonds*” means (a) any Bond or Bonds sold to the initial purchaser thereof at the time of sale thereof by the Authority at an initial reoffering price or initial principal amount of less than 97 percent of the principal amount due at maturity thereof, without reduction to reflect underwriter’s discount or placement agent’s fees, and (b) any other Bond or Bonds designated as Discount Bonds by the Series Resolution authorizing the issuance of such Series of Bonds.

“*Escrow Payment*” means all payments made in order to obtain or maintain mortgage insurance and fire and other hazard insurance and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges (including, without limitation, required reserves for repairs and replacements and working capital and such other reserves or payments with respect to a Development as may be required by the agreements between the Authority and the related Mortgagor) to a mortgagor customarily required to be escrowed.

“*Event of Default*” means an “event of default” as defined under the Resolution.

“*Expense Requirement*” means the aggregate amount during any Bond Year required to be paid (a) to the Trustee and any Paying Agent for the payment of its fees and expenses; (b) to the issuer of any insurance policy for the Mortgage Loans, including, but not limited to, the Authority; (c) to the Authority for the payment or reimbursement of any expenses of the Authority incurred in connection with the Bond Program, plus any additional payments established for a Series of Bonds as set forth in the Series Resolutions authorizing the issuance of such Bonds, not to exceed the amounts set forth in the Series Resolution.

“*Fiscal Year*” means any 12 consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

“*General Obligation*” means an absolute and unconditional general obligation of the Authority, payable from all legally available funds of the Authority in an amount not to exceed with respect to each Bond Year the Debt Service on the Offered Bonds in such Bond Year.

“*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 is 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 Farmer’s 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 certificates of the Government National Mortgage Association; local authority bonds of 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 the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

“*Grant Agreement*” means the Grant Agreement between the Authority and the City providing for a grant subsidy for certain Financed Developments.

“*Guaranty Agreement*” means the Guaranty Agreement between the Authority and the Bond Insurer, or any other bond insurance company meeting the requirements of the related Series Resolution.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans under any insurance policy or guarantee or under any fidelity bond or any other credit facility for such purpose, including credit facilities for such purposes provided by the Authority, less any expenses incurred in realizing such payments.

“Insured Bonds” means a Series of Bonds or portion of a Series of Bonds which are insured by a Bond Insurance Policy issued by a Bond Insurer.

“Interest Account” means the Interest Account of the Bond Fund established by the Resolution.

“Investment Earnings Subaccount” means the Investment Earnings Subaccount of the Mortgage Revenue Account.

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

“Loan Agreement” means a Loan Agreement executed between the Authority and a Mortgagor in connection with the financing of a Development.

“Material Adverse Change” means with respect to the Authority, a material adverse change in (i) the business, financial condition, results of operations or properties of the Authority, (ii) the Trust Estate, (iii) the valid and binding lien of the pledge of the Trust Estate as against all parties having claims of any kind in tort, contract or otherwise against the Authority, or (iv) the ability of the Authority to perform its obligations under any of the Bond Documents to which it is a party.

“Mortgage” or *“mortgage”* means for purposes of the General Resolution the mortgage, deed of trust or other document pursuant to which the Authority is granted a first mortgage lien (subject to the exceptions set forth in the Resolution) on the Development or Mortgage Loan and which shall be pledged by the Authority to secure the Bonds as set forth in the General Resolution.

“Mortgage Loan” means any single-family or multi-family loan, purchased or originated and owned by the Authority evidenced and secured by the Multi-Family Mortgage Loan Documents or Single-Family Mortgage Loan Documents, as the case may be. Mortgage Loan shall also mean any lawful participation by the Authority with another party or parties in a loan made to a Mortgagor and similarly secured.

“Mortgage Loan Maintenance Coverage Ratio” means with respect to the General Resolution, the ratio required to be satisfied with respect to each Development or Mortgage Loan prior to transferring funds pursuant to Section 6.03(6) of the General Resolution and as summarized below under the caption “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Bond Fund; Flow of Funds” in paragraph (5). For Developments originally financed with proceeds of the Series 1994 Bonds, the Mortgage Loan Maintenance Coverage Ratio is as follows:

The ratio of (a) Net Operating Income for such Development for the immediately preceding calendar year to (b) Debt Service Requirements for such Development for the immediately preceding calendar year.

For Developments originally financed with proceeds of the Series 1995A Bonds, the Mortgage Loan Maintenance Coverage Ratio is as follows:

The ratio of (a) the sum of (i) Net Operating Income for such Development for the immediately preceding calendar year and (ii) any amounts in the Subsidy Fund available for debt service for such Development for such period to (b) Debt Service Requirements for such Development for the immediately preceding calendar year.

The Mortgage Loan Maintenance Coverage Ratio shall only take effect on the date which is 12 months after the commencement of principal amortization of the Mortgage Loan for such Development.

“Mortgage Loan Underwriting Coverage Ratio” means, for purposes of the General Resolution, the requirements of the Authority in underwriting multi-family Mortgage Loans as defined by each Series Resolution and incorporated in the initial Cash Flows delivered with respect to a Series of Bonds.

“Mortgage Note” means for purposes of the General Resolution the mortgage note from a Mortgagor to the Authority to evidence a Mortgage Loan and which shall be pledged by the Authority to secure the Bonds as set forth in the General Resolution.

“Mortgage Repayment” means the amounts paid or required to be paid from time to time for principal and interest and any other payments or charges by a Mortgagor or on behalf of a Mortgagor to the Authority on a Mortgage Loan pursuant to a Mortgage, but not including Escrow Payments, Prepayments, Recovery Payments, Authority service fees and reimbursements to the Authority required to be made under the Mortgage Loan, and any loan origination fee received by, or committed to be paid to, the Authority at the time of initial issuance of funds to a Mortgagor.

“Mortgage Revenue Account” means the Mortgage Revenue Account of the Bond Fund established by the Resolution.

“Mortgage Revenue Debt Service Amount” means:

(1) with respect to the Series 2004 Bonds only, that portion of the debt service on the Series 2004 Bonds for the next succeeding interest payment date to be paid from amounts on deposit in the Mortgage Revenue Account derived from Mortgage Loans which have commenced principal amortization (excluding investments earnings on deposit in the Investment Earnings Subaccount) as set forth in the Cash Flows delivered or on deposit with the Trustee at the time of such calculation, and

(2) with respect to the Offered Bonds and that portion of the Series 1995A Bonds not refunded (a) that portion of the debt service on the Offered Bonds and that portion of the Series 1995A Bonds not refunded for the next succeeding interest payment date to be paid from

amounts on deposit in the Mortgage Revenue Account derived from Mortgage Loans that have commenced principal amortization (excluding investment earnings on deposit in the Investment Earnings Subaccount) and (b) that portion of the debt service on the Offered Bonds and that portion of the Series 1995A Bonds not refunded for the next succeeding interest payment date to be paid from amounts on deposit in the Subsidy Fund as set forth in the Cash Flows delivered or on deposit with the Trustee at the time of such calculation.

“*Mortgagor*” means the Person to which or to whom the Authority makes a Mortgage Loan.

“*Multi-Family Mortgage Loan Accounts*” means the accounts established by the Resolution.

“*Multi-Family Mortgage Loan Commitment*” means the obligation of the Authority to acquire or originate a multi-family Mortgage Loan to a Mortgagor.

“*Multi-Family Mortgage Loan Documents*” means the documents evidencing and securing a multi-family Mortgage Loan required by a Series Resolution authorizing a Series of Bonds; and for purposes of the Resolution, means the Mortgage, the Mortgage Note, the Loan Agreement, the Regulatory Agreement and any additional documents evidencing or securing a Mortgage Loan.

“*Multi-Family Mortgage Revenue Bond Coverage Ratio*” means, for purposes of the General Resolution, the requirements of the Authority in underwriting multi-family Mortgage Loans as defined by each Series Resolution and incorporated in the initial Cash Flows delivered with respect to a Series of Bonds, and for each date of calculation means,

(1) in the case of Developments originally financed with proceeds of the Series 1994A Bonds, the ratio of (a) amounts on deposit in the Mortgage Revenue Account derived from Revenues from multi-family Mortgage Loans which have commenced principal amortization (excluding investment earnings on deposit in the Investment Earnings Subaccount) to (b) the Mortgage Revenue Debt Service Amount, and

(2) in the case of Developments originally financed with proceeds of the Series 1995A Bonds, the ratio of (a) the sum of (i) the amounts on deposit in the Mortgage Revenue Account derived from Revenues from multi-family Mortgage Loans which have commenced principal amortization (excluding investment earnings on deposit in the Investment Earnings Subaccount) plus (ii) the lesser of (A) the amounts on deposit in the Subsidy Fund available for debt service on the Subsidized Developments on the next succeeding interest payment date or (B) that portion of the debt service owing on the Mortgage Loans for the Subsidized Developments for the next succeeding interest payment date to be paid from amounts on deposit in the Subsidy Fund to (b) the Mortgage Revenue Debt Service Amount.

Initially, the Multi-Family Mortgage Revenue Bond Coverage Ratio shall be 1.40 to 1, except with respect to a Section 8 Development for which it shall be 1 to 1. The Multi-Family Mortgage Revenue Bond Coverage Ratio shall take effect only upon commencement of the

principal amortization of a Mortgage Loan. Any subsequent Cash Flows shall incorporate in the Multi-Family Mortgage Revenue Bond Coverage Ratio any reductions in such ratio only with the consent of the Bond Insurer and the Rating Agency.

“*Net Operating Income*” means with respect to a Development (i) all rental income derived from such Development, including, in the case of Developments originally financed with proceeds of the Series 1995A Bonds only, any Section 8 Housing Assistance Payments, less (ii) any Operating Expenses, Maintenance Expenses and Administrative Expenses for such Development (each as defined in the Regulatory Agreement) and any required tax, insurance and replacement reserve deposits required for that Development.

“*Outstanding*” when used with reference to Bonds, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (a) any Bonds canceled by the Trustee or any Paying Agent at or prior to such date, (b) Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (c) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Resolution and (d) Bonds deemed to have been paid as provided in the Resolution.

“*Paying Agent*” means each bank or trust company selected by the Authority as paying agent for the Bonds of any Series, and its successor appointed pursuant to the provisions of the Resolution.

“*Period of Construction*” means that period during which a Development is being constructed or rehabilitated.

“*Permitted Investments*” means, to the extent authorized by law at the time of such investment,

(i) (A) Government Obligations, or (B) obligations rated in the highest rating category (without regard to any refinements or gradation of rating category by numerical modifier or otherwise) by a 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, Federal Home Loan Banks, 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 (excluding mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans

and interest only stripped securities); and in both cases structured and secured in such a manner as set forth in a Series Resolution;

(iii) any other obligations of any agency controlled or supervised by and acting as an instrumentality of, and secured by the full faith and credit of, the United States Government pursuant to authority granted by the Congress of the United States or any other agency that may be approved by the Bond Insurer, as set forth in a Series Resolution;

(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 (as used in this (iv), “deposits” means 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, without limitation, 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 are rated in one of the three highest rating categories assigned by each such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(vi) repurchase agreements (A) 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 with any institution whose unsecured debt securities are rated at least equal to the then existing Rating on the Bonds (or in one of the three highest rating categories without regard to any refinements or gradation of rating category by numerical modifier or otherwise, for short-term obligations if the investment is for a period not exceeding one year) by a Rating Agency or (B) with members of the Association of Primary Dealers in United States Government Securities which do not qualify under (A) but which is acceptable to the Bond Insurer;

(vii) investment agreements structured and secured in such a manner as set forth in a Series Resolution (A) secured or unsecured as required by the Authority, with any institution whose debt securities are rated at least equal to the then existing Rating on the Bonds (or in one of the three highest rating categories without regard to any refinements or gradation of rating category by numerical modifier or otherwise, for short-term obligations if the investment is for a period not exceeding one year) by a Rating Agency, (B) fully secured by obligations described in (i), (ii) or (iii) with members of the Association of Primary Dealers in United States Government Securities who do not qualify under (A) but which is acceptable to the Bond Insurer;

(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 at least equal to the then existing rating on the Bonds by each Rating Agency or in one of the three highest rating categories assigned by each such Rating Agency (without regard to any refinements or gradation of rating category by numerical modifier or otherwise);

(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 at least equal to the then existing Rating on the Bonds by each Rating Agency or otherwise acceptable to the Bond Insurer;

(x) commercial paper (having original maturities of not more than 365 days) rated in one of the two highest rating categories (without regard to any refinements or gradation of rating category by numerical modifier or otherwise) of each Rating Agency;

(xi) money market funds or other similar funds which invest their assets exclusively in obligations described in clauses (i) through (ix) above and which funds have been rated in one of the three highest rating categories by each Rating Agency (without regarding to any refinements or gradation of rating category by numerical modifier or otherwise); and with respect to ratings assigned by Standard & Poor's Ratings Group, if applicable, such funds have subscripts m or m-G; and

(xii) any investments authorized in a Series Resolution authorizing Bonds which are acceptable to the Bond Insurer.

“Person,” “person” or words importing person means firms, associations, corporations, partnerships (including, without limitation, general and limited partnerships) joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“Prepayment” means any (a) moneys received from any voluntary payment of principal or interest, including any prepayment penalties or other charges, on any Mortgage Loan more than 60 days prior to the scheduled payments of Principal and interest called for thereby (b) Liquidation Proceeds or (c) moneys from the sale of a Mortgage Loan pursuant to the Resolution, other than moneys constituting a Recovery Payment.

“Principal” means (a) as such term references the principal amount of a Discount Bond, the Accreted Value thereof and (b) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

“Principal Account” means the Principal Account of the Bond Fund established by the Resolution.

“*Program*” means the mortgage purchase and origination program of the Authority pursuant to which the Authority will (a) purchase Mortgage Loans from Mortgage Lenders and (b) originate multi-family Mortgage Loans and to the extent permitted by law and authorized by the Authority single-family Mortgage Loans.

“*Rating Agency*” means each nationally recognized credit standards rating agency or service, which at the request of the Authority, has an outstanding rating on the Bonds.

“*Real Estate Transfer Tax*” means the taxes collected pursuant to the Illinois Transfer Tax Act and referred to in Section 9(d) of the Affordable Housing Act.

“*Real Estate Transfer Tax Debt Service Amount*” means as of each interest payment date an amount equal to that portion of the debt service on the Bonds to be paid from Trust Fund Moneys on such interest payment date as set forth in the Cash Flows on deposit with the Trustee at the time of such interest payment date.

“*Real Estate Transfer Tax Fund*” means the fund by that name established pursuant to the Resolution.

“*Recovery Payment*” means any moneys received or recovered by the Authority, in excess of the expenses necessarily incurred by the Authority in collection thereof, from (a) the sale or other disposition of an Acquired Development, (b) condemnation of a Development or part thereof, (c) other actions taken in the event of default or restructuring of a Mortgage Loan (including without limitation the issuance of refunding bonds), (d) the sale or other disposition of a Mortgage Loan in default for the purpose of realizing on the Authority’s interest therein, pursuant to the Resolution or (e) mortgage insurance or guaranty or hazard insurance or other sources of funding in the event of casualty of a Development.

“*Redemption Account*” means the Redemption Account of the Bond Fund established by the Resolution.

“*Redemption Price*” means, with respect to any Bond, the Principal thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

“*Refunding Issue*” means all Bonds delivered on original issuance pursuant to the provisions of the Resolution authorizing the issuance of Refunding Bonds.

“*Regulatory Agreement*” means a Regulatory Agreement between a Mortgagor and the Authority executed in connection with a Mortgage Loan.

“*Related Annual Debt Service*” means, with respect to each Development, an amount equal to the Related Percentage times Debt Service on the Offered Bonds in a Bond Year.

“*Related Percentage*” means, with respect to each Development, the percentage derived by dividing the amount of Debt Service Requirements for the preceding Bond Year for such Development by the total amount of Debt Service Requirements for all Developments in such Bond Year.

“*Release Period*” means the three full calendar years after the Bond General Obligation Release Test Date.

“*Resolution*” means the Affordable Housing Program Trust Fund Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

“*Revenues*” means all income to the Authority in its capacity as mortgagee derived pursuant to Mortgage Loans, including, but not limited to, Acquired Development Operating Income, Mortgage Repayments (including the portion of any government assistance or subsidy payments received by or pledged to the Authority in its capacity as mortgagee or received by or pledged to the Trustee in its capacity as Trustee) and investment earnings on Funds and Accounts established by the Resolution and transferred to the Bond Fund pursuant to the Resolution, but excluding Prepayments, Recovery Payments, Acquired Development Receipts (except to the extent included in Acquired Development Operating Income and deposited to the Mortgage Revenue Account pursuant to the Resolution), Escrow Payments, Authority service fees and reimbursements to the Authority required to be made under the Mortgage Loan, and any loan origination fee received by or committed to be paid to the Authority at or about the time of initial issuance of funds to a Mortgagor.

“*Section 8 Developments*” means those Financed Developments that are 100 percent subsidized by the United States Department of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended during such period as its Housing Assistance Payments Contract is in effect. Currently, all the Section 8 Developments under the Program were originally financed with proceeds of the Series 1995A Bonds.

“*Senior Lien Bonds*” means a Series of Bonds payable on a basis set forth in the related Series Resolution with a claim to payment prior to the claim of any Subordinate Bonds.

“*Serial Bonds*” means Bonds which mature in periodic installments of principal, which need not be equal and installments of which may be deferred, as set forth in each Series Resolution.

“*Series of Bonds*” or “*Bonds of a Series*” means the Series of Bonds authorized by a Series Resolution.

“*Series Resolution*” means a resolution of the Authority authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the Resolution adopted by the Authority in accordance with the Resolution, and shall include any determination pursuant to delegated authority contemplated by the Series Resolution.

“*Single Family Mortgage Loan Accounts*” means the accounts by that name established by the Resolution.

“*Sinking Fund Installment*” means the installment payments established for a Series of Bonds pursuant to the Resolution.

“*State*” means the State of Illinois.

“*Subordinate Bonds*” means a Series of Bonds payable on a basis as set forth in the related Series Resolution with a claim to payment subordinate to the claim of Senior Lien Bonds.

“*Subsidized Development*” means the Developments known as Westwood, Anchor House and Jade Garden.

“*Subsidy Fund*” means the Chicago Grant Subsidy Fund created and established pursuant to the Series 1995A Resolution and continued pursuant to the Series 2005A Resolution.

“*Supplemental Resolution*” means a resolution supplemental to or amendatory of the Resolution, adopted by the Authority in accordance with the Resolution.

“*Surplus Fund*” means the Fund by that name established pursuant to the Resolution.

“*Swap*” means any rate protection contract as defined in the Act, hedge agreement or similar arrangement entered into by the Authority in connection with the issuance of a Series of Bonds or pursuant to a Supplemental Resolution, the conditions and terms of which shall be specified in a Series Resolution or a Supplemental Resolution and approved by the Bond Insurer.

“*Term Bonds*” means Bonds not constituting Serial Bonds.

“*Transfer Tax Debt Service Amount*” means that portion of the debt service on the Bonds Outstanding to be paid from Trust Fund Moneys.

“*Trust Estate*” means, collectively, the Mortgage Notes and the funds and accounts created under Articles V and VI of the General Resolution and any and all funds, receipts and investments held in such accounts.

“*Trust Fund*” means the Illinois Affordable Housing Trust Fund created pursuant to Section 5 of the Affordable Housing Act.

“*Trust Fund Bond Coverage Ratio*” means the ratio of (a) amounts collected by the Department of Revenue for deposit to the Trust Fund during any 12 consecutive months out of the 24-month period immediately preceding the time of such calculation to (b) the Transfer Tax Debt Service Amount.

“*Trust Fund Moneys*” means all moneys, deposits, revenues, income, interest, dividends, receipts, taxes, proceeds and other amounts or funds deposited or to be deposited in the Trust Fund pursuant to Section 5(b) of the Affordable Housing Act and any proceeds, investments or increase thereof.

“*Trustee*” means the bank or trust company appointed pursuant to the Resolution to act as trustee thereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

“*Underwriter(s)*” means Banc of America Securities and such other investment banking firms, commercial banks and financial institutions, if any, as may be authorized or approved by the Authority.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa.

Resolution to Constitute Contract

The Resolution shall be deemed to be and shall constitute a contract between the Authority and the Bondholders, and the pledges made in the Resolution and the covenants and agreements therein set forth to be performed by the Authority shall be for the equal benefit, protection and security of the Bondholders, all of which, without regard to the time or times of their issue or their Series 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 Resolution.

Authorization of Bonds

The Resolution creates an issue of Bonds of the Authority to be known and designated as “Affordable Housing Program Trust Fund Bonds,” and creates a continuing pledge and lien to secure the full and final payment of the Principal and Redemption Price of and interest and Sinking Fund Installments on all the Bonds issued pursuant to the Resolution.

Pursuant to the Affordable Housing Act, the State has pledged and agreed with the holders of Affordable Housing Program Trust Fund Bonds issued pursuant to the Act, including the Bonds, that the State will not limit or alter the rights and powers vested in the Authority by the Affordable Housing Act or the Act so as to impair the terms of any contract made by the Authority with such holders or in any way impair the rights and remedies of such holders until the principal and premium, if any, of such bonds, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders are fully met and discharged. The State further agrees with the Bondholders that the State will not limit or alter the basis on which Trust Fund Moneys are to be collected and paid to the Authority as provided in the Affordable Housing Act, or the use of such funds, and the State will not take any action to repeal or reduce the Real Estate Transfer Tax so as to impair the terms of any such contract. The Bonds shall not constitute general obligations of the State or the Authority, are not secured by a pledge of the full faith and credit of the State and do not constitute a debt of the State. The Bonds shall contain on the face thereof a statement to such effect. Section 26.1 of the Act shall not apply to the Bonds.

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify, among other matters, the authorized principal amount of such Series of Bonds, the purposes for which such Series of Bonds are being issued which shall be limited to (i) the establishment of one or more Multi-Family Mortgage Loan Accounts or Single Family Mortgage Loan Accounts and, if required by such Series Resolution, a Capitalized Interest Account and Cost of Issuance Account and the depositing of moneys therein, if any; (ii) payment into the Debt Service Reserve Fund of any amounts required to be paid thereto in order to establish the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement; (iii) the refunding or redemption of Bonds and related purposes; (iv) the payment of financing costs, including bond discounts, incurred in connection with the sale of said Series of Bonds; or (v) any combination thereof, the date, maturity date and amounts of each maturity and the first

interest payment dates of the Bonds of said series, the denominations, the Paying Agent, the Expense Requirement, the interest rate or rates, or the manner of determining such rate or rates, including in the case of Discount Bonds, the Accreted Value thereof at the time of original issuance and at each subsequent interest payment date, the Redemption Price or Redemption Prices, if any, the provisions relating to a Swap, if any, the specific Bond Coverage Ratios applicable to such Series and any other provisions deemed advisable by the Authority which is not in conflict with the provisions of the Resolution.

Pledge of the Resolution

Pursuant to the terms of the Resolution, the Authority has assigned and pledged to the Trustee for the benefit of the Bondholders any and all Trust Fund Moneys transferred or certified or dedicated for transfer to the Authority pursuant to Section 8(b) of the Affordable Housing Act for the purpose of securing the Bonds. As provided in the Resolution and Section 9(b) of the Affordable Housing Act, all Trust Fund Moneys which have been so certified or dedicated for transfer for the purpose of securing the Bonds shall be paid by the Illinois Department of Revenue, the Treasurer or the State Comptroller directly to the Trustee and not to the Authority. The Authority covenants in the Resolution with the Bondholders that in the event it shall receive any Trust Fund Moneys certified by the Authority for the purpose of securing the Bonds pursuant to Section 8(c) and (9) of the Affordable Housing Act, it shall immediately deposit such amounts in the Real Estate Transfer Tax Fund established pursuant to the Resolution. The Authority further covenants to annually certify to the Department of Revenue on or about July 1 in each year, the amounts required to be withdrawn from the Trust Fund to pay that portion of the debt service on the Bonds which is payable from Trust Fund Moneys as set forth in the Cash Flows delivered in connection with each Series of Bonds, up to an aggregate maximum of \$10 million in any Fiscal Year of the State. No Trust Fund Moneys, other than the Trust Fund Moneys certified to the Department of Revenue in each year as described in the immediately preceding sentence, shall be used by the Authority for any purposes permitted by the Affordable Housing Act prior to such time as the full amount certified in each year as described in the immediately preceding sentence has been delivered to the Trustee for the purpose of securing the Bonds. Notwithstanding the foregoing the Authority shall not be precluded from certifying amounts pursuant to Section 8(b) of the Affordable Housing Act to pay administrative costs incurred in connection with the issuance of Bonds or the underwriting of Mortgage Loans financed with proceeds of Bonds, or for other purposes specified in Section 8(c) of the Affordable Housing Act incurred in connection with the issuance of the Bonds to the extent specified in the Series Resolution.

The Resolution provides that the Authority further pledges, assigns and grants a lien on and security interest for the benefit of the Bondholders in the Revenues, Prepayments, Recovery Payments, Acquired Development Receipts and all Funds established by Article VI of the Resolution other than the Surplus Fund (which includes the Bond Fund, the Acquired Development Fund, the Debt Service Reserve Fund, Real Estate Transfer Tax Fund and the Subordinate Bond Fund), including the investments of those Funds and the proceeds of such investments, if any, and (to the extent such a pledge, assignment or grant of a lien or security interest is permitted by federal law) in all governmental assistance or subsidy payments received by the Authority from the United States of America or the State, or any municipality or political subdivision of the State with respect to Mortgage Loans, up to the amount owed to the Authority

with respect to such Mortgage Loan, for the payment of the Principal and Redemption Price of and interest and Sinking Fund Installments on Bonds in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting the application of those Funds, amounts and investments for the purposes and on the terms and conditions set forth in the Resolution.

The pledge, assignment and grant of a lien and security interest contained in the Resolution with respect to the portion of any government assistance or subsidy payments with respect to Mortgage Loans received by or pledged to the Trustee in its capacity as Trustee shall not restrict the rights of the Authority to receive or enforce a pledge, assignment or grant of a lien or security interest in such government assistance or subsidy payments; provided, however, that upon the occurrence of an event of default under the Resolution, the Trustee may exercise any or all rights, powers or prohibitions which the Authority may have with respect to such payments pledged, assigned or granted to the Authority, upon the Trustee having given written notice to the Authority of its intent to exercise those rights. Upon the giving of such a notice, the Authority shall not retain any of its rights, powers or privileges with respect to such payments, pledged, assigned or granted to the Authority except as the notice allows. The Trustee may at any time by written notice to the Authority revoke any notice of intent to exercise any or all rights, powers or privileges with respect to such payments, and upon such notice of revocation being given, the Authority shall again have all such rights, powers and privileges as to which the notice of revocation relates. The pledge, assignment and grant of a lien and security interest shall be valid and binding and immediately effective from and after the date of adoption of the Resolution (or in respect of amendments to the Resolution, from and after the date of adoption of the Supplemental Resolution), and the Revenues, Prepayments, Recovery Payments and Acquired Development Receipts as received by the Authority and all other moneys and securities in the Funds and Accounts established by the Resolution, including the Trust Fund Moneys, and, subject to applicable law, the subsidy receipts pledged, assigned and granted shall then immediately be subject to the lien of such pledge, assignment and grant without any physical delivery, filing, recording or further act, and the lien of such pledge, assignment and grant shall be valid and binding as against, and superior to any claims of, all other parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice of the pledge, assignment or grant.

Such pledge, assignment and grant of a lien and security interest means, without limitation, that in furtherance of the interests of Bondholders the Trustee shall have the right to receive and apply all such Funds, amounts and investments to the payment of the Bonds with priority over any other claims of any kind against the Authority (except, with respect to subsidy receipts, the rights of the United States Government or the State, or any municipality or political subdivision of the State) and shall have the right to require that any such Funds, amounts and investments be paid directly to the Trustee, for that application in accordance with the Resolution, and not to the Authority. The Authority will not make any pledge, assignment or grant of a lien or security interest in any Funds, accounts or investments except as provided in the Resolution.

Subject to certain exceptions specified in the Resolution, moneys deposited to the credit of each Multi-Family Mortgage Loan Account and Single Family Mortgage Loan Account, shall be held in trust and applied only to the making or acquiring of Mortgage Loans to which such

Multi-Family Mortgage Loan Account and Single Family Mortgage Loan Account relates, in accordance with the provisions of the Resolution, and are assigned to and pledged to the Trustee pursuant to the Resolution, pending such application, for the benefit of the Bondholders of the Series from which such moneys were derived and for the security of the payment of the Principal of and interest and Sinking Fund Installments on such Bonds, and shall at all times be subject to the lien of such assignment and pledge until paid out and transferred as provided in the Resolution.

Custody and Application of Bond Proceeds

Mortgage Loan Accounts. Each Series Resolution authorizing the issuance of a Series of Bonds, except a Series Resolution authorizing the issuance of a Refunding Issue, may establish one or more separate Multi-Family Mortgage Loan Accounts or Single Family Mortgage Loan Accounts. As promptly as practicable after the issuance, sale and delivery of any Series of Bonds, the Authority shall pay into the applicable Multi-Family Mortgage Loan Account and/or Single Family Mortgage Loan Account the amount of the proceeds derived from the sale of such Series of Bonds, if any, as shall be designated in the Series Resolution authorizing the issuance of such Bonds. Subject to the provisions of the Resolution relating to the transfer of undisbursed proceeds relating to a Multi-Family Mortgage Loan, moneys so deposited in a Multi-Family Mortgage Loan Account and/or Single Family Mortgage Loan Account shall be used by the Authority for making Mortgage Loans or the purchase of Mortgage Loans in the amounts specified in said Series Resolution.

For each Multi-Family Mortgage Loan Account the Authority shall maintain on its books of account a separate subaccount for each Mortgage Loan being made from a Multi-Family Mortgage Loan Account. Mortgage Loans for each Multi-Family Development shall be made from moneys in the Multi-Family Mortgage Loan Accounts applicable thereto. All payments from the Multi-Family Mortgage Loan Accounts shall be subject to the provisions and restrictions of the Resolution and the Authority has covenanted that it will not cause or permit to be paid from the Multi-Family Mortgage Loan Accounts any sums except in accordance with such provisions and restrictions. Except as may be otherwise expressly provided in a particular Series Resolution, the Trustee shall from time to time pay out, or permit the withdrawal of, moneys in the Multi-Family Mortgage Loan Accounts for the purpose of making Mortgage Loans for Developments upon receipt by the Trustee of a written requisition of the Authority, signed by an Authorized Officer setting forth certain information as required by the Resolution.

A Certificate of an Authorized Officer must be attached to the requisition certifying that the amount being paid from the Multi-Family Mortgage Loan Account pursuant to such requisition, together with all prior withdrawals from said Multi-Family Mortgage Loan Account and all prior advances made by the Authority on account of the Mortgage Loan will not exceed in the aggregate the amount of the Multi-Family Mortgage Loan Commitment for the Development with respect to which the Mortgage Loan is being made to the Mortgagor; that, under the terms and provisions of the mortgage with respect to such Development, the Mortgagor is obligated to make Mortgage Repayments in accordance with the requirements for Multi-Family Mortgage Loan Documents as set forth in the Resolution, and that the Mortgagor is not in default under any of the terms or provisions of said mortgage; and with respect to the initial requisition for the initial disbursement from each Multi-Family Mortgage Loan Account,

one or more Counsel's Opinions to the effect that there exists in force and effect a valid and enforceable mortgage on the Development or the property on which the Development is being constructed with respect to which the Mortgage Loan is being made and that such mortgage and other Multi-Family Mortgage Loan Documents under which the Mortgage Loan is made comply with all of the applicable requirements of the Resolution and the applicable Series Resolution, provided, however, that a Counsel's Opinion shall not be required to address or to opine as to the priority of the mortgage lien and security interest created by the mortgage nor shall a Counsel's Opinion be required to address or to opine as to any other requirement set forth in the Resolution which the Authority, in its sole judgment, deems inappropriate or unnecessary. Upon receipt of each such requisition and accompanying certificate and Counsel's Opinion, the Trustee shall pay each such item from the Multi-Family Mortgage Loan Account directly to the Mortgagor entitled thereto as named in such requisition, or shall deliver to the Authority checks or drafts for the payment thereof, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Authority shall request.

In the event the Authority or the Trustee require the payments to be made through a construction loan escrow trust, the Trustee is authorized but is not required to enter into a construction escrow trust agreement with respect to a Mortgage Loan with the Authority, the Mortgagor receiving the proceeds of such Mortgage Loan and an escrow agent acceptable to the Authority and the Trustee. In the event such construction escrow agreement is entered into, the Trustee shall make construction payments pursuant to said escrow agreement to the extent provided by said escrow agreement. Pursuant to the Multi-Family Mortgage Loan Documents the Authority shall require the Mortgagor receiving Multi-Family Mortgage Loans to submit to the Authority and the Trustee annual audit reports concerning the applicable Development. The Trustee shall from time to time pay out or permit the withdrawal of moneys from a Single Family Mortgage Loan Account for the purpose of financing Single-Family Mortgage Loans upon receipt by the Trustee of a written requisition of the Authority signed by an Authorized Officer stating the Single-Family Mortgage Loan Account from which the payment is to be made and the amount to be paid.

The Authority has covenanted that, promptly upon the fulfillment of its Multi-Family Mortgage Loan Commitment to a Mortgagor it will deliver to the Trustee a Certificate of an Authorized Officer, certifying such fact and stating the amounts derived from Bond proceeds, if any, remaining in the Multi-Family Mortgage Loan Account attributable to such Development. Upon receipt of each such certificate, the Trustee is required, pursuant to an Authorized Officer's written direction, deposit any such amount derived from Bond proceeds into (a) one or more other Multi-Family Mortgage Loan Accounts for the purpose of making one or more other Multi-Family Mortgage Loans (a "Substitute Mortgage Loan") provided that the interest rate, maturity and the underwriting criteria utilized in making any substitute Mortgage Loan shall be substantially the same as the interest rate, maturity and underwriting criteria utilized with respect to the original Mortgage Loan or (b) the Redemption Account for the purchase or redemption of Bonds of the Series issued for the purpose of funding such Multi-Family Mortgage Loan Commitment.

In the event that the Authority determines that it shall not proceed to make a Mortgage Loan with respect to a Development for which moneys have been deposited in a Multi-Family Mortgage Loan Account, the Trustee, upon receipt of such a Certificate of an Authorized Officer

to such effect, shall deposit all moneys or investments held therein, as determined by such Certificate, (a) in one or more other Multi-Family Mortgage Loan Accounts for the purpose of making one or more other Mortgage Loans provided that the interest rate, maturity and the underwriting criteria utilized in making any Substitute Mortgage Loan shall be substantially the same as the interest rate, maturity and underwriting criteria utilized with respect to the original Mortgage Loan, or (b) in the Redemption Account of the Bond Fund for the purchase or redemption of Bonds of the Series issued for the purpose of funding such Mortgage Loan. In the event any amounts on deposit in a Multi-Family Mortgage Loan Account have not been expended within three years from the date of their initial deposit or such later date as is set forth in the draw schedule delivered in connection with the related Mortgage Loan, a Cash Flow Statement shall be delivered by the Authority to the Trustee and the Bond Insurer on each interest payment date thereafter demonstrating the Authority is in compliance with the Bond Coverage Ratios as set forth in the most recent Cash Flow Statement until such amounts have been expended. In the event such Cash Flow Statement reflects that the Authority is not in compliance with the Bond Coverage Ratios the Authority shall consult with the Bond Insurer as to actions the Authority shall take.

Capitalized Interest Accounts are held by the Trustee. Upon the issuance, sale and delivery of any Series of Bonds, the Series Resolution authorizing such Series may establish a Capitalized Interest Subaccount for such Series, which shall be a separate subaccount for such Series, and shall provide for the payment into such Capitalized Interest Subaccount of the amount of the proceeds derived from the sale of such Series of Bonds, if any, as shall be designated in the Series Resolution to be used for the purpose of paying interest on such Series of Bonds. Moneys in a Capitalized Interest Subaccount shall be used, to the extent available, for the purpose of paying interest on the Series of Bonds in respect to which such moneys have been set aside in such subaccount. Any moneys on deposit in the Capitalized Interest Subaccount not used to pay interest during the Period of Construction shall, upon written direction of the Authority, be transferred to the Mortgage Revenue Account.

Cost of Issuance Accounts are held by the Trustee. Upon the issuance, sale and delivery of each Series of Bonds, the Series Resolution authorizing such Series of Bonds may establish a separate Cost of Issuance Account for such Series, which shall be a separate subaccount for such Series, and shall provide for the payment into each such Cost of Issuance Subaccount of the amount of the proceeds derived from the sale of such Series of Bonds as designated in the Series Resolution for the payment of Costs of Issuance of such Series of Bonds. Any moneys remaining in the Cost of Issuance Subaccount, for each Series of Bonds after payment of Cost of Issuance for that Series of Bonds, shall be paid and deposited in the Mortgage Revenue Account upon receipt by the Trustee of a Certificate of an Authorized Officer stating that such moneys are no longer needed for payment of Costs of Issuance.

Funds and Accounts

In addition to the Mortgage Loan Accounts, Capitalized Interest Accounts and Cost of Issuance Accounts of the Bond Proceeds Fund, hereinbefore described, the Resolution establishes the following special Funds and Accounts held by the Trustee:

- (1) Bond Fund;
Interest Account;
Principal Account;
Redemption Account;
Mortgage Revenue Account; and
Investment Earnings Subaccount;
- (2) Acquired Development Fund;
- (3) Debt Service Reserve Fund;
- (4) Real Estate Transfer Tax Fund;
- (5) Subordinate Bond Fund; and
- (6) Surplus Fund.

Bond Fund; Flow of Funds

All Revenues held or collected by the Authority or the Trustee shall be deposited upon receipt in the Mortgage Revenue Account or the Investment Earnings Subaccount, if applicable. In addition, there shall be transferred to and deposited in the Mortgage Revenue Account or the Investment Earnings Subaccount, if applicable, for such purpose (1) any amount in the Capitalized Interest Account not used to pay interest during the Period of Construction, (2) any amount remaining in the Cost of Issuance Account for any Series of Bonds after payment of all Costs of Issuance for such Series, (3) any amount on deposit in the Redemption Account for the purposes of redeeming Senior Lien Bonds after the Mortgage Loans with respect to which such amount is attributable have been paid in full and after all Senior Lien Bonds of the Series with respect to which such amount is attributable have been paid and are no longer Outstanding, (4) any amounts held in the Acquired Development Fund representing Acquired Development Operating Income and any amounts or investments then in the Acquired Development Fund which have been specified in a Certificate of an Authorized Officer as not being necessary to meet the Acquired Development Expense Requirement for the next succeeding six months, (5) an amount equal, on each date, on which Principal of the Senior Lien Bonds is due to the reduction in the Debt Service Reserve Fund Requirement, if any, which results on such date, (6) an amount equal to the amount by which the Debt Service Reserve Fund Requirement is reduced under the Resolution in the event of redemptions resulting from undisbursed proceeds and redemptions resulting from the receipt of Prepayments or Recovery Payments, (7) any earnings in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement which the Authority does not direct be otherwise used, (8) an amount equal to any income or interest earned by, or increment to, the Real Estate Transfer Tax Fund due to the investment thereof, net of any prior investment losses allocated to such Fund and (9) an amount equal to any income or interest earned by, or increment to, any other Fund or Account due to the investment thereof. Moneys and the proceeds of sale of securities from time to time in the Bond Fund shall be paid out and applied in the following manner:

- (1) On or before each interest payment date on the Senior Lien Bonds, the Trustee shall verify the amounts on deposit in the Real Estate Transfer Tax Fund to confirm whether the Real Estate Transfer Tax Debt Service Amount is on deposit therein

for purposes of making the transfer required by paragraph (5) below. After verifying such amount, the Trustee shall withdraw from the Mortgage Revenue Account, including the Investment Earnings Subaccount and the Real Estate Transfer Tax Fund, the following amounts in the following order:

(a) First, the Trustee shall, on or before each interest payment date of the Senior Lien Bonds, transfer from the moneys then held in the Mortgage Revenue Account and the Real Estate Transfer Tax Fund to the Interest Account the respective amounts as set forth in the Cash Flows required for the payment by it and such Paying Agents of the interest becoming due on the Senior Lien Bonds on such interest payment date, and such amounts so transferred are irrevocably dedicated for and shall be applied to the payment of such interest.

(b) Second, the Trustee shall (i) on or before each principal payment date of the Senior Lien Bonds, transfer from: (A) the Mortgage Revenue Account and (B) the Real Estate Transfer Tax Fund to the Principal Account, the respective amounts as set forth in the Cash Flows required for the payment by it and such Paying Agents of the Principal becoming due on all Senior Lien Bonds on such principal payment date, and such amounts so transferred are irrevocably dedicated for and shall be applied to the payment of such Principal and (ii) on or before each interest payment date for the Senior Lien Bonds which is not also a principal payment date, transfer from: (A) the Mortgage Revenue Account and (B) the Real Estate Transfer Tax Fund to the Principal Account, the respective amounts required to be transferred thereto, as set forth in the Cash Flows.

(c) Third, the Trustee shall (i) on or before each Sinking Fund Installment date of the Senior Lien Bonds, transfer from: (A) the Mortgage Revenue Account and (B) the Real Estate Transfer Tax Fund to the Principal Account, the respective amounts required to be so transferred as set forth in the Cash Flows, for the payment by it and such Paying Agents of the Principal of, and Redemption Price, if any, on the Term Bonds then subject to redemption through the operation of Sinking Fund Installments, and such amounts so transferred are irrevocably dedicated for and shall be applied to the payment of such Term Bonds and (ii) on or before each interest payment date for the Senior Lien Bonds which is not also a Sinking Fund Installment date, transfer from: (A) the Mortgage Revenue Account and (B) the Real Estate Transfer Tax Fund to the Principal Account the respective amounts required to be so transferred as set forth in the Cash Flows. The Trustee may, at any time, upon receipt of written direction from the Authority, withdraw moneys from the Principal Account and the Interest Account and purchase Term Bonds of the Series of Bonds with respect to which a Sinking Fund Installment is to be made or portions of such Term Bonds in the manner provided in the Resolution, whether or not such Term Bonds or portions thereof shall then be subject to redemption.

(d) Notwithstanding the foregoing, if on any interest payment date, Principal payment date or Sinking Fund Installment date, the amounts required to be transferred from the Mortgage Revenue Account or the Real Estate Transfer

Tax Fund to the Interest Account or the Principal Account, as the case may be, are not available, the Trustee shall transfer from the Investment Earnings Subaccount to the Interest Account or the Principal Account, as the case may be, the amount needed to make up any shortfall.

(2) On or before each interest payment date for the Senior Lien Bonds, after making the transfers from the Mortgage Revenue Account in the amounts required by paragraph (1) above, the Trustee shall withdraw from the Mortgage Revenue Account an amount equal to one half of the Expense Requirement for the Senior Lien Bonds for payment to the parties entitled thereto.

(3) On or before each interest payment date for the Senior Lien Bonds, after (i) making the transfers from the Mortgage Revenue Account required by paragraphs (1) and (2) above, the Trustee shall withdraw from the Mortgage Revenue Account and deposit in the Debt Service Reserve Fund such amount, if any, as shall be required to bring the Debt Service Reserve Fund up to the Debt Service Reserve Fund Requirement.

(4) On or before each interest payment date for the Senior Lien Bonds, after making the transfers required by paragraphs (1), (2) and (3) above the Trustee shall withdraw from the Mortgage Revenue Account and deposit to the credit of the Acquired Development Fund such amount, if any, to provide sufficient moneys to meet the Acquired Development Expense Requirement for the next succeeding six months.

(5) On or before each interest payment date for the Senior Lien Bonds, after making the transfers required by paragraphs (1), (2), (3) and (4) above (unless a Series Resolution specifies the calculation shall be made prior to such transfers), the Trustee shall calculate the Bond Coverage Ratios and the Mortgage Loan Maintenance Coverage Ratio and in the event each of such ratios is met and if there shall have been on deposit in the Real Estate Transfer Tax Fund an amount equal to the Real Estate Transfer Tax Debt Service Amount as verified pursuant to paragraph (1) above, the Trustee shall transfer any remaining amounts in the Mortgage Revenue Account in excess of \$25,000 (which shall be maintained in the Mortgage Revenue Account) (the "Surplus Amounts"), including the Investment Earnings Subaccount, to the Subordinate Bond Fund to be applied in accordance with the provisions of the Resolution and any Series Resolutions authorizing the issuance of Subordinate Bonds. In the event any of such ratios is not met or if the Real Estate Transfer Tax Debt Service Amount was not on deposit in the Real Estate Transfer Tax Fund prior to making the transfers described in paragraphs (1) through (4) above, the Authority shall retain any Surplus Amounts, as specified in a Series Resolution, on deposit in the Mortgage Revenue Account until the next succeeding interest payment date.

(6) After making the transfers to the Subordinate Bond Fund contemplated by the Resolution and any applicable Series Resolution, any amounts remaining on deposit in the Subordinate Bond Fund shall be transferred by the Trustee to the Surplus Fund.

(7) In the event there shall be, on any interest payment date for the Senior Lien Bonds, a deficiency in the Interest Account in the amount needed to make such

interest payment or, in the event there shall be, on any principal payment date for the Senior Lien Bonds, a deficiency in the Principal Account in the amount needed to make such Principal payment, or in the event there shall be, on any Sinking Fund Installment date, a deficiency in the Principal Account in the amount needed to make such Sinking Fund Installment, the Trustee shall make up such deficiencies first from the Mortgage Revenue Account, including the Investment Earnings Subaccount, second from the Real Estate Transfer Tax Fund and third from the Debt Service Reserve Fund, if necessary, by the withdrawal of moneys therefrom for that purpose and by the sale or redemption of securities held in such Funds and Accounts, if necessary, in such amounts as will, at the respective times, provide moneys in the Bond Fund sufficient to make up any such deficiency. Whenever the assets of the Bond Fund, the Subordinate Bond Fund, the Debt Service Reserve Fund and the Real Estate Transfer Tax Fund shall be sufficient in the aggregate to provide moneys to pay, redeem or retire all Bonds then Outstanding, including such interest thereon as may thereafter become due and payable to maturity or date of redemption, no further payments need to be made into the Bond Fund, the Subordinate Bond Fund, the Debt Service Reserve Fund or the Real Estate Transfer Tax Fund.

(8) Moneys on deposit in the Principal Account and the Interest Account shall be held in trust for the benefit of the Holders of all Senior Lien Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Senior Lien Bonds of different Series.

Redemption Account

(1) Any moneys deposited into the Redemption Account by the Authority for the purpose of redeeming Senior Lien Bonds or transferred into the Redemption Account pursuant to the Resolution shall be applied to the purchase or retirement of the Senior Lien Bonds. Until such moneys are applied to the payment of the Redemption Price of the Senior Lien Bonds to be redeemed such moneys shall be held in trust for the benefit of the Holders of the Senior Lien Bonds to be redeemed.

(2) The Trustee shall promptly apply such moneys to the purchase of Senior Lien Bonds of the designated Series of the maturities specified in a Certificate of an Authorized Officer at the lowest price obtainable whether or not such Senior Lien Bonds shall then be subject to redemption, such price, however, not to exceed the Redemption Price which would be payable on the next ensuing date on which the Senior Lien Bonds of the Series so purchased are redeemable at the option of the Authority according to their terms. No such purchase shall be made by the Trustee within the period of 45 days next preceding a date on which such Senior Lien Bonds are subject to redemption under the provisions of the Series Resolution authorizing the issuance thereof.

(3) In the event the Trustee is unable to purchase Senior Lien Bonds of a Series in accordance with and under the foregoing provisions of paragraph (2), and there is \$100,000 or more in the Redemption Account for the redemption of Senior Lien Bonds of a Series, the Trustee shall call for redemption on the next ensuing redemption date such amount of Senior Lien Bonds of such Series of the maturities specified in a

Certificate of an Authorized Officer as will exhaust said amount as nearly as may be practicable. Such redemption shall be made pursuant to the provisions of the Resolution.

(4) The Authority may, from time to time, by written instructions direct the Trustee to make purchases under paragraph (2) above only after receipt of tenders after notice. The Authority may specify the length of notice to be given and the dates on which tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. All such tenders shall be by sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified under paragraph (2) above for the purchase of Senior Lien Bonds. The Trustee shall accept bids with the lowest price and if the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of moneys available for purchase, then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Senior Lien Bonds tendered which shall be purchased. No purchase of Senior Lien Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of 45 days next preceding any date on which such Senior Lien Bonds are subject to redemption.

(5) In the event an amount is on deposit in the Redemption Account for the purpose of redeeming Senior Lien Bonds after the Mortgage Loans with respect to which such amount is attributable have been paid in full and after all Senior Lien Bonds of the Series with respect to which such amount is attributable have been paid and are no longer Outstanding, the Trustee shall transfer such amount from the Redemption Account to the Mortgage Revenue Account in accordance with the provisions of the Resolution.

Acquired Development Fund

All Acquired Development Receipts and moneys, if any, withdrawn from Mortgage Revenue Account as summarized in paragraph (4) above under the caption "Bond Fund; Flow of Funds" shall be deposited in the Acquired Development Fund. Moneys at any time held in the Acquired Development Fund shall be used for and applied solely to the payment of Acquired Development Expenses; provided, however, that on each interest payment date for Senior Lien Bonds, the Trustee shall, upon written direction of the Authority, transfer to the Mortgage Revenue Account any Acquired Development Operating Income and any moneys or investments then in the Acquired Development Fund which have been specified in a Certificate of an Authorized Officer as not being necessary to meet the Acquired Development Expense Requirement for the next succeeding six months.

Debt Service Reserve Fund

Under the Resolution the Authority obligates and binds itself irrevocably to pay, or cause to be paid, directly into the Debt Service Reserve Fund (i) such portion of the proceeds of the sale of Senior Lien Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance thereof, and (ii) any other moneys which may be made available to the Authority for the purpose of the Debt Service Reserve Fund from any other source or sources. On or prior to each date principal or interest is due on the Senior Lien Bonds, the Authority shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the value of the cash and investments on deposit in the Debt Service Reserve Fund as of the date of such Certificate. The Trustee shall

deposit in and credit to the Debt Service Reserve Fund all moneys transferred from the Mortgage Revenue Account as summarized in paragraph (3) above under the caption "Bond Fund; Flow of Funds," and shall transfer moneys and securities from the Debt Service Reserve Fund to the Bond Fund as summarized in paragraph (7) above under the caption "Bond Fund; Flow of Funds."

On or before each date on which Principal of the Senior Lien Bonds will be paid (whether at stated maturity or pursuant to redemption, sinking fund requirements, the declaration of an acceleration of maturity or otherwise), the Trustee shall transfer from the Debt Service Reserve Fund to the Mortgage Revenue Account an amount of moneys equal to the reduction of the Debt Service Reserve Fund Requirement, if any, which would result upon such date; provided, however, that such transfer does not reduce the amount in the Debt Service Reserve Fund to less than the amount of the Debt Service Reserve Fund Requirement after such date and provided further, however, upon written direction of the Authority, such amount may be transferred to the Redemption Account for the purpose of redeeming Bonds.

Whenever the Trustee shall determine that, on the next to final maturity date of the Senior Lien Bonds of a Series then Outstanding (including Sinking Fund Installment dates), the moneys and securities in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement for all Senior Lien Bonds, excepting the Senior Lien Bonds of such Series, will be equal to or in excess of the Redemption Price of all of the Senior Lien Bonds of the final maturity of such Series then Outstanding, the Trustee shall, upon the written request of the Authority, use and apply such excess in the Debt Service Reserve Fund to the redemption on the next to final maturity date, of all Senior Lien Bonds of such Series then Outstanding maturing on the final maturity date of such Series.

Whenever the Trustee shall determine that, on the final maturity date of the Senior Lien Bonds of a Series then Outstanding, the moneys and securities in the Debt Service Reserve Fund will be in excess of the Debt Service Reserve Fund Requirement for all Senior Lien Bonds, excepting such Series, the Trustee shall, upon the written request of the Authority, use and apply such excess in the Debt Service Reserve Fund to the payment on the final maturity date of the principal of the Senior Lien Bonds of such Series then Outstanding and payments from the Bond Fund may be reduced proportionately.

Whenever a transfer of moneys to the Redemption Account is made under the Resolution pursuant to a redemption resulting from undisbursed proceeds or a redemption resulting from the receipt of Prepayments or Recovery Payments, which results in the reduction of the Debt Service Reserve Fund Requirement upon the purchase or redemption of such Senior Lien Bonds, the Trustee shall, in connection with each such purchase or redemption, withdraw from the Debt Service Reserve Fund and deposit in the Mortgage Revenue Account an amount of moneys equal to the reduction of the Debt Service Reserve Fund Requirement which would result upon the redemption of such Senior Lien Bonds upon the next succeeding redemption date; provided, however, upon written direction of the Authority, such amount may be transferred to the Redemption Account in the event the Authority elects to redeem Bonds in an amount equal to the reduction in such Debt Service Reserve Fund. The amount of moneys to be withdrawn from the Debt Service Reserve Fund in each instance pursuant to the provisions described in this

paragraph shall be determined by the Authority and the amount thereof certified to the Trustee in writing.

Any income or interest earned by, or increment to, the Debt Service Reserve Fund due to the investment thereof shall, upon written direction of an Authorized Officer of the Authority, and in any event if the Authority does not provide such written direction, not later than each interest payment date, be transferred by the Trustee to the Investment Earnings Subaccount of the Mortgage Revenue Account, but only to the extent that any such transfer will not reduce the amount of the Debt Service Reserve Fund below the Debt Service Reserve Fund Requirement. If, at any time upon the payment or retirement of Senior Lien Bonds at maturity or upon purchase or redemption, the moneys and securities in the Debt Service Reserve Fund are in excess of the Debt Service Reserve Fund Requirement, and the use or transfer of such excess is not otherwise provided for in this Resolution, the Trustee, upon the written request of the Authority, shall transfer such excess to and deposit the same in the Mortgage Revenue Account.

A Series Resolution may provide that the Debt Service Reserve Fund Requirement with respect to the applicable Series of Bonds may be funded in whole or in part through the deposit of a Cash Equivalent. In the event a Cash Equivalent is utilized, the Trustee is authorized to use amounts on deposit in the Debt Service Reserve Fund to reimburse the provider of the Cash Equivalent under circumstances and as set forth in the Series Resolution.

Real Estate Transfer Tax Fund

The Authority shall make an initial deposit to the credit of the Real Estate Transfer Tax Fund in an amount specified in a Series Resolution. There shall also be deposited in and credited to the Real Estate Transfer Tax Fund all Trust Fund Moneys pledged and assigned by the Authority pursuant to the Resolution, pursuant to a Series Resolution and pursuant to the Affordable Housing Act which are delivered to the Trustee by the Department of Revenue, the Treasurer of the State or the Authority. In the event the Authority deposits money with the Trustee in anticipation of receipt by the Trustee of Trust Fund Moneys certified by the Authority to the Department of Revenue, the Trustee is directed to remit funds to the Authority in an amount equal to the amount so advanced by the Authority upon receipt of such funds from the Department of Revenue. Interest income and gain received from the investment of moneys held in the Real Estate Transfer Tax Fund shall be credited to the Real Estate Transfer Tax Fund until transferred as provided below. Moneys and securities held for the credit of the Real Estate Transfer Tax Fund shall be transferred by the Trustee to the Bond Fund at the times and in the amounts required to comply with the provisions of the Resolution and summarized in paragraphs (1) and (7) above under the caption "Bond Fund; Flow of Funds." Any income or interest earned by, or increment to, the Real Estate Transfer Tax Fund due to the investment thereof net of any prior investment losses allocated to such Fund shall upon written direction of the Authority, and in any event not later than each interest payment date absent such direction, be transferred by the Trustee to the Investment Earnings Subaccount of the Mortgage Revenue Account.

Subordinate Bond Fund

There shall be deposited to the Subordinate Bond Fund amounts transferred from the Bond Fund pursuant to the Resolution. The Series Resolution pursuant to which Subordinate

Bonds are issued shall establish the accounts to be created within the Subordinate Bond Fund and any additional funds which are to be created and provide for the flow of funds within the Subordinate Bond Fund. After making any transfers required by such Series Resolution, including transfers required for the payment of principal and interest on any Subordinate Bonds, amounts on deposit in the Subordinate Bond Fund may be transferred to the Surplus Fund pursuant to the Resolution.

Surplus Fund

The Surplus Fund shall be held for the benefit of the Authority. There shall be deposited into the Surplus Fund moneys, if any, from the Bond Fund or the Subordinate Bond Fund as described in paragraph (6) above under the caption “Bond Fund; Flow of Funds” and as described above under the caption “Subordinate Bond Fund.” Interest income and gain received from the investment of moneys held in the Surplus Fund shall be credited to the Surplus Fund. At the written direction of the Authority amounts on deposit in the Surplus Fund shall be (i) withdrawn from the Surplus Fund and deposited to any specified Multi-Family Mortgage Loan Account or Single Family Mortgage Loan Account, (ii) withdrawn from the Surplus Fund and deposited to the credit of any other Fund or Account specified by the Authority or (iii) transferred to the Authority to be used for any purpose permitted by the Act and the Affordable Housing Act.

Security for Deposits and Investment of Funds

All moneys held by the Trustee shall be continuously and fully secured for the benefit of the Authority and the Bondholders by Permitted Investments or Bonds of the Authority of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them held in trust for the payment of the Principal or Redemption Price of or interest and Sinking Fund Installments, if any, on Bonds, or such amount of moneys as is insured by federal deposit insurance, or for any moneys which shall be represented by obligations purchased as an investment of such moneys pursuant to the Resolution.

Moneys held in the Bond Proceeds Fund, including the Multi-Family Mortgage Loan Accounts and the Single Family Mortgage Loan Accounts, the Bond Fund, the Subordinate Bond Fund, the Real Estate Transfer Tax Fund, the Surplus Fund and Acquired Development Fund, upon verbal direction of the Authority confirmed in writing by an Authorized Officer, shall be invested by the Trustee in Permitted Investments so that the maturity date or redemption date at the option of the holder of such Permitted Investments shall coincide, as nearly as practicable, with the times at which such moneys will be required for the purposes of the Resolution.

Moneys held in the Debt Service Reserve Fund, upon verbal direction of the Authority confirmed in writing by an authorized officer of the Authority, shall be invested in Permitted Investments by the Trustee.

In computing the amount of any Fund or Account held by the Trustee under the Resolution, obligations purchased as an investment of moneys therein shall be valued at par, if such obligation was purchased at par, or the amortized cost thereof, exclusive of accrued interest.

The Authority shall authorize, direct and confirm in writing by an Authorized Officer all investments by the Trustee. If the Authority fails to direct investments, the Trustee shall invest in any Permitted Investments maturing, or which shall be subject to redemption by the holders, such that sufficient money will be available for the purposes intended. The Trustee shall not be liable or responsible for the making of any investment authorized by the provisions of the Resolution, in the manner provided therein, or for any loss resulting from any such investment so made, except for its own negligence. The Trustee may at the written direction of the Authority trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall any investment be otherwise than in accordance with the investment limitations contained in the Resolution.

Issuance of Additional Obligations

Except as provided in “Covenants Relating to Multi-Family Mortgage Loan Program” below, the Authority shall not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues or which will be payable from the Bond Fund or Debt Service Reserve Fund or the Real Estate Transfer Tax Fund, except that (a) a Series of Bonds to refund any Bonds then Outstanding may be issued under the conditions and subject to the provisions and limitations of the Resolution, and (b) additional Series of Bonds may be issued from time to time pursuant to a Series Resolution subsequent to the issuance of the initial Series of Bonds under the Resolution on a parity with the Bonds and secured by an equal charge and lien on the Revenues and Trust Fund Moneys and payable equally from the Bond Fund, Real Estate Transfer Tax Fund and Debt Service Reserve Fund for the purposes of (i) the establishment of Multi-Family Mortgage Loan Accounts and Single Family Mortgage Loan Accounts for purposes of making or purchasing designated Mortgage Loans, as the case may be, a Capitalized Interest Account, and a Cost of Issuance Account, if any; (ii) payments into the Debt Service Reserve Fund; (iii) the payment of financing costs, including bond discounts, of said Series of Bonds; and (iv) any combination thereof. Nothing in the Resolution prevents the Authority from issuing any Subordinate Bonds which are payable from and secured by a lien and pledge on the Revenues and the Real Estate Transfer Tax Fund provided that payment of such indebtedness and such lien and pledge shall be subordinate in all respects to the provisions of the Senior Lien Bonds.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Resolution unless:

(a) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and other obligations of the Authority theretofore issued and Outstanding, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(b) there is at the time of and after giving effect to the issuance of such additional Bonds no deficiency in the amounts required by the Resolution or any Series Resolution to be paid into the Bond Fund and into the Debt Service Reserve Fund other than with respect to Subordinate Bonds;

(c) the amount of the Debt Service Reserve Fund, upon the issuance and delivery of such additional Bonds and the placing in the Debt Service Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds or a Cash Equivalent in such amount, shall not be less than the Debt Service Reserve Fund Requirement;

(d) the Authority shall be obligated pursuant to existing Multi-Family Mortgage Loan Commitments to make Mortgage Loans to Mortgagors under mortgages in amounts not less than the principal amount of the additional Bonds then being issued for the purposes of the establishment of, or crediting of moneys to, Multi-Family Mortgage Loan Accounts designated in the applicable Series Resolution authorizing the issuance of such additional Bonds, if applicable;

(e) the Mortgages under which the Authority will make or purchase Mortgage Loans from the proceeds of the additional Bonds then being issued, or the Mortgages under which the Authority has theretofore made Mortgage Loans from the proceeds of Bonds being refunded by the additional Bonds then being issued, comply with the terms, conditions, provisions and limitations prescribed for Mortgages made by the Authority, as set forth in the covenant with respect thereto in the Resolution, and as required by the Act and other applicable provisions of law;

(f) projected Cash Flows shall be delivered to the Trustee, the Bond Insurer and the Rating Agency demonstrating that:

(i) the Real Estate Transfer Tax Debt Service Amount for each interest payment date for the Bonds Outstanding, including the additional Series of Bonds to be issued, will be on deposit in the Real Estate Transfer Tax Fund;

(ii) the Bond Coverage Ratios shall be satisfied with respect to all Bonds Outstanding including the additional Series of Bonds proposed to be issued; and

(iii) any other ratios as may be required by the Rating Agency and the Bond Insurer shall be satisfied.

(g) the Authority shall have notified each Rating Agency and the Bond Insurer of the proposed issuance of such additional Bonds, the Bond Insurer shall have consented to the issuance of such additional Series of Bonds and the Rating Agency shall have delivered to the Authority a letter to the effect that the issuance of the additional Series of Bonds shall not adversely impact the shadow ratings on the Bonds, but only in the event the rating of the Bond Insurer falls below the highest rating category of Standard & Poor's Rating Group.

The Authority reserves the right to issue any other obligations so long as the same are not a charge or lien on the Revenues or payable from the Bond Fund or Debt Service Reserve Fund.

Covenants Relating to Multi-Family Mortgage Loan Program

Certain of the covenants set forth in the Resolution and described below relate to the Developments requiring financing for construction or rehabilitation and are not applicable to the Developments requiring permanent financing.

Mortgage Provisions. No Multi-Family Mortgage Loan shall be made by the Authority from the proceeds of Bonds unless the mortgage and other Multi-Family Mortgage Loan Documents relating thereto shall comply with, and no Bonds shall be issued by the Authority to refund Bonds unless the mortgage and other Multi-Family Mortgage Loan Documents under which the Mortgage Loan was made from the proceeds of such Bonds shall also comply with, the following terms, conditions, provisions and limitations, and shall have been approved by the Authority:

(a) The Mortgagor must be eligible under the Act and the mortgage shall be executed, and arrangements satisfactory to the Authority to record such mortgage have been made, in accordance with the requirements of existing laws;

(b) The Mortgage shall constitute and create a first mortgage lien on the real property or interest therein with respect to which the Mortgage Loan secured thereby is made and a security interest in the personal property attached to or used in connection with the operation of any Development, except for such nonmaterial exceptions to title as in the discretion of the Authority will not impair the value of the property, including, but not limited to, tenant leases, and any liens that are insured over by the title policy insuring the Mortgage and provided, however, that the Mortgage may also be a participation by the Authority with another party or parties in a Mortgage Loan made with respect to a Development and similarly secured;

(c) Subject to clause (3) of paragraph (k) below, the amount of the Mortgage Loan to be made by the Authority to the Mortgagor under the Mortgage and credited to the Multi-Family Mortgage Loan Account shall not exceed the then established Cost of Development or any other limitation prescribed by the Act, as amended from time to time, whichever is less;

(d) The Mortgagor of the Mortgage Loan shall have provided to the Authority, or will provide in a manner satisfactory to the Authority, in payment of the Cost of Development, an amount equal to the difference between the Cost of Development and the Multi-Family Mortgage Loan Commitment of the Authority;

(e) The Mortgagor of the Mortgage Loan shall have acquired title to the site of the Development or an interest in real property sufficient for the location thereon of the Development, free and clear of all liens and encumbrances other than those exceptions to title as in the discretion of the Authority will not impair the value of the Development;

(f) The Mortgagor of the Mortgage Loan shall have obtained all governmental approvals then required by law for the construction, ownership and operation (if applicable) of the Development by the Mortgagor;

(g) If the Mortgage secures funds advanced or to be advanced to construct or rehabilitate a Development, the Mortgagor shall have obtained the approval of the Authority of preliminary plans and specifications for the Development, and, the mortgage or other Multi-Family Mortgage Loan Documents relating to such Mortgage Loan shall obligate the Mortgagor to obtain, within a reasonable period of time, the Authority's approval of final plans and specifications;

(h) Without the Authority's prior written consent the Mortgagor shall be prohibited from selling, leasing or otherwise encumbering a Development for which it has made a Mortgage Loan unless (i) such sale, lease or encumbrance is approved by the Authority, (ii) any resulting Prepayment is permitted by the Act and the applicable rules promulgated thereunder, and (iii) any Prepayment is made by the Mortgagor in compliance with the Resolution and summarized below under the caption "Prepayment." Notwithstanding the foregoing, the Mortgagor may, in the ordinary course of business, enter into leases of dwelling units without the Authority's prior consent, provided that such leases are entered into in conformity with the Regulatory Agreement and the form of lease previously approved by the Authority. Any successor Mortgagor approved by the Authority shall assume the existing mortgage. Upon conveyance of a Development to, and assumption of the Mortgage by, a successor Mortgagor, the Authority may release the original Mortgagor from its obligations under the Mortgage.

(i) The Mortgage pursuant to which a Mortgage Loan is made shall not permit a Prepayment except in a manner which will permit the Authority to comply with the provisions described below under "Prepayment;"

(j) The Authority shall not consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest of any Mortgage Loan or the security for or any terms or provisions of any Mortgage Loan or the mortgage securing the same in a manner detrimental to Bondholders; provided, however, that the Authority may consent to the modification of and modify such Mortgage Loan and the mortgage securing the same and the Mortgage Repayments to be made thereunder as provided in paragraph (k) below and provided the Authority shall have notified the Rating Agency and the Bond Insurer of the proposed modification and the Bond Insurer shall have consented to such modification;

(k) (1) The Authority shall not sell any mortgage or other obligation securing a Mortgage Loan made with respect to a Development which is not in default unless the sale price thereof received by the Authority shall not be less than the aggregate of (i) the principal amount of the Mortgagor's Mortgage Loan remaining unpaid; (ii) the Mortgagor's proportionate share of the Principal of the Bonds of the Series issued for such Mortgage Loan for the purpose of paying financing costs and making deposits in the Debt Service Reserve Fund, a Cost of Issuance Account or a Capitalized Interest Account and remaining unpaid; (iii) the interest (including additions to Accreted Value) to accrue on all Bonds to be redeemed by the Authority upon the sale of such Mortgage to the next call date thereof not previously paid by the Mortgagor; (iv) the redemption premium on the Bonds so to be redeemed; and (v) the costs and expenses of the Authority in

effecting the redemption of the Bonds so to be redeemed, less the amount of applicable moneys in the Bond Fund and the Debt Service Reserve Fund and available for application to the redemption of such Bonds in accordance with the terms and provisions of the Resolution, as determined by the Authority, and the amount of any other legally available funds of the Authority which the Authority, in its sole discretion, transfers to the Bond Fund for the purpose of such redemption. The foregoing provision does not apply to Single Family Mortgage Loans.

(2) The Authority shall not sell any Mortgage Loan or other obligation securing a Mortgage Loan with respect to a Development which is in default unless the sales price thereof received by the Authority shall not be less than the aggregate of (i) the principal amount of the Mortgagor's Mortgage Loan remaining unpaid; (ii) the Mortgagor's proportionate share of the Principal of the Bonds of the Series issued for such Mortgage Loan for the purpose of paying financing costs and making deposits in the Debt Service Reserve Fund, a Cost of Issuance Account or a Capitalized Interest Account and remaining unpaid; (iii) the interest (including additions to Accreted Value) to accrue on all Bonds to be redeemed by the Authority upon the sale of such Mortgage to the next call date thereof not previously paid by the Mortgagor; (iv) the redemption premium on the Bonds so to be redeemed; and (v) the costs and expenses of the Authority in effecting the redemption of the Bonds so to be redeemed, less the amount of (x) applicable moneys available in the Bond Fund and available for withdrawal from the Debt Service Reserve Fund and application to the redemption of such Bonds in accordance with the terms and provisions of the Resolution, as determined by the Authority; (y) any other legally available funds of the Authority which the Authority, in its sole discretion, transfers to the Bond Fund for the purpose of such redemption; and (z) any future transfers to the Bond Fund for the purpose of such redemption to which the Authority has by resolution committed itself and for which it has made provision. Notwithstanding the foregoing, the Authority may sell any Mortgage Loan at a sales price less than the amount provided above if the Authority receives the written consent of the Bond Insurer.

(3) Subject to the provisions of paragraph (j) above, the Authority may restructure any Mortgage Loan upon the Authority's determination that the Mortgage Loan is in jeopardy of not being repaid or the Development for which the Mortgage Loan was made is in jeopardy of not being completed. In any such restructuring, the Authority may, subject to the restrictions contained in the following paragraph, reduce the principal of or interest rate on the Mortgage Loan.

(4) The foregoing notwithstanding, the Authority shall not restructure any mortgage or other obligation securing a Mortgage Loan unless the Authority receives the written consent of the Bond Insurer.

Covenants Relating to the Single Family Mortgage Loan Program. The mortgage notes evidencing Mortgage Loans purchased or financed by the Authority shall be endorsed to the

Authority, if applicable, and the mortgages securing such Mortgage Loans shall be assigned to the Authority, if applicable, and such mortgage notes and mortgages shall be held by the Trustee, subject to the provisions of the Resolution. The Authority shall not purchase any Mortgage Loan if on the date of purchase the obligor of the Mortgage Loan is delinquent in the payment of any installment of principal, interest or other amounts due under the terms of such Mortgage Loan. The Authority may sell any Mortgage Loan financed by the Authority held under the Resolution to realize the benefits of mortgage insurance or guaranty, to replace or dispose of defective Mortgage Loans, or to realize proceeds from the sale thereof for any of the purposes hereof.

Disposition of Recovery Payments and Prepayments. Recovery Payments and Prepayments less the cost and expenses of the Authority incurred in collecting such Recovery Payments and Prepayments and of effecting the redemption of the Bonds to be redeemed, if any, shall, in the sole discretion of the Authority (a) be deposited in one or more Multi-Family Mortgage Loan Accounts or Single Family Mortgage Loan Accounts (i) for the purpose of making or purchasing one or more Mortgage Loans or (ii) for the purpose of investing such moneys, or (b) be deposited in the Redemption Account or to the Subordinate Bond Fund in the event such Recovery Payments or Prepayments relate to Developments financed with the proceeds of Subordinate Bonds to be applied to the payment, retirement or redemption of Bonds in accordance with the provisions of the Resolution. The foregoing notwithstanding, in the event that the Authority determines to use Recovery Payments and Prepayments to make or purchase new Mortgage Loans as provided in clause (i) of the preceding sentence, then the Authority shall, prior to making or purchasing such new Mortgage Loan, notify the Bond Insurer of such proposed new Mortgage Loan, and either (a) the Authority shall have provided to the Trustee, the Bond Insurer and the Rating Agency a Cash Flow Statement demonstrating that the Authority will be in compliance with the Bond Coverage Ratios required to be tested as set forth in the Series Resolution or (b) the Authority shall receive the written consent of the Bond Insurer to making or purchasing such new Mortgage Loan.

Enforcement and Foreclosure of Mortgages.

(1) Subject to paragraph (3) below, the Authority covenants to enforce all its rights and obligations under and pursuant to the multi-family Mortgage Loans and single family Mortgage Loans as necessary to obtain payment as due and to comply with the Act, and has agreed that the Trustee, in the name of the Authority, may enforce all rights of the Authority under and pursuant to the Mortgage Loans for and on behalf of the Bondowners pursuant to the Resolution, whether or not an Event of Default exists. The Trustee shall be under no obligation to service the Mortgage Loans.

(2) In addition to the right to restructure Mortgage Loans as set forth in paragraph (k)(3) above, whenever it shall appear to the Authority to be necessary in order to protect and enforce the rights and interests of Bondholders under the Resolution, the Authority may as to each Mortgagor in default under the provisions of a mortgage securing a multi-family Mortgage Loan either: (i) commence proceedings to deed or otherwise assign the mortgage to any government agency or instrumentality that has insured or guaranteed said mortgage; or (ii) proceed to commence foreclosure proceedings in protection and enforcement of its rights assigned to the Trustee under such mortgage, provided that prior to taking any such action either (a) the Authority shall

deliver a Cash Flow Statement to the Trustee, the Bond Insurer and the Rating Agency which Cash Flow Statement demonstrates that the Authority will be in compliance with the Bond Coverage Ratios required to be tested as set forth in the applicable Series Resolution or (b) the Authority shall receive the written consent of the Bond Insurer prior to taking such action.

(3) Upon foreclosure or other acquisition of a Development, and so long as the Authority shall have title thereto or be in possession thereof, the Authority shall, as the case may be, construct, operate and administer such Acquired Development in the place of the Mortgagor and in the manner required of such Mortgagor by the terms and provisions of the mortgage. In so doing, the Authority, to the extent it may have moneys which have been specifically made available for such purpose, including any moneys on deposit in the Multi-Family Mortgage Loan Account relating to such Acquired Development, shall complete the construction of any incomplete Acquired Development. The Trustee shall be authorized to pay to the Authority upon its requisition any moneys on deposit in the Multi-Family Mortgage Loan Account established with respect to an Acquired Development to the extent that the Authority shall certify in writing to the Trustee that such moneys are required by the Authority to pay any item that would have been included in the Cost of Development of such Acquired Development had the Authority not acquired the same. The Authority shall pay from moneys withdrawn from the Acquired Development Fund the costs and expenses of operating any Acquired Development, including the Mortgage Repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. From moneys withdrawn from the Acquired Development Fund, the Authority shall pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to such Acquired Development prior to the payment of Mortgage Repayments and other costs and expenses of operating such Acquired Development.

(4) Notwithstanding the provisions of the preceding paragraph, upon foreclosure or other acquisition of a Development:

(a) The Authority may at any time thereafter sell such Acquired Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, provided, however, that the mortgage securing such a Mortgage Loan shall contain the terms, conditions, provisions and limitations described above under “Covenants Relating to Multi-Family Mortgage Loan Program” herein;

(b) The Authority may at any time thereafter sell such Acquired Development to a party other than an eligible Mortgagor, provided that the sales price thereof received by the Authority shall not be less than the aggregate of (i) the principal amount of the Mortgagor’s Mortgage Loan remaining unpaid; (ii) the Mortgagor’s proportionate share of the Principal of the Bonds of the Series issued for such Mortgage Loan issued for the purpose of paying financing costs and making deposits in the Debt Service Reserve Fund, a Cost of Issuance Account or a Capitalized Interest Account and remaining unpaid; (iii) the interest

to accrue (including additions to Accreted Value) on all Bonds to be redeemed by the Authority upon the sale of such Mortgage to the next call date thereof not previously paid by the Mortgagor; (iv) the redemption premium on the Bonds so to be redeemed; and (v) the costs and expenses of the Authority in effecting the redemption of the Bonds so to be redeemed, less the amount of (A) applicable moneys available in the Redemption Account; (B) applicable moneys available in the Real Estate Transfer Tax Fund; (C) applicable moneys available for withdrawal from the Debt Service Reserve Fund and application to the redemption of such Bonds in accordance with the terms and provisions of the Resolution, as determined by the Authority; (D) any other legally available funds of the Authority transferred to the Bond Fund; and (E) any future transfers to the Bond Fund to which the Authority has committed itself by resolution and for which it has made provision; or the Authority shall receive the written consent of the Bond Insurer to the sale of the Acquired Development at a lower price.

(c) In the event such Acquired Development shall not have been completed, the Authority may elect to complete only a portion of such Development and to sell off any lands not required for the portion of the Acquired Development to be completed; provided, however, that, prior to the sale of any such land and any reduction in the scope of the Acquired Development, the Authority shall file with the Trustee and the Bond Insurer its written determination to the effect that the proceeds of sale of such land and the Acquired Development Receipts to be derived from such Acquired Development, as revised in scope, will be sufficient in amount to pay the costs and expenses of operating such Acquired Development, including the Mortgage Repayments which the Mortgagor will be obligated to pay pursuant to the terms and provisions of the Mortgage relating to such Acquired Development. All proceeds received by the Authority from the sale of land pursuant to this subparagraph (c) shall be deposited into the Redemption Account and such moneys shall be used and applied to the purchase or retirement of the Bonds as provided by the Resolution.

(5) Notwithstanding the provisions of the preceding two paragraphs, upon default of a Development under a Mortgage the Authority may at any time thereafter deed or otherwise transfer the Development to any government agency or instrumentality that has insured or guaranteed the payment of the Mortgage, in order to collect the insurance proceeds allowable under the government program providing for such mortgage insurance or guarantee.

Prepayment.

(1) Unless required to do so by an agency or instrumentality of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan, the Authority shall not permit a Mortgagor to make a Prepayment with respect to a Multi-Family Mortgage Loan unless it shall require, with respect to any such Prepayment so permitted, the same to be in an amount not less than the aggregate of (a) the principal amount of the Mortgagor's Mortgage Loan remaining unpaid; (b) the Mortgagor's proportionate share of the Principal of the Bonds of the Series which were issued for such

Mortgage Loan issued for the purpose of paying financing costs and making deposits in the Debt Service Reserve Fund, a Cost of Issuance Account or a Capitalized Interest Account and remaining unpaid; (c) the Mortgagor's proportionate share of any premium or fees paid by the Authority for a Cash Equivalent deposited with the Trustee in the Debt Service Reserve Fund in lieu of funding such Fund with proceeds of Bonds; (d) the interest (including additions to Accreted Value) to accrue on all Bonds to be redeemed by the Authority upon the sale of such Mortgage to the next call date thereof not previously paid by the Mortgagor; (e) the redemption premium on the Bonds so to be redeemed; and (f) the costs and expenses of the Authority in effecting the redemption of the Bonds so to be redeemed, less the amount of (i) applicable moneys in the Bond Fund, (ii) applicable moneys in the Debt Service Reserve Fund available for application to the redemption of such Bonds in accordance with the terms and provisions of the Resolution, as determined by the Authority and (iii) the amount of any other legally available funds of the Authority transferred to the Bond Fund for the purpose of such redemption. The Authority shall only permit Prepayment of a Mortgage Loan as set forth in the Multi-Family Mortgage Loan Documents.

(2) In the event that the Authority shall make a Mortgage Loan guaranteed, insured or otherwise assisted by an agency or instrumentality of the United States and not requiring the payment of the amounts specified in the preceding paragraph upon prepayment and such Mortgage Loan is prepaid, the Authority shall direct the Trustee to transfer to either (a) the Redemption Account or (b) one or more Multi-Family Mortgage Loan Accounts but only upon satisfaction of the conditions set forth in the Resolution, from the Surplus Fund or shall certify to the Department of Revenue for withdrawal from the Trust Fund to the extent legally available, the amount, if any, by which the sum of (i) the amount of the prepayment received from the Mortgagor, and (ii) the amount of applicable moneys in the Bond Fund, the Debt Service Reserve Fund and the Real Estate Transfer Tax Fund and available for application to the redemption of Bonds as a result of such prepayment in accordance with the terms and provisions of the Resolution as determined by the Authority, is less than the amount which would have been required to be paid by clauses (a) through (f) of the preceding paragraph.

Pledge of Mortgages. To secure the payment of the Principal and Redemption Price of and interest and Sinking Fund Installments on the Bonds, the Authority pledges and assigns for the benefit of the Bondholders all mortgages securing Mortgage Loans; provided, however, that the pledge of mortgages shall be subject to the rights of the Authority to assign, sell, restructure or otherwise deal with or transfer said mortgages and Developments as set forth in the Resolution and summarized above under the captions "Covenants Relating to the Multi-Family Mortgage Loan Program" and "Enforcement and Foreclosure of Mortgages" hereunder, and in the event of any such assignment, sale or transfer, the pledge shall thereupon attach solely to the proceeds received by the Authority from such assignment, sale or transfer. The pledge of such mortgages for the benefit of the Bondholders shall be valid and binding from and after the date of adoption of the Resolution, and such mortgages shall immediately be subject to the lien of such pledge, without any physical delivery thereof or further act. The Authority, in furtherance of the pledge and assignment of mortgages has agreed to maintain all of its mortgages and mortgage notes relating to Mortgage Loans on deposit with the Trustee. The Resolution provides that the preceding sentence shall not restrict the right of the Authority to assign, sell or

otherwise transfer such mortgages, mortgage notes and Developments as provided in the Resolution, and for such purposes the Authority may withdraw any such mortgage or mortgage note from such deposit with the Trustee.

Certain Other Covenants

Among other covenants made by the Authority in the Resolution are those related to the following matters:

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement; and in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Bonds of a Refunding Issue as provided in the Resolution and such issuance shall not be deemed to constitute an extension of the maturity of any Bonds.

Accounts and Reports. The Authority shall keep proper books and records in which complete and correct entries shall be made of its transactions relating to all Mortgages, Mortgage Loans, including all disbursements made from a Mortgage Loan Account, Revenues, Prepayments, Recovery Payments, Acquired Developments, Acquired Development Receipts and all Funds and Accounts established by the Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than ten percent in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Authority shall annually, within 120 days after the close of each Fiscal Year, file with the Trustee a copy of its annual audited financial statement for its previous Fiscal Year, with the related report of its nationally recognized independent public accountants.

The Authority shall provide the Trustee with a schedule (which may be amended from time to time by the Authority) of the payments required to be made by each Mortgagor in order to meet the Mortgage Repayments.

Budgets. The Authority shall, at least 30 days prior to the beginning of each Fiscal Year, prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year which shall be open to inspection by any Bondholder. The Authority shall mail a copy of such preliminary budget to any Bondholder who shall have filed his name and address with the Authority for such purpose.

Personnel and Servicing of Mortgages. The Authority shall at all times appoint, retain and employ competent supervisory personnel for the purpose of carrying out its program of Mortgage Loans, and shall establish and enforce reasonable rules, regulations and standards governing the employment of such personnel at reasonable compensation, salaries, fees and

charges and all persons employed by the Authority shall be qualified for their respective positions.

Cash Flow Statements. The Authority shall have on file with the Trustee a current Cash Flow Statement (i) whenever any Series of Bonds is issued as required by the Resolution, (ii) annually as of the close of each Bond Year within 90 days after the close of such Bond Year, (iii) upon purchase or redemption of Bonds when required by the provisions of the Resolution governing the redemption of Bonds, (iv) at such other times as may be required by the provisions of the Resolution governing (a) amounts on deposit in a Multi-Family Mortgage Loan Account which have not been expended within three years of their deposit or such later date as is set forth in the draw schedule delivered in connection with the related Mortgage Loan and (b) the disposition of Recovery Payments and Prepayments and (v) as provided in any Series Resolution. A copy of each Cash Flow Statement delivered to the Trustee shall also be delivered to the Bond Insurer and each Rating Agency.

A Cash Flow Statement shall consist of a Certificate of an Authorized Officer of the Authority stating the action proposed to be taken and demonstrating in the Cash Flows included with the Certificate, that in the then current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding the applicable Bond Coverage Ratios shall be maintained after giving effect to the action proposed to be taken, if any, and setting forth any additional information required by a Series Resolution. The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based and, after issuing any Cash Flow Statement, the Authority shall administer the Bond Program and perform its obligations under the Resolution in accordance with the assumptions set forth in such Cash Flow Statement in all material respects until such time as a new or amended Cash Flow Statement shall be issued. Except with respect to the annual Cash Flow Statement and actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date not more than 90 days prior to the date of delivery of such Statement.

A Cash Flow Statement shall set forth the assumptions in various cash flow scenarios, that is, sets of assumptions with regard to one or more of the following and shall be consistent with the most recent Cash Flows delivered by the Authority unless otherwise approved by the Bond Insurer: (i) the timing and amounts of mortgage prepayments; (ii) the timing of the origination and acquisition of Mortgage Loans; (iii) the future issuance or remarketing of Bonds; (iv) the timing of the receipt of payments of scheduled principal and interest on Mortgage Loans; (v) the investment return on Funds and Accounts; (vi) the disposition of the Debt Service Reserve Fund; (vii) the disposition or recovery prices of defaulted Mortgage Loans; (viii) the restructuring of any Mortgage Loans; (ix) the timing of the receipt and amount of Trust Fund Moneys to be deposited into the Real Estate Transfer Tax Fund; (x) the percentage of total debt service on the Bonds to be paid from Trust Fund Moneys and the percentage to be paid from Mortgage Repayments; or (xi) any other assumptions required by the Bond Insurer.

If the annual Cash Flow Statement shall show a deficiency in any Bond Year in the amount of funds expected to be available for the purposes described in the Resolution during such Bond Year, the Authority shall not be in default under the Resolution. The Authority shall be precluded from taking the actions described or referenced in clauses (i) and (iii) of the first

paragraph under this caption if the most recent Cash Flow Statement on file with the Trustee in accordance with the requirements of the first paragraph hereof shall show that the taking of such action shall result in a failure to maintain the Bond Coverage Ratios as set forth in the most recent Cash Flow Statement; provided, however, that notwithstanding the foregoing, the Authority may take such action if the Authority receives the prior written consent of the Bond Insurer.

Payment Procedures Pursuant to Bond Insurance Policy

As long as the Bond Insurance Policy or Policies shall be in full force and effect and the Bond Insurer shall not have failed to make any payment in accordance with the Bond Insurance Policies, the Authority, the Trustee and Paying Agent agree to comply with the following provisions:

(a) At least one day prior to all interest payment dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient amounts on deposit in the Funds and Accounts to pay the Principal of or interest on the Insured Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient amounts in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Insured Bonds to which such deficiency is applicable and whether such Insured Bonds will be deficient as to Principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified the Bond Insurer at least one day prior to an Interest Payment Date, the Bond Insurer will make payments of Principal or interest due on the Insured Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent, if any;

(b) The Trustee or Paying Agent, if any, shall, after giving notice to the Bond Insurer as provided in paragraph (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under the Resolution;

(c) The Trustee or Paying Agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Insured Bonds entitled to receive Principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Insured Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay Principal upon Insured Bonds surrendered to the Insurance Trustee by the registered owners of Insured Bonds entitled to receive full or partial Principal payments from the Bond Insurer;

(d) The Trustee or Paying Agent, if any, shall at the time it provides notice to the Bond Insurer pursuant to paragraph (a) above, notify registered owners of Insured Bonds entitled to receive the payment of Principal or interest thereon from the Bond

Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that they should be entitled to receive full payment of Principal from the Bond Insurer, they must surrender their Insured Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Insured Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of Principal from the Bond Insurer, they must surrender their Insured Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the Principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of Principal;

(e) In the event that the Trustee or Paying Agent, if any, has notice that any payment of Principal of or interest on an Insured Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered Owners of Insured Bonds that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Bond Insurer its records evidencing the payments of Principal of and interest on the Insured Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered Owners and the dates on which such payments were made;

(f) In addition to those rights granted the Bond Insurer under the Resolution, the Bond Insurer shall, to the extent it makes payment of Principal of or interest on Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners of the Insured Bonds and in the case of subrogation as to claims for past due Principal, the Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon surrender of the Insured Bonds by the registered Owners thereof together with proof of the payment of Principal thereof; and

(g) Any Series Resolution authorizing the issuance of a Series of Bonds may amend and supplement the foregoing provisions with respect to the Series of Bonds to be issued.

Defaults and Remedies

The Resolution declares each of the following events an “event of default:”

(a) Default in the payment of the Principal of, Sinking Fund Installments, premium, if any, or interest on any Bond, other than a Subordinate Bond, after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of 30 days; or

(b) The Authority shall fail or refuse to comply with the provisions of the Act applicable to the Bonds, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and continuance of such default for a period of ninety days after written notice thereof by the Holders of not less than five percent in Principal of the Outstanding Bonds;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (b) above upon the failure of the Authority to enforce any obligation undertaken by a Mortgagor pursuant to the provisions of a Mortgage, including the making of the stipulated Mortgage Repayments, so long as the Authority may be otherwise permitted by law and so long as the Authority shall be provided with moneys, other than withdrawals from or reimbursements of the Debt Service Reserve Fund, sufficient in amount to pay the Principal of and interest and Sinking Fund Installments on all Bonds as the same shall become due during the period for which the Authority shall be permitted by law to abstain from enforcing the obligations of Mortgagors under the applicable Mortgages.

The Resolution provides that (i) upon the happening and continuance of any event of default specified in subparagraph (a) above, the Trustee may proceed, and subject to its right to indemnification under the provisions of the Resolution, upon the written request of either the Bond Insurer or Holders of not less than 25 percent in Principal of the Senior Lien Bonds shall proceed but only with the prior written consent of the Bond Insurer, and (ii) upon the happening and continuance of any event of default specified in subparagraph (b) above, the Trustee may proceed (but only after first obtaining the written consent of the Holders of 100 percent Bonds then Outstanding and the prior written consent of the Bond Insurer), and subject to its right to indemnification under the provisions of the Resolution, upon the written request of either the Bond Insurer or the Holders of not less than 25 percent in Principal of the Outstanding Bonds and with the prior written consent of the Holders of all of the other Bonds then Outstanding shall proceed, but, in the case of either clause (i) or clause (ii), in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by suit, action or proceeding, enforce all rights of the Bondholders, including the right to require the Authority to collect Mortgage Repayments of Mortgage Loans made by it adequate to carry out the covenants and agreements as to, and pledge

of, such Mortgage Repayments, and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act which are applicable to the Bonds;

(b) by bringing suit upon the Bonds;

(c) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Bondholders;

(d) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; and

(e) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of not less than 25 percent in Principal of the Holders of Outstanding Bonds, to annul such declaration and its consequences, provided, however, that the Trustee shall not declare the Principal of and interest on any Insured Bond immediately due and payable, or annul any such declaration without the prior written consent of the Bond Insurer.

In the enforcement of any remedy under the Resolution, the Trustee is entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and any time remaining, due from any Person for Principal, Redemption Price, Sinking Fund Installments, interest or otherwise, under any provision of the Resolution or of the Bonds or with respect to any Mortgage Loan Documents, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds or Mortgage Loan Documents, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds and Mortgage Loan Documents, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against such Person for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

In addition to and without limitation of the foregoing, neither the Trustee nor the Authority shall otherwise acquire possession of or take any other action with respect to the Developments, if as a result of any such action, the Trustee or the Authority would be considered to hold title to, to be a "mortgagee-in-possession" of, or to be an "Owner" or "operator" of the Developments within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended, from time to time, unless the Trustee or the Authority has previously determined, based on a report prepared by a Person who regularly conducts environmental audits, that: (i) the Developments are in compliance with applicable environmental laws or, if not, that it would be in the best interest of the Owners of the Bonds to take such actions as are necessary for the Developments to comply therewith; and (ii) there are not circumstances present at the Developments relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best

economic interest of the owners of the Bonds to take such actions with respect to the Developments.

The environmental audit report contemplated by the Resolution shall not be prepared by an employee or affiliate of the Trustee or the Authority, but shall be prepared by a Person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee or the Authority, and the cost thereof shall be borne by the Authority.

Anything in the Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Resolution, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders of the Insured Bonds or the Trustee for the benefit of the Bondholders of the Insured Bonds under the Resolution, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Resolution, and (ii) the right to annul any declaration of acceleration.

Priority of Payments After Default

In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and Principal or Redemption Price and Sinking Fund Installments then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the Resolution after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Bondholders, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied as follows:

(a) Unless the Principal of all the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due (other than interest due on Subordinate Bonds) in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds (other than Subordinate Bonds) which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds (other than Subordinate Bonds) due on any date, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Third: To the payment to the persons entitled thereto of the unpaid interest on Subordinate Bonds then accrued in the chronological order in which such installments of interest accrued and, if the amount available shall not be 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; and

Fourth: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any of the Subordinate Bonds which has become due and payable whether at maturity or by call for redemption, in the order of their due 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 shall not be sufficient to pay in full the Principal or Redemption Price 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 or Redemption Price, ratably, according to the amount of such Principal or Redemption Price 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.

(b) If the Principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal and interest then due and unpaid upon the Bonds which are not Subordinate Bonds without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond which is not a Subordinate Bond over any other Bond which is not a Subordinate Bond, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than the 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.

The foregoing provisions with respect to priority of payments after default are subject to the paragraph above under the subheading “Certain Other Covenants – Extension of Payment of Bonds.”

Notice of Event of Default

The Trustee shall notify the Bond Insurer and the Bondholders affected thereby by first class mail, postage prepaid, within 30 days of the occurrence of an event of default under the Resolution. Any Bondholder (including, for this purpose, a Person that is the beneficial owner of a Bond held under a book-entry registration system) of \$1 million or more in Principal of the Bonds of a Series may request in writing that the Trustee send to such owner a copy of any notice of default affecting such Bondholder.

Modifications of Resolutions and Outstanding Bonds

The Resolution provides procedures whereby the Authority may amend the Resolution or any Series Resolution by adoption of a Supplemental Resolution. Generally, amendments of the Resolution that may be made with the written consent of the Bond Insurer but without the consent of Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the Authority, curing ambiguities or clarifying matters or questions arising under the Resolution to the extent not inconsistent with the Resolution to modify the Resolution to permit the issuance of Bonds, the interest on which is excludable from gross income of the Owners thereof for federal income tax purposes, or providing for the issuance of a Series of Bonds.

Amendment of the respective rights and obligations of the Authority and the Bondholders may be made with the written consent of the Bond Insurer and Holders of not less than 51 percent in Principal of the Outstanding Bonds of each Series to which the amendment applies; but no such amendment shall permit a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the Principal or Redemption Price thereof, or in the rate of interest thereon (including the rate at which Accreted Value grows) or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the Bond Insurer and the Holders of all of the Bonds then Outstanding.

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Bondholders then Outstanding, the Principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then and in that event the covenants, agreements and other obligations of the Authority to the Bondholders shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall then be held by the Trustee or the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect described in the paragraph above. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect described in the paragraph above if (a) there shall have been deposited with the Trustee

either moneys in an amount which shall be sufficient, or Permitted Investments the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the Principal or Redemption Price, if applicable, and interest due and to become due on those Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (b) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give, as provided in the Resolution, notice of redemption of such Bonds and (c) in the event the Bonds are not by their terms subject to redemption within the next 60 days, the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail in the manner provided in the Resolution, as soon as practicable, a Notice to the Holders of the Bonds that the deposit required by (a) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity and redemption date upon which moneys are to be available for the payment of Principal, or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor moneys deposited with the Trustee nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds.

For purposes of defeasance of Bonds, Permitted Investments means only noncallable direct general obligations of, or obligations the payment of the principal and interest on which are unconditionally guaranteed by, the United States of America.

Notwithstanding anything herein to the contrary, in the event that the Principal and/or interest due on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Insured Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues, Trust Fund Moneys and all covenants, agreements and other obligations of the Authority to the Owners of the Insured Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners.

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES RESOLUTIONS

The following is a summary of certain provisions of the Series 2005A Resolution, the Series 2004 Resolution and the Series 1995A Resolution. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the documents summarized, to which documents reference is hereby made and copies of which are available from the Trustee or the Authority. Initially capitalized terms used but not otherwise defined in these summaries have the same meanings set forth in the documents.

General

The Series 2005A Resolution establishes the general terms of the Offered Bonds. See “THE OFFERED BONDS.”

The Offered Bonds shall be issued on a parity with all other Senior Lien Bonds from time to time Outstanding under the Resolution and secured by the sources specifically provided therefor in the Resolution. The Offered Bonds are authorized to be issued for the purpose of refunding the Refunded Bonds, whose proceeds were used to make Mortgage Loans to the Mortgagors with respect to certain Developments, as further set forth in Appendix D, establishing reserves and paying Costs of Issuance for the Offered Bonds and costs of refunding the Refunded Bonds (including redemption premium).

The Multi-Family Mortgage Revenue Bond Coverage Ratio shall initially be 1.40 to 1. Any subsequent Cash Flows shall incorporate in the Multi-Family Mortgage Revenue Bond Coverage Ratio any reduction in such ratios only with the consent of the Bond Insurer and Rating Agency. For purposes of calculating the Multi-Family Mortgage Revenue Bond Coverage Ratio in connection with the transfers from the Mortgage Revenue Account to the Subordinate Bond Fund or the Surplus Fund, summarized under “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Bond Fund; Flow of Funds” herein in paragraphs (5) and (6), the calculation of amounts on deposit in the Mortgage Revenue Account shall be made prior to any transfer described in paragraphs (1), (2), (3) and (4) under such caption.

The Mortgage Loan Maintenance Coverage Ratio shall initially be not less than 1.15 to 1. This ratio will take effect 12 months after the commencement of principal amortization of the Mortgage Loan for each Financed Development. For purposes of calculating the Mortgage Loan Maintenance Coverage Ratio for transferring moneys to the Subordinate Bond Fund or the Surplus Fund, on or before each interest payment date the Authority will deliver to the Trustee and the Bond Insurer a certificate which (i) sets forth the Mortgage Loan Maintenance Coverage Ratio for each Development which is required to be tested, and the dollar amount for each development which represents the difference between a Mortgage Loan Maintenance Coverage Ratio of 1.15 and the actual Mortgage Loan Maintenance Coverage Ratio in the event such ratio is less than 1.15 (the “Mortgage Loan Maintenance Shortfall”) and (ii) instructs the Trustee to retain in the Mortgage Revenue Account an amount equal to one-half of the annual aggregate of each of the individual Mortgage Loan Maintenance Shortfalls until the next succeeding interest payment date; provided, however, that in the event the Authority instructs the Trustee to retain in the Bond Fund all Surplus Amounts no such certificate shall be required to be delivered by the Authority to the Trustee, until such time as the Authority instructs the Trustee to transfer Surplus Amounts to the Subordinate Bond Fund or Surplus Fund; and any Surplus Amounts which have accumulated in the Bond Fund may be taken into account in subsequent computations of the Multi-Family Mortgage Revenue Bond Coverage Ratio.

In the event either of the Bond Coverage Ratios is not met or the Real Estate Transfer Tax Debt Service Amount was not on deposit in the Real Estate Transfer Tax Fund as required by the Resolution as summarized under “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Bond Fund; Flow of Funds” herein in paragraph (5) no Surplus Amounts shall be transferred to the Subordinate Bond Fund or the Surplus Fund but shall be retained in the Mortgage Revenue Account until the next succeeding interest payment date. Any Surplus Amounts which are so retained in the Mortgage Revenue Account may be included in the calculation of the Multi-Family Mortgage Revenue Bond Coverage Ratio on the next succeeding interest payment date.

The Mortgage Loan Underwriting Coverage Ratio shall be not less than 1.15 to 1. The Trust Fund Bond Coverage Bond Ratio shall be 1.50 to 1; provided, however, that pursuant to a Supplemental Series Resolution the Authority can reduce such ratio to 1.25 to 1 if the Authority pledges its General Obligation to the payment of the Bonds in an amount not to exceed \$700,365 in any Bond Year in the case of the Series 2004 Bonds, or such lesser amount as is set forth in a Supplemental Series 2004 Resolution, and \$599,635 in any Bond Year in the case of the Offered Bonds and the Series 1995A Bonds not refunded, or such lesser amount as is set forth in a Supplemental Series 1995A Resolution or Supplemental Series 2005A Resolution. Whenever the Trust Fund Bond Coverage Ratio is required to be tested pursuant to the Resolution or the Series Resolution, the Authority shall set forth in a certificate to be delivered to the Trustee and the Bond Insurer its calculation of such ratio with any supporting documentation required by the Trustee or the Bond Insurer.

The aggregate Expense Requirement for the Offered Bonds and the Prior Bonds shall mean an amount not to exceed \$350,000, which is the aggregate amount in any Bond Year required to be paid to the Trustee, the Master Paying Agent, the Bond Insurer, the Rating Agency, the quantitative consultant, and the Authority for expenses incurred for such Bonds; provided however that with the consent of the Bond Insurer, the Expense Requirement may be increased and payments may be made to additional Persons.

The amount of the Debt Service Reserve Fund Requirement for the Bonds upon issuance of the Offered Bonds will be \$7,231,723, which shall be funded by the deposit of the Debt Service Reserve Fund Surety Bond.

Special Authority Covenants

The Authority covenants with the holders of the Offered Bonds as follows:

(a) The Authority will use all reasonable efforts to require that each Development be used, during the period that it is so financed, to provide dwelling accommodations for Affordable Housing for low and very-low income persons and families in accordance with applicable provisions of the Affordable Housing Act and the rules promulgated pursuant thereto.

(b) The Authority shall not issue any additional Series of Bonds pursuant to Resolution without first demonstrating to the Trustee and the Bond Insurer that the Additional Bonds Coverage Ratios shall be satisfied.

(c) The Authority pledges its General Obligation on an annual basis in the amount not to exceed (i) \$275,975, with respect to the Offered Bonds and the Series 1995A Bonds not refunded, and (ii) \$350,000, with respect to the Series 2004 Bonds, which amounts are equal to 8.93 percent of the sum of the maximum annual Debt Service Requirement for any Bond Year on each of the Mortgage Loans financed directly or indirectly with proceeds of such Series of Bonds. This percentage represents the difference in the portion of the Mortgage Repayments that would be available for the payment of debt service on the Offered Bonds: (a) assuming that the Debt Service Requirement for each Mortgage Loan is 160 percent of the amount required to pay principal and interest on the Mortgage Loan and (b) assuming that the Debt Service

Requirement for each Mortgage Loan is 140 percent of the amount that would actually be required for such purpose. This pledge (the “Coverage Ratio General Obligation”) will remain in effect so long as any Mortgage Loan originally financed with proceeds of the Series 1994A Bonds or the Series 1995A Bonds is outstanding. The maximum amount that the Authority may be required to pay in each Bond Year as a result of the Coverage Ratio General Obligation will equal (on a non-cumulative basis) 8.93 percent of the sum of the maximum Debt Service Requirement for any future Bond Year for each of the Mortgage Loans that was funded with proceeds of the Series 1994A Bonds or the Series 1995A Bonds is outstanding as of the first day of such Bond Year. The Authority shall deliver to the Trustee, the Rating Agency and the Bond Insurer a Certificate of an Authorized Officer setting forth the amount of the Coverage Ratio General Obligation annually as of the first day of each Bond Year.

(d) The Authority covenants that in the event there is a deficiency in the amounts available to pay Principal of or interest on the Offered Bonds requiring the Trustee to withdraw funds from the Debt Service Reserve Fund, as set forth in Resolution, upon request of the Trustee it shall deliver to the Trustee an amount equal to such deficiency, up to but not exceeding the amount pledged by the Authority pursuant to the above paragraphs (c) prior to the Trustee’s drawing any funds on the surety bond policy on deposit in the Debt Service Reserve Fund. The Trustee shall notify the Authority no later than 10:00 a.m. on the date which is two Business Days prior to each Principal or interest payment date on which there is such a deficiency and shall request payment from the Authority prior to drawing on any surety bond policy.

(e) The Authority pledges its General Obligation to the payment of the Offered Bonds to the extent of, and in an amount limited to, Related Annual Debt Service until the Bond General Obligation Release Test is met for each such Development subject to the limitation that the General Obligation shall not exceed the aggregate of Related Annual Debt Service for all Developments that have not met the Bond General Obligation Release Test in any Bond Year. If the Bond General Obligation Release Test is met in connection with any Development, the General Obligation with respect to such Related Annual Debt Service shall be released during the Release Period in accordance with the following formula: during the first Bond Year after the Bond General Obligation Release Test Date, the General Obligation shall be limited to 100 percent of such Related Annual Debt Service; during the second Bond Year after the Bond General Obligation Release Test Date, the General Obligation shall be limited to 66.66 percent of such Related Annual Debt Service; and during the third Bond Year after the Bond General Obligation Release Test Date, the General Obligation shall be limited to 33.33 percent of such Related Annual Debt Service; thereafter the General Obligation with respect to such Related Annual Debt Service shall be released and discharged; provided, however, that if in any Bond Year during the Release Period the required ratio set forth in the Bond General Obligation Release Test is not maintained, the Release Period shall be suspended and the percentage of the General Obligation that is then applicable shall remain in effect for the three next succeeding consecutive Bond Years and thereafter the Release Period shall resume and the General Obligation shall be limited in accordance with the formula above. The Authority agrees to make the payments required under its General Obligation as described in this section “Special Authority Covenants” herein to the Trustee at the

same times and in the same manner as moneys pledged to the payment of the Offered Bonds under the Resolution are required to be paid, to the extent that such moneys are insufficient for such purpose, subject to the limitations described in this Section. The pledge created by the Authority pursuant to this paragraph is referred to herein as the “Construction General Obligation”. For purposes of calculating the total amount of the General Obligation pledged by the Authority for the payment of the Offered Bonds pursuant to paragraphs (c), (d), and (e) herein the total General Obligation shall not exceed the greater of (a) the amount of the Construction General Obligation and (b) the amount of the Coverage Ratio General Obligation; and the Coverage Ratio General Obligation shall not take effect until such time as the amount of the Construction General Obligation declines to an amount equal to the Coverage Ratio General Obligation. If in any Bond Year on any Principal payment date, interest payment date or Sinking Fund Installment date the Trustee has requested the Authority to make payments on the Offered Bonds pursuant to paragraph (d) herein and the Trustee has drawn the full amount available under the Surety Bond on deposit in the Debt Service Reserve Fund and there still remains a deficiency in the amount available to pay Principal of, interest on or Sinking Fund Installments on the Offered Bonds, then the Trustee pursuant to this paragraph (e) shall request payment from the Authority in an amount equal to any such deficiency to the extent and subject to the limitations set forth in this paragraph (e). For purposes of demonstrating compliance with the Bond General Obligation Release Test, Net Operating Income for a particular Development shall include amounts on deposit in the Subsidy Fund allocable to such Development. As of the date of issuance of the Offered Bonds, only the following Developments are required to be tested:

TRUST FUND BOND DEVELOPMENTS

<u>ML NO.</u>	<u>DEVELOPMENT</u>
TFB-02	King/Essex Apartments
TFB-09	Hickory Point Apartments
TFB-10	Garden Glen Apartments
TFB-11	Forest Glen
TFB-13	Park Apartments
TFB-16	Anchor House
TFB-26	Jade Garden Apartments
TFB-27	Fairview Ridge Apartments
TFB-32	Bradford Woods Apartments
TFB-50	Woodlawn Drexel
TFB-52	Westwood Phase II
TFB-56	Chatham Court Apartments
TFB-74	Grand Apartments
TFB-77	South Park Apartments

(f) For purposes of the pledge of Trust Fund Moneys, created pursuant to the Resolution the Authority may certify amounts pursuant to Section 8(b) of the Affordable Housing Act to pay administrative costs or other costs permitted in the Resolution only to the extent the Trust Fund Bond Coverage Ratio as in effect at the time of such

certification has been met as demonstrated in a Certificate of an Authorized Officer delivered to the Bond Insurer and the Rating Agency.

(g) The Bond Coverage Ratio required to be tested for purposes of (1) selecting bonds to be redeemed; (2) utilizing Recovery Payments and Prepayments less the cost and expenses the Authority incurred in collecting such payments; and (3) enforcing and foreclosing Mortgage Loans is the Multi-Family Mortgage Revenue Bond Coverage Ratio. In testing such ratio the Authority shall either (a) deliver to the Trustee, the Rating Agency and the Bond Insurer a Cash Flow Statement giving effect to the proposed action that demonstrates that the projected numerical value of such ratio as of each future interest payment date as set forth in the Cash Flows will not be less than the numerical value of such ratio as projected in the Cash Flow Statement then on deposit with the Trustee which projections shall be based upon assumptions acceptable to the Bond Insurer or (b) obtain the written consent of the Bond Insurer to such action.

(h) The Authority hereby agrees that during such time as Offered Bonds and Prior Bonds are Outstanding unless the Bond Insurer shall otherwise expressly consent in writing it shall abide by the following covenants:

(1) *Compliance With Agreements and Applicable Laws.* The Authority shall perform each of its obligations under the Bond Documents and comply with all material requirements of any law, rule or regulation applicable to it.

(2) *Existence.* The Authority, to the extent authorized by law, shall maintain its existence and shall at all times continue to be duly organized under the constitution and laws of the State and shall conduct its business in accordance with the terms of its statutory authority and rules and regulations.

(3) *Financial Statements; Accountants' Reports.* Other Information. The Authority shall keep or cause to be kept in reasonable detail books and records of account of the Authority's assets and business. The Authority shall furnish or caused to be furnished to the Bond Insurer the following:

(i) *Annual Financial Statements.* Within 120 days after the close of each fiscal year of the Authority, the audited balance sheets of the Authority, as of the end of such fiscal year and the audited statements of income, changes in fund balances and cash flows of the Authority for such fiscal year;

(ii) *Quarterly Financial Statements.* Within 90 days after the close of each of the first three quarters of each fiscal year of the Authority, the unaudited balance sheets of the Authority as of the end of such quarter and the unaudited statements of income, of the Authority for the portion of the fiscal year then ended;

(iii) *Accountants' Reports.* Promptly upon receipt thereof, copies of any reports submitted to the Authority by its independent

accountants in connection with any examination of the financial statements of the Authority;

(iv) *Certain Information.* Promptly after the filing or sending thereof, copies of all financial statements or reports relating to any Bonds or reflecting a Material Adverse Change which the Authority files with to any national bond exchange;

(v) *Site Inspection Report.* A copy of the site inspection report with respect to each Development prepared by the Authority no less frequently than annually and a copy of the annual audit report for each Development delivered by the developers to the Authority; and

(vi) *Other Information.* Promptly upon receipt thereof, copies of all schedules, financial statements of other similar reports pertinent to the Offered Bonds or Prior Bonds delivered to or by the Authority pursuant to the terms of the Resolution.

(4) *Redemption and Defeasance of Bonds.* The Authority shall cause the Trustee, upon the defeasance of a Series of Bonds pursuant to the Resolution or otherwise, to furnish to the Bond Insurer and the Rating Agency, a notice of such redemption or defeasance, and upon a redemption or other payment of all of the Offered Bonds and the expiration of the term of the Bond Insurance Policy to surrender the related Bond Insurance Policy to the Bond Insurer for cancellation. Any defeasance of Bonds pursuant to the Resolution shall be accompanied by a verification report satisfactory to the Trustee and the Bond Insurer and an opinion of counsel acceptable to the Bond Insurer as to the validity of the defeasance.

(5) *Mortgage Loan Files.* The Authority, or the Trustee as assignee, shall maintain files for each Mortgage Loan made with proceeds of the Offered Bonds, containing the following items:

(i) the original Mortgage Note;

(ii) the original recorded Mortgage with evidence of recording or filing indicated thereon or, if the original Mortgage has not been returned from the applicable public recording office, a copy of the Mortgage certified by the Authority to be a true and complete copy of the original Mortgage submitted for recording;

(iii) a copy of the original title insurance policy or a written commitment for such policy which shows the Authority as the lender;

(iv) a copy of a standard hazard policy or certificate of insurance issued by an insurer or its agent as to such policy or an officer's certificate of the Authority to the effect that a standard hazard policy is in effect as to the property;

(v) if the structure on the related property is in a 100-year flood plan (as such designation is applied by HUD), a copy of a flood insurance policy or a certificate of insurance issued by an insurer or its agent as to such policy;

(vi) the original or copies of each assumption, modification, written assurance or substitution agreement, if any; and

(vii) originals or photocopies of all other related insurance policies or certificates, agreements, documents, affidavits, rescission notices, disclosure statements and closing statements delivered to the Authority with respect to the related property, including but not limited to instruments or documents that modify or supplement the terms or conditions of any of the items to be held in the Mortgage Loan file and all other instruments and documents that modify or supplement the terms or conditions of any of the items to be held in the Mortgage Loan file and all other instruments and documents generated by or coming into the possession of the Authority (including, but not limited to, tax receipts, insurance premium receipts, ledger sheets, payment records, insurance claim files and correspondence, foreclosure files and correspondence and current and historical computerized data files, whether developed or originated by the Authority or others) which are required to document or service any Mortgage Loan.

(6) *Subordinate Bonds.* If the Authority issues Subordinate Bonds, such Subordinate Bonds and any documents related thereto shall contain no provision (including but not limited to any right by a holder of such Subordinate Bonds to cause an acceleration of such Subordinate Bonds upon an event of default related thereto) that materially adversely affects the interests of the Bondholders as reasonably determined by the Authority and the Bond Insurer.

(7) *Insolvency Reorganization Plan.* In the event of a reorganization or liquidation of the Authority, any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any such reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold Insured Bonds secured by the Bond Insurer absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Insured Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE GRANT AGREEMENT

The City of Chicago, through its Department of Housing (“DOH”), has agreed to subsidize with its corporate funds three multi-family Developments located within the corporate limits of the City pursuant to the terms of the Grant Agreement. The Grant Agreement permits the City to provide grant funds in the aggregate amount of \$3,861,705 (the “Grant Funds”) to pay a portion of the principal and interest on the Loans, as defined below, which financed the

acquisition, rehabilitation, new construction and/or permanent financing costs of three multi-family Developments.

Multi-Family Developments Financed with City of Chicago Grant Funds

The grants from the City under the Grant Agreement pertain to the Anchor House (\$1,499,340), Westwood Phase II (\$1,492,324) and Jade Garden Developments (\$870,041).

Terms of the Grant

The Grant Funds were invested by the Authority in Permitted Investments. The principal of and interest on the Investments shall be used to pay a portion of the principal of and interest on each of the Loans for these Developments, however, the Anchor Loan is also subject to the following provisions: (i) in the event the HAP Contract is renewed for a term ending not earlier than the maturity date of the Anchor Loan and providing for payment in an amount not less than the amount provided prior to such renewal, the undisbursed portion of the Grant Funds allocable to the Anchor Loan (the “Anchor Grant Portion”) shall be repaid to the City; or (ii) in the event the HAP Contract shall be renewed other than as described in (i) above, the undisbursed portion of the Anchor Grant Portion shall be, in whole or in part, repaid to the City, reinvested in one or more Permitted Investments, and/or used to pay the principal of and interest on the Anchor Loan all as shown in a statement delivered by the Authority to the City, the Bond Insurer and the Trustee; provided that no portion of the Grant for the Anchor Loan shall be repaid to the City unless the Authority shall deliver to the Bond Insurer, the Trustee and the City an Anchor Cash Flow Statement with respect to such portion.

An “Anchor Cash Flow Statement” is defined in the Grant Agreement to be a statement demonstrating that the Anchor Multi-Family Mortgage Revenue Bond Coverage Ratio, after effectuating the release to the City of the amount of the Anchor Grant Portion as specified in such statement, shall be not less than the Required Ratio for such remaining portion of the term of the Anchor Loan as shall be then required by the Bond Insurer.

“Required Ratio” means such ratio as shall be agreed to by the City, the Authority and the Bond Insurer, but which shall not exceed 1.40 to 1.

“Anchor Multi-Family Mortgage Revenue Bond Coverage Ratio” means the ratio of (a) the sum of (i) amounts on deposit in the Mortgage Revenue Account derived from Revenues, if any, from the Anchor Loan (excluding investment earnings on deposit in the Investment Earnings Subaccount) plus (ii) the lesser of (A) the amounts on deposit in the Subsidy Fund available for debt service on the Anchor Loan for the next succeeding interest payment date and (B) that portion of the debt service owing on the Anchor Loan for the next succeeding interest payment date to be paid from amounts on deposit in the Subsidy Fund to (b) the Anchor Mortgage Revenue Debt Service Amount.

“Anchor Mortgage Revenue Debt Service Amount” means the sum of (i) that portion of the debt service on the Offered Bonds and the portion of the Series 1995A Bonds not refunded for the next succeeding interest payment date to be paid from amounts on deposit in the Mortgage Revenue Account derived from the Anchor Loan (excluding investment earnings on deposit in the Investment Earnings Subaccount) and (ii) that portion of the debt service owing on

the Offered Bonds and the portion of the Series 1995A Bonds not refunded for the next succeeding interest payment date to be paid from amounts on deposit in the Subsidy Fund and allocated to the Anchor Loan, all as set forth in the Cash Flows delivered or on deposit with the Trustee at the time of such calculation.

(a) Upon the happening of following events, the Authority shall promptly repay to the City the following amount of Grant Funds:

(1) in the event that (i) at any time, all or a portion of a Loan shall be prepaid by or on behalf of the applicable Partnership and (ii) the Authority shall redeem an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded as provided in the Grant Agreement and the Determination: an amount of the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon, which are not needed to pay debt service on an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded as a result of such redemption as reflected in a Cash Flow Statement delivered by the Authority to the Bond Insurer, the Trustee and the City;

(2) in the event that any amount of the portion of the Grant allocable to a Loan and/or any investment earnings on such portion shall remain undisbursed as of the date of repayment in full of any Loan and the amount of Offered Bonds and the portion of the Series 1995A Bonds not refunded allocable to such Loan: an amount of the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon;

(3) in the event that the HAP Contract shall be renewed for a term ending not earlier than the maturity date of the Anchor Loan and providing for payments in an amount not less than the amount provided prior to such renewal: the undisbursed portion of the Anchor Grant Portion; or

(4) in the event that the HAP Contract shall be renewed other than as described in (7) above: a portion of the undisbursed portion of the Anchor Grant Portion as reflected in the statement delivered by the Authority to the City, the Bond Insurer and the Trustee and upon delivery of the Anchor Cash Flow Statement described above.

(b) In the event that an “Event of Default” as defined in a loan agreement for a Loan shall occur and the Authority shall obtain repayment in full of the Loan, from funds other than the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon, in the amounts required by the loan agreement to pay in full the Loan and redeem an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded, the Authority shall promptly repay to the City the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon, which are not needed to pay debt service on an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded

Bonds as a result of such redemption as reflected in a Cash Flow Statement delivered by the Authority to the Bond Insurer, the Trustee and the City.

(c) In the event that an “Event of Default” as defined in a loan agreement for a Loan shall occur and the Authority shall not be able to obtain repayment in full of the Loan, as provided in such loan agreement, from funds other than the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon, the Authority shall promptly repay to the City the amount, if any, of the undisbursed portion of the Grant allocable to such Loan plus all undisbursed investment earnings thereon in excess of the amount needed, together with other funds available to the Authority, to repay such Loan in full and to redeem an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded as reflected in a Cash Flow Statement delivered by the Authority to the Bond Insurer, the Trustee and the City.

Whenever a Cash Flow Statement is required to be delivered prior to releasing Grant Funds to the City, such Cash Flow Statement need only demonstrate that the Multi-Family Mortgage Revenue Bond Coverage Ratio after effectuating the redemption of the Offered Bonds and the portion of the Series 1995A Bonds not refunded and the release of the Grant Funds to the City shall not be less than the Multi-Family Mortgage Revenue Bond Coverage Ratio immediately prior to taking such action as reflected in the most recent Cash Flow Statement on file with the Trustee.

Terms of the Bonds, Loans and Projects

Pursuant to the Grant Agreement, the Authority shall not permit any amendment to the following terms of the Offered Bonds and the portion of the Series 1995A Bonds not refunded, without the prior written consent of the City: (i) the principal amount, (ii) the interest rate, (iii) the scheduled dates for repayment of principal of and interest on the Offered Bonds and the portion of the Series 1995A Bonds not refunded, (iv) the scheduled amounts of principal and interest due on each such repayment date, (v) the redemption terms, including the amount of any redemption premium, and (vi) the amounts and types of collateral securing repayment of the Offered Bonds and the portion of the Series 1995A Bonds not refunded.

Pursuant to the Grant Agreement, the Authority shall not cause or permit any amendment to the following terms of the Loans, without the prior written consent of the City: (i) the principal amount, (ii) the interest rate, (iii) the dates for repayment of principal of and interest on such Loan, (iv) the amounts of principal and interest due on each such repayment date, and (v) the amounts and types of collateral securing repayment of such Loan.

The Projects shall comply with the following requirements:

(a) All of the units in each Project shall, at initial occupancy of each unit after completion of rehabilitation or construction, as applicable, (i) have monthly rents not in excess of 30 percent of the maximum allowable monthly income for a Low-Income Family (defined to mean and include Families (as defined in the Grant Agreement) whose annual income does not exceed 60 percent of the Chicago-area median income, adjusted for Family size, as such annual income and Chicago-area median income is defined from time to time by HUD), and (2) be available for occupancy to and be occupied by Families

qualifying as Low-Income Families upon initial occupancy of such units by such Families.

(b) Following initial occupancy after completion of rehabilitation or construction, as applicable, all the units in each Project shall comply with the applicable use, tenant income and rent restrictions to the extent required for continuing compliance under Section 42 of the Internal Revenue Code of 1986 (“Section 42”) for housing developments receiving an allocation of low-income housing tax credits in compliance with Section 42.

(c) Subject to above paragraph (b), transfer of any interest in any Partnership or any Project shall be subject to approval by the Authority in its sole discretion.

(d) The Authority covenants and agrees that, for all Projects, the Authority shall not change or waive the requirements of paragraphs (a) and (b) above with respect to the Projects without the prior written consent of the City.

(e) After the date of the Grant Agreement, the Authority shall not cause or permit any of the following changes to any Project without the prior written consent of the City:

- (1) the total number and the locations of the buildings in such Project;
- (2) the total number of units in such Project;
- (3) the number of units for each bedroom size in such Project; and
- (4) the total amount of Project costs approved by the Authority and the sources and amounts of funds available to pay such costs.

Responsibilities of the Authority

The Grant Agreement contains various covenants of the Authority, including but not limited to, its agreement to keep accurate books and records with respect to the Grant Funds, the Loans and the Offered Bonds and the portion of the Series 1995A Bonds not refunded, and to provide various reports to the City.

In addition, the Authority agrees to comply with the following provisions:

(a) In the event that, at any time, all or a portion of a Loan shall be prepaid by or on behalf of the applicable Partnership, the Authority shall redeem an allocable portion of the Offered Bonds and the portion of the Series 1995A Bonds not refunded as provided in the Resolutions and the Determination.

(b) Upon the occurrence of certain other events as described in the Grant Agreement, the Authority shall promptly deliver a Cash Flow Statement to the Bond Insurer, the Trustee and the City.

Events of Default

Under the Grant Agreement, each of the following constitutes an “event of default:”

(a) Any misrepresentation, whether negligent or willful and whether in the inducement or in the performance, made by the Authority to the City in connection with the Grant Agreement;

(b) The Authority’s failure to perform any of its obligations under the Grant Agreement including, but not limited to, the following:

(1) failure to comply fully with applicable federal, state and local law pertaining to the use of the Grant Funds by the Authority;

(2) failure to comply fully with the provisions summarized under the caption “Terms of the Grant” above with respect to use and repayment of the Grant Funds and the Investment proceeds;

(3) failure to comply fully with the provisions summarized under the caption “Terms of Bonds, Loans and Projects” above with respect to the terms of the Offered Bonds and the portion of the Series 1995A Bonds not refunded, the Loans and the Projects; or

(4) failure to maintain records or to provide reports or Cash Flow Statements to the City as required under the Grant Agreement;

(c) The dissolution of the Authority or the entry of a decree or order for relief by a court having jurisdiction with respect to the Authority in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of the Authority or for any substantial part of the property of the Authority or ordering the winding-up or liquidation of the affairs of the Authority and the continuance of any such decree or order unstayed and in effect for a period of 30 consecutive days; or

(d) The commencement by the Authority of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by the Authority to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Authority or of any substantial part of the property of the Authority or of any royalties, revenues, rents, issues or profits therefrom, or the making by the Authority of any assignment for the benefit of creditors or the failure of the Authority generally to pay its debts as such debts become due or the taking of action by the Authority in furtherance of any of the foregoing.

If any event referred to under “Events of Default” cannot reasonably be cured within 60 days after receipt of notice given in accordance with the terms of the Grant Agreement, or if the Authority has failed, in the sole opinion of the City, to commence and continue diligent efforts to

cure such event, the City may, at its sole option, declare an Event of Default under the Grant Agreement.

Upon the giving of such notice, the City may invoke any of the following remedies:

- (1) the right to specific performance, an injunction or any other appropriate equitable remedy;
- (2) the right to money damages, other than repayment of the Grant Funds and all investment earnings thereon; and
- (3) the right to deem the Authority non-responsible in future contracts to be awarded by the City.

SUMMARY OF CERTAIN PROVISIONS OF THE MULTI-FAMILY MORTGAGE LOAN DOCUMENTS

The following is a summary of certain provisions of the forms of Mortgage, Mortgage Note and the Regulatory Agreement used in connection with the Mortgage Loans for Developments financed as part of the Multi-Family Component of the Bond Program (“Multi-Family Mortgage Loans”). These summaries do not purport to be comprehensive or definitive and are subject to all of the terms of the complete forms, copies of which are available from the Trustee or the Authority. The Authority reserves the right to waive certain of the requirements respect to specific Developments, but none of such requirements have so far been waived with respect to any of the Financed Developments. Initially capitalized terms used but not otherwise defined in these summaries have the same meanings set forth under “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions.”

Mortgage

Grant of Mortgage Lien and Security Interest. The Mortgages grant to the Authority a mortgage lien on the real estate forming a part of each Development, subject only to the Permitted Exceptions recited and defined therein. The Mortgage also functions as a security agreement under which a security interest will be granted to the Authority in the fixtures and personal property of the Mortgagor located at or used in connection with each Development and any proceeds of or judgments in connection with the foregoing. In addition, the Mortgage conveys to the Authority a collateral assignment of the Mortgagor’s interest in the leases and rental income derived from the Development.

Covenants of the Mortgagor. The Mortgage imposes duties on the Mortgagor relating to the ownership, maintenance and operation of the Development commonly found in commercial real estate mortgages. In addition, the Mortgage grants to the Authority specific rights, and imposes duties and restrictions on the Mortgagor.

The Mortgage requires each Mortgagor to pay the indebtedness owing under the Mortgage Note and the Loan Agreement and secured by the Mortgage. In addition, the

Mortgage requires each Mortgagor to, among other things, (a) promptly repair, restore, replace or rebuild any portion of a Development which may become damaged or be destroyed, (b) keep the Development in good condition and repair, free from waste, (c) cause to be paid all operating costs of the Development, including taxes and other charges levied or assessed against the Development (unless contested in accordance with the Mortgage) and (d) cause a Development to be managed in a competent and professional manner.

The Mortgagor may not, without the prior written consent of the Authority under the terms of the Mortgage, create or suffer or permit any encumbrance to attach to or be filed against the Development, whether junior or senior to the Mortgage except for (i) liens for real estate taxes not due and payable as of the date of the Mortgage and (ii) the permitted exceptions set forth in the Mortgage.

The Mortgagor shall keep the Development insured against loss by fire and any other hazards or risks covered by a typical extended or all-risk coverage endorsement in amounts equal to the full replacement value of the Development. The Mortgagor shall also maintain (a) comprehensive public liability insurance against bodily injury and property damage, (b) contractor's liability and workers' compensation insurance, (c) Builder's Risk Completed Value insurance, (d) rent loss, business interruption, steam boiler and machinery insurance, and (e) flood insurance, if required, and with respect to the Mortgage only, such other types and amounts of insurance coverage as are customarily maintained by owners or operators of like properties or as the Authority may request, all in amounts and with carriers reasonably acceptable to the Authority.

The Mortgagor may not, without the prior written consent of the Authority sell, convey, assign or otherwise transfer the Development or any portion thereof or interest therein, with the exception of obsolete fixtures and equipment and leases made on forms approved by the Authority.

Upon the occurrence of any one or more of the Events of Default as set forth in the Loan Agreement, the Authority may declare all indebtedness secured by such Mortgage immediately due and payable with interest thereon and may proceed to foreclose such Mortgage or to exercise any other right, power or remedy provided by the Mortgage or the Loan Agreement. Upon default, the Authority is entitled, to the extent not prohibited by applicable laws, to take possession of the Development and to (a) hold, operate, manage and control all or any part of the Development and conduct the business thereof, (b) cancel, terminate, extend or modify any existing lease or enter into any new leases, (c) make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements in connection with the Development, and (d) apply the income from the Development against all expenses of such Development or in reduction of the indebtedness secured by the Mortgage. In addition to the right to possession in the event of foreclosure, the Authority may seek to have a receiver appointed to operate the Development.

In addition to all rights and remedies under each Mortgage with respect to the real estate, the Authority shall have, with respect to the fixtures and equipment, all rights and remedies of a secured party under the Uniform Commercial Code; and, upon the occurrence of an event of

default, the Authority may, subject to the Uniform Commercial Code, enter the Development and seize said fixtures and equipment.

Mortgage Note

General. The Mortgage Note evidences the making of the Mortgage Loan and sets forth the terms of the Mortgagor's obligation to repay the Mortgage Loan.

Prepayment. The Mortgage Note provides that for a period of 15 years from the date the Authority authorizes final disbursement of the loan proceeds, the Mortgage Note shall not be prepayable in full or in part. Thereafter, the Mortgage Note shall not be prepayable, in whole or in part, except as the Authority may permit in writing, in its sole discretion.

No prepayment, whether in whole or in part, shall be made except in compliance with the Resolution governing the Program.

The Regulatory Agreement

Occupancy Restrictions. All Developments must contain a minimum number of affordable units in accordance with the guidelines for the Bond Program. Rents on the affordable units will be restricted for the length of the mortgage loan term and certain other regulatory restrictions will be placed on the Development. See "THE BOND PROGRAM – Multi-Family Mortgage Loan Underwriting Criteria."

The Mortgagor is required to obtain from each prospective very low-income household tenant and from each prospective low-income household tenant and submit to the Authority a certification of income in the form prescribed by the Authority to enable the monitoring of continued compliance with the occupancy restrictions and at intervals required by the Authority, a recertification of income in each case on forms approved by the Authority.

Rental Restrictions. In the advertising, marketing and rental of residential units in the Development and in the selection of tenants, the Mortgagors must comply with the affirmative fair housing marketing plan and tenant selection plan for the respective Developments, as approved by the Authority.

Restrictions on Distributions. In no event may distributions be made unless the Development shall have achieved and only while it maintains a debt service coverage ratio of 1.15:1 (treating all required escrows and deposits as expenses, but giving effect to residual receipts, if any, as income). Each Mortgagor shall have the right, on the initial closing date, to make annual distributions following the completion of the Development's fiscal year, in an amount not to exceed 200 percent of the yield paid on a 30-year GNMA Mortgage Certificate in accordance with the Regulatory Agreement, the Affordable Housing Act and as determined by the Authority. If a distribution cannot be made under the foregoing restrictions, Mortgagor may, subject to the Regulatory Agreement, the Affordable Housing Act and the Authority's rules, cumulate the right to make a distribution.

Enforcement. If the Mortgagor fails to observe or perform any covenant, condition or agreement contained in the Regulatory Agreement, and such failure continues for 30 days after

the Mortgagor discovers, or receives notice from the Authority of such failure, then at the Authority's election, such failure shall constitute an Event of Default and in such event, in addition to all other remedies, the Authority shall be entitled to compel specific performance by the Mortgagor of its obligations under the Regulatory Agreement, or to obtain an injunction against any violation of the Regulatory Agreement. In addition, no distribution of surplus cash may be made to the Mortgagor so long as any such failure remains uncured.

Actions Requiring Consent of Authority. The Regulatory Agreement imposes a number of restrictions on the Mortgagor's activities, in connection with the ownership and operation of the Development. The Mortgagor may not convey or encumber any part of the Development, including the rents therefrom, or make disbursements for other than current operating expenses and necessary repairs without the prior approval of the Authority. The Regulatory Agreement further limits the Mortgagor's ability to make physical alterations to the Development or changes in the use of the Development without the approval of the Authority. The Mortgagor may not incur any liability or obligation related to the Development, other than for current operating expenses, without the consent of the Authority. The Regulatory Agreement also gives the Authority the right of approval for payment of compensation derived from the Development to the Mortgagor's officers and employees and approval of contracts for supervisory or management services related to the Development.

Covenants to Run with the Land; Successors Bound. The covenants, reservations and restrictions set forth in the Regulatory Agreement are intended to be deemed covenants, reservations and restrictions running with the land to the extent permitted by law and to pass to and be binding upon the Mortgagor's successors in title to the Development throughout the term of the Regulatory Agreement (which generally equals the original term of the Mortgage Loan).

CERTAIN TAX MATTERS

In the opinion of Foley & Lardner LLP, Bond Counsel to the Authority, interest on the Offered Bonds is not excludible from the gross income of the Owners thereof for Federal income tax purposes. Bond Counsel is also of the opinion that, under the Act, in its present form, income from the Offered Bonds is exempt from all taxes of the State or its political subdivisions, except for estate, transfer and inheritance taxes.

LEGAL MATTERS

The approving opinions of Foley & Lardner LLP, Chicago, Illinois, Bond Counsel to the Authority, will be delivered with the Offered Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix C. Certain legal matters in connection with the issuance of the Offered Bonds will be passed upon for the Authority by its general counsel, and by its special counsel, Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, and for the Underwriter by its counsel, Bell, Boyd & Lloyd LLC, Chicago, Illinois.

LITIGATION

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

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

LEGALITY FOR INVESTMENT

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

RATINGS

The assignment of a rating of “AAA” and “Aaa,” respectively by Standard & Poor’s Ratings Group and Moody’s Investors Service, Inc., to the Offered Bonds is a condition of the obligation of the Underwriter to accept delivery of and pay for the Offered Bonds at the Delayed Delivery Closing. Those ratings are predicated upon the Bond Insurer’s issuance of the Financial Guaranty Insurance Policy at the Delayed Delivery Closing, which is also a condition of the Underwriter to accept delivery of and pay for the Offered Bonds. Ratings assigned to the Offered Bonds reflect only the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. There is no assurance that the ratings which will be assigned to the Offered Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

UNDERWRITING

The Offered Bonds are being purchased by the Underwriter listed on the cover page of this Official Statement. The Underwriter will agree to purchase the Offered Bonds at a purchase price (expressed as a percentage of the aggregate initial principal amount of the Offered Bonds) of 100 percent, plus accrued interest pursuant to the terms of a Forward Delivery Purchase Contract. The obligation to make such purchase is subject to certain terms and conditions and the approval of certain legal matters by counsel. The Underwriter will receive a fee of \$301,700 in connection with the sale of the Offered Bonds to be paid by the Authority. The Underwriter may offer and sell the Offered Bonds offered to the public to certain dealers (including dealers depositing the Offered Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof. For further information concerning the Forward Delivery Purchase Contract and the conditions to the obligation of the Underwriter to accept delivery of and pay for the Offered Bonds, see “DELAYED DELIVERY OF OFFERED BONDS.”

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2003, included in Appendix A, have been audited by KPMG LLP, independent auditors, to the extent and for the period indicated in their report, which is also included in Appendix A.

As discussed in Note M to the Authority annual financial statements for the year ended June 30, 2003, included in Appendix A, the Authority changed its financial statement presentation fund structure for proprietary funds. Additionally, for the year ended June 30, 2003, the Authority adopted Governmental Accounting Standards Board Statement No. 40, “Deposit and Investment Risk Disclosures.” The report of KPMG LLP makes reference to these accounting changes.

The interim financial statements of the Authority as of and for the nine-month period ended March 31, 2004, are included in Appendix B. These financial statements are unaudited.

INVESTMENT POLICY

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

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

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

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

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

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

For additional information regarding the Authority’s investments as of June 30, 2003, see “AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note C – Cash and Investments” attached as Appendix A.

CONTINUING DISCLOSURE

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

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

MISCELLANEOUS

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

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

Dated: August 25, 2004.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

/s/ Kelly King Dibble

Executive Director

APPENDIX A
AUTHORITY ANNUAL FINANCIAL STATEMENTS

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

Financial Statements As of and For the Year Ended June 30, 2003

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303 East Wacker Drive
Chicago, IL 60601

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note M to the basic financial statements, during 2003, the Authority changed its fund structure for proprietary funds. Additionally, during 2003, the Authority adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

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





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

KPMG LLP

October 28, 2003

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

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased \$42.0 million, to \$605.3 million as of June 30, 2003, from increases in both the Authority's governmental (\$37.1 million) and business-type (\$4.9 million) activities.
- Operating income of the Authority's business-type activities declined \$4.0 million from the prior year results as decreases in interest on program loans (\$7.1 million) and investment income (\$1.7 million), and an increase in the allowance for estimated losses (\$1.0 million) were only partially offset by lower interest expense (\$6.0 million).
- The Authority's debt outstanding of \$1,782.9 million as of June 30, 2003 decreased \$105.4 million from the amount outstanding as of June 30, 2002. Debt issuances for the year totaled \$285.7 million.
- Loan originations for the year totaled \$140.8 million and \$49.7 million in the Authority's business-type and governmental activities, respectively.

Overview of the Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the Authority as a Whole

Net Assets. The combined net assets of the Authority increased by \$42.0 million, or 7.4%, from the June 30, 2002 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Inc. / (Dec.)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>Amt</u>	<u>%</u>
Cash & investments – unrestricted	\$62.9	\$68.8	\$131.7	\$144.2	\$194.6	\$213.0	\$ (18.4)	(8.6)
Program loans receivable	8.2	5.7	35.8	38.1	44.0	43.8	.2	.4
Other current assets	<u>(1.2)</u>	<u>(1.3)</u>	<u>17.2</u>	<u>18.1</u>	<u>16.0</u>	<u>16.8</u>	<u>(.8)</u>	(4.9)
Total current assets	69.9	73.2	184.7	200.4	254.6	273.6	(19.0)	(7.0)
Investments - restricted			733.1	616.5	733.1	616.5	116.6	18.9
Net program loans receivable	251.3	210.7	1,319.0	1,518.7	1,570.3	1,729.4	(159.1)	(9.2)
Other assets	<u>.4</u>	<u>.6</u>	<u>65.2</u>	<u>68.6</u>	<u>65.6</u>	<u>69.2</u>	<u>(3.6)</u>	(5.1)
Total assets	321.6	284.5	2,302.0	2,404.2	2,623.6	2,688.7	(65.1)	(2.4)
Bonds and notes payable	-	-	138.8	49.5	138.8	49.5	89.3	180.2
Deposits held in escrow	-	-	150.5	142.0	150.5	142.0	8.5	6.0
Other current liabilities	<u>-</u>	<u>-</u>	<u>85.0</u>	<u>95.2</u>	<u>85.0</u>	<u>95.2</u>	<u>(10.2)</u>	(10.7)
Total current liabilities	-	-	374.3	286.7	374.3	286.7	87.6	30.5
Bonds & notes payable	<u>-</u>	<u>-</u>	<u>1,644.0</u>	<u>1,838.7</u>	<u>1,644.0</u>	<u>1,838.7</u>	<u>(194.7)</u>	(10.6)
Total liabilities	-	-	2,018.3	2,125.4	2,018.3	2,125.4	(107.1)	(5.0)
Net assets								
Invested in capital assets, net	-	-	.7	.7	.7	.7	-	9.8
Restricted	100.3	-	194.4	188.3	294.7	188.3	106.4	56.5
Unrestricted	<u>221.3</u>	<u>284.5</u>	<u>88.6</u>	<u>89.8</u>	<u>309.9</u>	<u>374.3</u>	<u>(64.4)</u>	(17.2)
Total net assets	<u>\$321.6</u>	<u>\$284.5</u>	<u>\$283.7</u>	<u>\$278.8</u>	<u>\$605.3</u>	<u>\$563.3</u>	<u>\$42.0</u>	7.4

Governmental Activities

Net assets of the Authority's governmental activities increased \$37.1 million, or 13.0% to \$321.6 million. Total program loans receivable (current and non-current), which are funded by a portion of the State Real Estate Transfer Tax and federal funds and for which there is no repayment liability, increased by \$43.1 million, or 19.9% to \$259.5 million. Cash and investments decreased by \$5.9 million, or 8.6% as loan and grant payouts, plus administrative expenses exceeded revenues and repayments of loans. State statute restricts the use of the Affordable Housing Trust Fund and the HOME programs to program activities. The Authority changed its classification of net assets of the HOME program to restricted in fiscal year 2003.

Business-type Activities

Net assets of the Authority's business-type activities increased \$4.9 million, or 1.8% to \$283.7 million. The increase primarily resulted from earnings of the Authority's various multi-family lending and other programs, partially offset by losses in the Authority's Single Family Program Fund. Cash and investments (current and non-current) increased \$104.1 million, or 13.7% to \$864.8 million, due primarily to rapid prepayments of loans within the Single Family Program. Program loans receivable (current and non-current) decreased \$202.0 million, or 13.0% to \$1,354.8 million due mainly to decreases (\$182.2 million) in the Authority's Single Family Program Fund as loan prepayments exceeded loan originations. Total bonds and notes payable (current and non-current) decreased \$105.4 million, or 5.6%, due to retirement of debt, both from scheduled and special redemptions, primarily within the Authority's Single Family Program Fund.

Restricted net assets of the Authority's business-type activities increased \$6.1 million, or 3.2%. The increases in net assets within the Authority's various bond funds were \$5.7 million, all of which are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

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

A condensed statement of activities for the fiscal year ended June 30, 2003 is shown in the following table.

Changes in Net Assets
(In millions of dollars)

	Governmental Activities		Business- Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues						
Charges for services	\$2.7	\$3.3	\$132.2	\$142.1	\$134.9	\$145.4
Tax/grant/federal revenues	19.0	26.9	158.2	156.5	177.2	183.4
General revenues:						
Investment income	-	-	2.6	4.3	2.6	4.3
Real estate transfer taxes	<u>35.7</u>	<u>32.6</u>	-	-	<u>35.7</u>	<u>32.6</u>
Total revenues	57.4	62.8	293.0	302.9	350.4	365.7
Expenses:						
Direct	15.1	13.8	281.6	286.1	296.7	299.9
Administrative	-	-	<u>11.7</u>	<u>13.1</u>	<u>11.7</u>	<u>13.1</u>
Total expenses	15.1	13.8	293.3	299.2	308.4	313.0
Excess (deficit) before transfers	42.3	49.0	(.3)	3.7	42.0	52.7
Transfers	<u>(5.2)</u>	<u>(5.3)</u>	<u>5.2</u>	<u>5.3</u>	-	-
Increase in net assets	<u>\$37.1</u>	<u>\$43.7</u>	<u>\$4.9</u>	<u>\$9.0</u>	<u>\$42.0</u>	<u>\$52.7</u>

Governmental Activities

Revenues of the Authority's governmental activities declined by \$5.4 million from the prior year mainly from a decrease in federal program funds, which are used primarily to originate loans. A \$3.1 million increase in real estate transfer taxes partially offset the above decrease in federal program funds. Direct expenses, which consisted of grants (\$10.0 million), allocations of expenses incurred (\$3.6 million) to administer the programs and provisions for estimated losses on program loans receivable (\$1.5 million), increased \$1.3 million over the prior year due to an increase in grants. The transfer (\$5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities declined \$9.9 million from the prior year from a similar decrease in charges for services, which consist primarily of interest income on program loans (\$94.1 million), program investment income (\$23.9 million) and servicing fee and application fee income. Program investment income is that

income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds. Interest income on program loans accounted for most (\$7.1 million) of the decrease compared to prior year.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense (\$118.3 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds (\$158.2 million), declined \$4.5 million from the prior year, primarily from lower interest expense (\$6.0 million). The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which includes all other administrative and supportive functions and all overhead expenses, was \$1.4 million below the prior year, which included \$1.1 million of non-recurring expense items.

The Authority's business-type activities also generated \$2.6 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 \$13.3 million (See the Statement of Activities) and thus provided most of the Authority's increases in net assets. Direct expenses of the Single-Family Mortgage Loan Program exceeded program revenues by \$7.3 million, as the Program was adversely affected by a high level of prepayments of higher coupon mortgage loans, which were then reinvested, prior to the redemption of underlying bonds, at rates lower than the underlying bond interest rates.

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2002 amount by \$4.9 million, or 1.8% to \$283.7 million. The following table summarizes the statement of revenues, expenses and changes in net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2003 and June 30, 2002.

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

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total 2003	Total 2002	Inc. / (Dec) Amt	%
Operating revenues:							
Interest earned on program loans	\$1.0	\$49.8	\$43.3	\$94.1	\$101.2	\$(7.1)	(7.0)
Investment income	2.6	11.7	12.2	26.5	28.2	(1.7)	(6.2)
Federal assistance programs	151.2	5.8	-	157.0	156.5	.5	.3
Service fees	8.2	-	-	8.2	8.4	(.2)	(1.5)
Development fees	.6	-	-	.6	.1	.5	637.1
HUD savings	1.3	-	-	1.3	2.5	(1.2)	(46.4)
Other	<u>2.4</u>	<u>2.9</u>	<u>-</u>	<u>5.3</u>	<u>6.0</u>	<u>(.7)</u>	<u>(12.7)</u>
Total operating revenues	167.3	70.2	55.5	293.0	302.9	(9.9)	(3.2)
Operating expenses:							
Interest expense	-	57.6	60.7	118.3	124.3	(6.0)	(4.8)
Federal assistance programs	151.2	5.8	-	157.0	156.5	.5	.3
Salaries and benefits	10.4	-	-	10.4	9.9	.5	5.6
Professional fees	1.3	-	.1	1.4	1.7	(.3)	(19.9)
Other general and administrative	3.6	-	.2	3.8	4.7	(.9)	(19.7)
Financing costs	.4	.5	.5	1.4	2.1	(.7)	(34.3)
Provision for losses on							
program loans receivable	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>1.0</u>	NA
Total operating expenses	166.9	64.9	61.5	293.3	299.2	(5.9)	(2.0)
Operating income	.4	5.3	(6.0)	(.3)	3.7	(4.0)	(108.1)
Transfers in (out)	<u>(.2)</u>	<u>5.3</u>	<u>.1</u>	<u>5.2</u>	<u>5.3</u>	<u>(.1)</u>	<u>(2.8)</u>
Change in net assets	.2	10.6	(5.9)	4.9	9.0	(4.1)	(45.5)
Net assets at beginning of year	<u>110.7</u>	<u>123.3</u>	<u>44.7</u>	<u>278.8</u>	<u>269.8</u>	<u>9.0</u>	<u>3.3</u>
Net assets at end of year	<u>\$110.9</u>	<u>\$133.9</u>	<u>\$38.8</u>	<u>\$283.7</u>	<u>\$278.8</u>	<u>\$4.9</u>	<u>1.8</u>

Interest earned on program loans decreased by \$7.1 million, or 7.0% due primarily to decreases of \$5.4 million within the Authority's Single Family Program Fund, due to lower loan amounts outstanding resulting from prepayments of higher yielding mortgage loans. Interest earned on program loans of the Authority's Multi-Family Mortgage Loan Program Fund also declined as the interest portion of debt service decreased, due to the scheduled amortizations of these loans.

Investment income decreased \$1.7 million, or 6.2%, and primarily reflected both lower investment yields. The primary decreases in investment income were within the Mortgage Loan Program Fund (\$1.6 million), and the Administrative Fund, which declined \$1.6 million due mainly from lower investment yields. Investment income of the Single Family Program Fund increased \$1.5 million and reflected increased investments held due to loan prepayments.

Investment income includes a \$3.3 million increase to adjust investments to fair value compared to a \$1.2 million similar adjustment for the prior year.

Interest expense decreased \$6.0 million, or 4.8% due primarily to decreased debt outstanding within the Mortgage Loan Program Fund.

The fiscal year 2003 increase in net assets of the Administrative Fund of \$.2 million was \$3.5 million below the prior year increase, due primarily to decreased investment income (\$1.7 million) and the absorption of administrative costs previously allocated to the Single Family Program Fund (\$2.4 million), due to losses in the program.

Net assets of the Single Family Program Fund decreased \$5.9 million, compared to a \$5.6 million decrease of the prior year. Results continued to be adversely affected by a high rate of prepayments of higher coupon loans, the reinvestment of prepayments at rates below their underlying debt until the debt could be extinguished, and accelerations of the amortization of bond issuance and loan origination costs due to high prepayment rates.

Net assets of the Mortgage Loan Program Fund increased \$10.6 million, slightly below the prior year's \$10.9 million increase.

Authority Debt

Authority debt issuances during fiscal year 2003 totaled \$285.7 million, with activity arising from the Single Family Program (\$245.5 million), and Mortgage Loan Program Fund (\$40.2 million). Total bonds and notes payable decreased \$105.4 million as debt issuances were more than offset by retirements of debt, primarily special redemptions necessitated by a high level of mortgage prepayments within the Authority's Single Family Program. For additional information, see Note F, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2003, the Authority's Standard & Poor's Ratings Services Issuer Credit Rating remained at A+.

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

STATEMENT OF NET ASSETS
As of June 30, 2003

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 3,500,158	35,596,148	39,096,306
Funds held by State Treasurer	32,580,021		32,580,021
Investments	26,832,514	96,151,691	122,984,205
Investment income receivable	32,000	9,114,398	9,146,398
Program loans receivable	8,219,000	35,802,000	44,021,000
Interest receivable on program loans	132,663	6,704,946	6,837,609
Interfund accounts receivable (payable)	(1,391,571)	1,391,571	
Total current assets	69,904,785	184,760,754	254,665,539
Noncurrent assets:			
Investments - Restricted		733,082,980	733,082,980
Program loans receivable, net of current portion	262,763,717	1,341,552,105	1,604,315,822
Less allowance for estimated losses	(11,500,000)	(22,565,000)	(34,065,000)
Net program loans receivable	251,263,717	1,318,987,105	1,570,250,822
Unamortized bond issuance costs		23,058,301	23,058,301
Real estate held for sale (net)		31,157,149	31,157,149
Capital assets (net)		703,202	703,202
Other	426,168	10,232,016	10,658,184
Total noncurrent assets	251,689,885	2,117,220,753	2,368,910,638
Total assets	\$ 321,594,670	2,301,981,507	2,623,576,177
<u>LIABILITIES</u>			
Current liabilities:			
Bonds and notes payable	\$	138,840,000	138,840,000
Accrued interest payable		39,120,746	39,120,746
Deposits held in escrow		150,446,579	150,446,579
Accrued liabilities and other		45,875,818	45,875,818
Total current liabilities		374,283,143	374,283,143
Noncurrent liabilities:			
Bonds and notes payable, net of current portion		1,644,042,816	1,644,042,816
Total liabilities	\$	2,018,325,959	2,018,325,959
<u>NET ASSETS</u>			
Invested in capital assets (net)	\$	703,202	703,202
Restricted for bond resolution purposes		172,740,906	172,740,906
Restricted for loan and grant programs	100,262,538	21,612,594	121,875,132
Unrestricted	221,332,132	88,598,846	309,930,978
Total net assets	\$ 321,594,670	283,655,548	605,250,218

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

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) / Revenues and Changes in Net Assets		
	Expenses	Charges for Services and Interest Income	Operating Grant/Federal Revenues	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	\$ 7,748,196	1,845,673	500,000	(5,402,523)		(5,402,523)
HOME Program	7,387,746	898,405	18,467,260	11,977,919		11,977,919
Total governmental activities	15,135,942	2,744,078	18,967,260	6,575,396		6,575,396
Business-type activities:						
Administrative	11,704,683	20,992			(11,683,691)	(11,683,691)
Multi-Family Mortgage Loan Programs	60,778,810	74,067,920			13,289,110	13,289,110
Multi-Family Federal Assistance Programs	157,017,742		157,017,742			
Single-Family Mortgage Loan Programs	62,951,039	55,700,809			(7,250,230)	(7,250,230)
Tax Credit Authorization and Monitoring	666,908	2,267,385			1,600,477	1,600,477
Preservation	179,120	15,198			(163,922)	(163,922)
FAF Lending Program	1,026	119,665	1,195,572		1,314,211	1,314,211
Total business-type activities	293,299,328	132,191,969	158,213,314		(2,894,045)	(2,894,045)
Total Authority	\$ 308,435,270	134,936,047	177,180,574	6,575,396	(2,894,045)	3,681,351
				35,677,836		35,677,836
					2,599,996	2,599,996
				(5,200,000)	5,200,000	
				30,477,836	7,799,996	38,277,832
				37,053,232	4,905,951	41,959,183
				284,541,438	278,749,597	563,291,035
				\$ 321,594,670	283,655,548	605,250,218

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

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

GOVERNMENTAL FUNDS
BALANCE SHEET
As of June 30, 2003

<u>ASSETS</u>	<u>Illinois Affordable Housing Trust Fund</u>	<u>HOME Program Fund</u>	<u>Total</u>
Current assets:			
Cash	\$ 3,500,158		3,500,158
Funds held by State Treasurer	32,343,702	236,319	32,580,021
Investments	26,832,514		26,832,514
Investment income receivable	32,000		32,000
Program loans receivable	7,034,000	1,185,000	8,219,000
Interest receivable on program loans	70,746	61,917	132,663
Total current assets	69,813,120	1,483,236	71,296,356
Noncurrent assets:			
Program loans receivable, net of current portion	159,984,415	102,779,302	262,763,717
Less allowance for estimated losses	(7,500,000)	(4,000,000)	(11,500,000)
Net program loans receivable	152,484,415	98,779,302	251,263,717
Other		426,168	426,168
Total noncurrent assets	152,484,415	99,205,470	251,689,885
Total assets	\$ 222,297,535	100,688,706	322,986,241
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Deferred revenue	\$ 70,746	61,917	132,663
Due to other funds	965,403	426,168	1,391,571
Total current liabilities	1,036,149	488,085	1,524,234
Fund balances:			
Reserved for loans receivable	152,484,415	98,779,302	251,263,717
Unreserved	68,776,971	1,421,319	70,198,290
Total fund balances	221,261,386	100,200,621	321,462,007
Total liabilities and fund balances	\$ 222,297,535	100,688,706	
Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans			132,663
Net assets of governmental activities			\$ 321,594,670

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

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2003

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Revenues:			
Real estate transfer taxes	\$ 35,677,836		35,677,836
Federal HOME funds		18,467,260	18,467,260
Interest and investment income	1,805,228	911,581	2,716,809
Private donation	500,000		500,000
Application fees	39,000		39,000
Total revenues	38,022,064	19,378,841	57,400,905
Expenditures:			
Grants	4,605,792	5,459,587	10,065,379
General and administrative	2,142,404	1,428,159	3,570,563
Provision for estimated losses on program loans receivable	1,000,000	500,000	1,500,000
Total expenditures	7,748,196	7,387,746	15,135,942
Excess of revenues over expenditures	30,273,868	11,991,095	42,264,963
Other financing uses:			
Transfer out	(5,200,000)		(5,200,000)
Net change in fund balances	25,073,868	11,991,095	37,064,963
Fund balances at beginning of year	196,187,518	88,209,526	
Fund balances at end of year	\$ 221,261,386	100,200,621	
Amounts reported for governmental activities in the statement of net activities are different due to interest on program loans receivable			(11,731)
Changes in net assets of governmental activities			\$ 37,053,232

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

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of June 30, 2003

<u>ASSETS</u>	<u>Administrative Fund</u>	<u>Mortgage Loan Program Fund</u>	<u>Single Family Program Fund</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 26,669,343	2,013,917	6,912,888	35,596,148
Investments	96,151,691			96,151,691
Investment income receivable	376,773	3,860,551	4,877,074	9,114,398
Program loans receivable	275,000	24,420,000	11,107,000	35,802,000
Interest receivable on program loans	573,549	3,063,642	3,067,755	6,704,946
Due from other funds	7,241,809	24,580,590	363,098	32,185,497
Total current assets	<u>131,288,165</u>	<u>57,938,700</u>	<u>26,327,815</u>	<u>215,554,680</u>
Noncurrent assets:				
Investments - Restricted	156,442,143	252,133,592	324,507,245	733,082,980
Program loans receivable, net of current portion	30,217,028	689,483,048	621,852,029	1,341,552,105
Less allowance for estimated losses	(8,815,000)	(13,750,000)		(22,565,000)
Net program loans receivable	21,402,028	675,733,048	621,852,029	1,318,987,105
Unamortized bond issuance costs		10,357,780	12,700,521	23,058,301
Real estate held for sale (net)		29,881,739	1,275,410	31,157,149
Capital assets (net)	703,202			703,202
Other	8,264,265	1,967,751		10,232,016
Total noncurrent assets	<u>186,811,638</u>	<u>970,073,910</u>	<u>960,335,205</u>	<u>2,117,220,753</u>
Total assets	<u>\$ 318,099,803</u>	<u>1,028,012,610</u>	<u>986,663,020</u>	<u>2,332,775,433</u>
 <u>LIABILITIES</u>				
Current liabilities:				
Bonds and notes payable	\$	28,290,000	110,550,000	138,840,000
Accrued interest payable		19,590,207	19,530,539	39,120,746
Deposits held in escrow	150,446,579			150,446,579
Accrued liabilities and other	31,839,875	11,485,829	2,550,114	45,875,818
Due to other funds	24,898,707	4,088,132	1,807,087	30,793,926
Total current liabilities	<u>207,185,161</u>	<u>63,454,168</u>	<u>134,437,740</u>	<u>405,077,069</u>
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		830,635,901	813,406,915	1,644,042,816
Total liabilities	<u>\$ 207,185,161</u>	<u>894,090,069</u>	<u>947,844,655</u>	<u>2,049,119,885</u>
 <u>NET ASSETS</u>				
Invested in capital assets (net)	\$ 703,202			703,202
Restricted for bond resolution purposes		133,922,541	38,818,365	172,740,906
Restricted for loan and grant programs	21,612,594			21,612,594
Unrestricted	88,598,846			88,598,846
Total net assets	<u>\$ 110,914,642</u>	<u>133,922,541</u>	<u>38,818,365</u>	<u>283,655,548</u>

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

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	\$ 2,384,293	9,443,801	11,326,929	23,155,023
Net increase in fair value of investments.....	215,703	2,243,831	867,740	3,327,274
Total investment income	2,599,996	11,687,632	12,194,669	26,482,297
Interest earned on program loans	1,002,580	49,779,098	43,332,249	94,113,927
Federal assistance programs	151,191,090	5,826,652		157,017,742
Service fees	8,211,732			8,211,732
Development fees	610,128			610,128
HUD savings	1,315,237			1,315,237
Other	2,336,136	2,918,080		5,254,216
Total operating revenues	167,266,899	70,211,462	55,526,918	293,005,279
Operating expenses:				
Interest expense		57,611,152	60,685,257	118,296,409
Federal assistance programs	151,191,090	5,826,652		157,017,742
Salaries and benefits	10,429,594		10,664	10,440,258
Professional fees	1,277,098	6,000	66,000	1,349,098
Other general and administrative	3,604,299		218,888	3,823,187
Financing costs	366,284	505,913	500,437	1,372,634
Provision for estimated losses				
on program loans receivable		1,000,000		1,000,000
Total operating expenses	166,868,365	64,949,717	61,481,246	293,299,328
Operating income (loss)	398,534	5,261,745	(5,954,328)	(294,049)
Other:				
Transfers in	182	5,309,886	1,967,418	7,277,486
Transfers out	(211,828)		(1,865,658)	(2,077,486)
Total other	(211,646)	5,309,886	101,760	5,200,000
Change in net assets	186,888	10,571,631	(5,852,568)	4,905,951
Net assets at beginning of year	110,727,754	123,350,910	44,670,933	278,749,597
Net assets at end of year	\$ 110,914,642	133,922,541	38,818,365	283,655,548

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

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Cash received from interest, service fees, and principal on program loans	\$ 21,490,695	79,382,951	341,931,568	442,805,214
Cash payments for loaned amounts	(6,448,267)	(19,127,750)	(115,180,213)	(140,756,230)
Cash received from federal assistance programs	147,434,153	4,331,736		151,765,889
Cash payments for federal assistance programs	(140,302,527)	(4,331,736)		(144,634,263)
Cash payments for operating expenses	(20,779,406)		(354,957)	(21,134,363)
Interest on investments	2,910,746	10,582,976	10,299,926	23,793,648
Other	2,485,651	3,709,993	(1,620,913)	4,574,731
Net cash provided by operating activities	<u>6,791,045</u>	<u>74,548,170</u>	<u>235,075,411</u>	<u>316,414,626</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes		40,240,000	245,485,000	285,725,000
Principal paid on revenue bonds and notes		(49,470,000)	(343,335,000)	(392,805,000)
Interest paid on revenue bonds and notes		(53,616,726)	(57,441,627)	(111,058,353)
Transfers in	182	5,309,886	1,967,418	7,277,486
Transfers out	(211,828)		(1,865,658)	(2,077,486)
Other		(2,184,384)	(1,884,976)	(4,069,360)
Net cash used in noncapital financing activities	<u>(211,646)</u>	<u>(59,721,224)</u>	<u>(157,074,843)</u>	<u>(217,007,713)</u>
Cash flows from investing activities:				
Purchase of investment securities	(557,342,884)	(367,402,647)	(794,946,199)	(1,719,691,730)
Proceeds from sales and maturities of investment securities	544,840,196	352,885,222	705,221,525	1,602,946,943
Developer escrow and other interest	3,586,246			3,586,246
Net cash used in investing activities	<u>(8,916,442)</u>	<u>(14,517,425)</u>	<u>(89,724,674)</u>	<u>(113,158,541)</u>
Net increase (decrease) in cash and cash equivalents	(2,337,043)	309,521	(11,724,106)	(13,751,628)
Cash and cash equivalents at beginning of year	29,006,386	1,704,396	18,636,994	49,347,776
Cash and cash equivalents at end of year	<u>\$ 26,669,343</u>	<u>2,013,917</u>	<u>6,912,888</u>	<u>35,596,148</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 398,534	5,261,745	(5,954,328)	(294,049)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Interest expense		57,611,152	60,685,257	118,296,409
Depreciation and amortization	327,501	800,000		1,127,501
Provision for estimated losses on program loans receivable		1,000,000		1,000,000
Changes in assets and liabilities:				
Decrease (increase) in investment income receivable	348,584	6,939	(550,401)	(194,878)
Decrease in program loan and interest receivable	7,965,003	10,729,884	183,419,106	202,113,993
Increase (decrease) in due to/from other funds	(169,842)	(246,686)	441,030	24,502
Increase (decrease) in other liabilities	1,732,129	2,481,941	(1,619,784)	2,594,286
Increase in other assets	(1,859,283)	(139,939)	(483,993)	(2,483,215)
Other	(1,951,581)	(2,956,866)	(861,476)	(5,769,923)
Total adjustments	<u>6,392,511</u>	<u>69,286,425</u>	<u>241,029,739</u>	<u>316,708,675</u>
Net cash provided by operating activities	<u>\$ 6,791,045</u>	<u>74,548,170</u>	<u>235,075,411</u>	<u>316,414,626</u>

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

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

For the Year Ended June 30, 2003

NOTE A—AUTHORIZING LEGISLATION

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

The bonds and notes outstanding as of June 30, 2003, as shown on the Authority’s financial statements consist of both general and special limited obligations of the Authority (see Note F). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to \$3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2003, amounts outstanding against this limitation were approximately \$2,083,000,000.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

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

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

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

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority and for each function of the Authority’s governmental activities. Direct

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

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

HOME Investment Partnerships Program

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

The Authority reports the following major proprietary funds:

Administrative Fund

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

The designations of the Authority’s Administrative Fund unrestricted net assets as of June 30, 2003 are as follows:

Housing Partnership Program.....	\$10,000,000
To pay expenses for programs under commitment or contract.....	3,000,000
Multi-Family development taxable financing program.....	6,000,000
To pay possible losses arising in the Multi-Family Bond Fund	
Program attributable, but not limited to, delinquencies or defaults	
on uninsured or unsubsidized loans.....	24,000,000
Provide reserves to support the Authority’s Multi-Family Housing	
Risk Sharing Program.....	10,000,000
Provide funds and reserves to purchase single family mortgage loans	
to be acquired under the Single Family Program from the proceeds	
of future issuances of IHDA bonds.....	15,000,000
Provide funds and reserves to support the Mortgage Participation	
Certificate Program.....	<u>20,000,000</u>
	<u>\$88,000,000</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

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

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

Mortgage Loan Program Fund

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

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

Single Family Program Fund

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

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

Restrictions of Assets and Fund Equity

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

Basis of Accounting

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

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

Separate fund financial statements are provided for governmental and proprietary funds. Real estate transfer taxes of governmental funds are susceptible to accrual. All amounts susceptible to accrual were received prior to the end of the

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

fiscal year. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

The Authority applies all GASB pronouncements for the Authority's proprietary funds, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

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

Investments

Investments of the Authority, which are generally held to maturity, are reported at fair value, with the exceptions of nonparticipating investment contracts ("demand repurchase agreements"), which are reported at cost, and money market investments that have a remaining maturity at time of purchase of one year or less, which are reported at amortized cost.

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

Program Loans Receivable

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

Capital Assets

Capital assets of the Authority consist of investments in furniture, fixtures and equipment, computer hardware and computer software are defined by the Authority as assets with an initial, individual cost of \$5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Depreciation and amortization expenses for fiscal year 2003 were approximately \$328,000.

Real Estate Held for Sale

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

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

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

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, 2003, the net carrying value of ML-181 was \$29,881,739 and accumulated depreciation was \$7,811,000.

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

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

Bond Discount and Issuance Costs

Discount on bonds is deferred and amortized using a method approximating the 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 interest method. When these costs exceed the designated amounts per the bond agreements, the excess bond issuance costs are expensed to the Administrative Fund.

Operations

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

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

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

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

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

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2003, unused compensated absences, which are included in Other Liabilities, were \$442,766. The Authority has no other post-employment benefits.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the loan portfolio and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverages and such other factors as it deems necessary.

NOTE C—CASH AND INVESTMENTS

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

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

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

As of June 30, 2003, the Authority had the following investments, maturities and credit quality.

<u>Investment</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in Years)</u>				<u>Custodial Credit Risk</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Demand Repurchase Agreements.....	\$431,161,034	\$92,327,902	\$11,660,572	\$ -	\$327,172,560	\$396,484
United States Agency Obligations.....	331,631,869	309,759,604	13,944,289	-	7,927,976	-
United States Government Obligations..	57,963,178	38,612,027	611,404	411,375	18,328,372	-
Acquired Bonds.....	31,649,900	1,700,000	9,608,338	6,867,613	13,473,949	-
Municipal Obligations and Other.....	<u>3,661,204</u>	<u>104,751</u>	<u>184,307</u>	<u>1,386,282</u>	<u>1,985,864</u>	-
	<u>\$856,067,185</u>	<u>\$442,504,284</u>	<u>\$36,008,910</u>	<u>\$ 8,665,270</u>	<u>\$368,888,721</u>	<u>\$396,484</u>

Demand repurchase agreements are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority's option. The market value of securities subject to such agreements must be maintained at least equal to 100 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision. The Authority invests in demand repurchase agreements for both short-term (generally program funds) and long-term (generally reserve) investments. On June 30, 2003, approximately \$104 million was invested in such short-term agreements having various maturity dates out to September 1, 2005, primarily at rates ranging from 1.03% to 2.31% and approximately \$327 million was invested in such long-term agreements having maturity dates ranging from January 31, 2015, to August 1, 2032, primarily at rates ranging from 4.20% to 10.21%.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

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

During a prior fiscal year, the Authority issued its Housing Bonds, 1999 Series A, to refinance, directly or indirectly, all or a portion of 11 multi-family developments. A portion of the proceeds were used to purchase 1999 Series A Bonds ("Acquired Bonds") issued from the Authority's Housing Development and Multi-Family Housing Bond Accounts, the proceeds of which in turn were used to redeem previously issued bonds.

These Acquired Bonds are accounted for as an investment within the Housing Bond Account and as bonds outstanding within the Housing Development and Multi-Family Housing Bond Accounts.

NOTE D—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances

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

Interfund accounts receivable (payable) balances at June 30, 2003 consisted of the following:

Due To	Due From					
	Illinois Affordable Housing Trust	HOME Program	Administrative	Mortgage Loan Program	Single Family Program	Total
Administrative.....	\$ 965,403	\$ 426,168	\$ -	\$ 4,088,132	\$ 1,762,106	\$ 7,241,809
Mortgage Loan Program.....	-	-	24,580,590	-	-	24,580,590
Single Family Program.....	-	-	318,117	-	44,981	363,098
	<u>\$ 965,403</u>	<u>\$ 426,168</u>	<u>\$ 24,898,707</u>	<u>\$ 4,088,132</u>	<u>\$ 1,807,087</u>	<u>\$ 32,185,497</u>

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

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

Transfers for the year ended June 30, 2003 consisted of the following:

Transfer To	Transfer From			
	Illinois Affordable Housing Trust	Administrative	Single Family Program	Total
Administrative.....	\$ -	\$ 182	\$ -	\$ 182
Mortgage Loan Program.....	5,200,000	109,886	-	5,309,886
Single Family Program.....	-	101,760	1,865,658	1,967,418
	<u>\$ 5,200,000</u>	<u>\$ 211,828</u>	<u>\$ 1,865,658</u>	<u>\$ 7,277,486</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

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, 2003 totaled \$5,200,000.

NOTE E—PROGRAM LOANS RECEIVABLE

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

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

During the year ended June 30, 2003, HUD subsidy payments were received and disbursed as follows:

<u>Program</u>	<u>Received</u>	<u>Disbursed</u>
Section 8	\$151,191,090	\$149,636,132
Section 236	5,826,652	5,826,652

The Authority records HUD Section 8 housing assistance transactions in its Administrative Fund. HUD Section 236 transactions are recorded in the Housing Development, Fixed Rate Housing and Housing Bond Accounts.

At June 30, 2003, 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 \$305,550 and \$62,381, 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 accrual 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.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

The Authority has a second mortgage agreement relating to a \$6.7 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of \$6.2 million. The subsidy payments were applied to receivables of the Housing Development Bond and the Fixed Rate Housing Bond accounts. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accrual. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development.

The Authority's policy for converting mortgage loans to non-accrual status is based upon the recording of a specifically identifiable allowance for estimated loss. The accrual of interest and service fee income has been suspended on approximately \$10.0 million of mortgage loans in the Mortgage Loan Program Fund and \$7.1 million of mortgage loans in the Administrative Fund at June 30, 2003, for which allowances for estimated losses have been provided, and such income is being recognized only as received. Interest and service fee income due but not accrued was approximately \$35,000 in the Mortgage Loan Program Fund and \$523,000 in the Administrative Fund at June 30, 2003. In addition, the Authority does not accrue interest income on approximately \$14.5 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 \$328,000.

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, 2003, loans receivable under this program were approximately \$7,561,352.

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

The Authority, as of June 30, 2003, has entered into twenty-six Risk Sharing Loans totaling \$130,028,353 and elected that HUD assume 10 to 50 percent of the loss with respect to those loans. Except for three loans totaling \$16,591,000 which were financed through the issuance of the Authority's Housing Finance Bonds and two loans totaling \$10,993,148 which were financed through the issuance of the Authority's Multi-Family Housing Bonds, these loans are not included in the Authority's financial statements as the Authority sold 100 percent participation interests in the loans to outside parties. The program's service and insurance fee incomes are recorded in the Administrative Fund.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation ("Ambac") under which Ambac will insure mortgage loans ("Ambac Loans") on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement on the remaining principal balance on each mortgage loan. As of June 30, 2003, the Authority has entered into six Ambac Loans totaling \$24,743,000.

At June 30, 2003, for loans financed under the Risk Sharing and Mortgage Participation Certificate Programs, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to mortgage loans funded by Residential Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2003, were covered by pool insurance, which provides for loss coverage to an aggregate limit equal to at least ten percent of the aggregate original principal amount of the mortgage loans so covered.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2003, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from zero to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 7.5%, 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, 2003, is as follows:

Interest Rate - %	Principal Due By June 30				
	2004	2009	2019	After 2019	Total
	(\$ in thousands)				
0 - .99.....	\$ 4,265	\$ 5,819	\$ 10,979	\$ 47,984	\$ 69,047
1 - 1.99.....	2,283	6,530	20,507	54,805	84,125
2 - 3.99.....	431	1,237	2,946	7,730	12,344
4 - 7.00.....	<u>55</u>	<u>173</u>	<u>507</u>	<u>767</u>	<u>1,502</u>
	<u>\$ 7,034</u>	<u>\$13,759</u>	<u>\$ 34,939</u>	<u>\$ 111,286</u>	<u>\$ 167,018</u>

The approximate aging of the receivables of the HOME program as of June 30, 2003, is as follows:

Interest Rate - %	Principal Due By June 30				
	2004	2009	2019	After 2019	Total
	(\$ in thousands)				
0 - .99.....	\$ 93	\$ 533	\$ 3,937	\$ 29,940	\$ 34,503
1 - 1.99.....	948	3,861	17,717	41,966	64,492
2 - 3.99.....	144	581	1,461	548	2,734
4 - 6.00.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,235</u>	<u>2,235</u>
	<u>\$ 1,185</u>	<u>\$ 4,975</u>	<u>\$ 23,115</u>	<u>\$ 74,689</u>	<u>\$ 103,964</u>

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2003 in the accompanying financial statements are adequate to cover estimated losses of the various funds. For fiscal year 2003, the Authority increased the allowances for estimated losses for its Mortgage Loan Program Fund and the Illinois Affordable Housing Trust Fund by \$1,000,000 each, and increased the allowances for estimated losses for the HOME Program Fund by \$500,000. No other write-offs or other adjustments were made.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2003 and thereafter are as follows:

2004.....	\$35,802,000
2005.....	37,932,000
2006.....	40,940,000
2007.....	45,537,000
2008.....	49,359,000
After 2008.....	<u>1,167,784,000</u>
	<u>\$1,377,354,000</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

NOTE F—BONDS AND NOTES PAYABLE

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

Bonds and notes outstanding at June 30, 2003 are as follows. The June 30, 2002 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, 2002	June 30, 2003
Housing Development Bonds:					
1993 Series A	2003-2018	5.10 – 6.00	G.O.	\$58,700,000	\$56,505,000
1999 Series A	2003-2015	3.94 – 5.19	G.O.	<u>23,600,000</u>	<u>22,155,000</u>
				82,300,000	78,660,000
Less unamortized discount thereon.				<u>134,363</u>	<u>121,118</u>
				<u>\$82,165,637</u>	<u>\$78,538,882</u>
Multi-Family Housing Bonds:					
1979 Series B	2019-2023	6.00	G.O.	275,000	275,000
1982 Series B	2011-2017	7.00	G.O.	18,840,000	18,840,000
1982 Series C	2015-2025	5.00	G.O.	29,705,000	29,705,000
1983 Series A (1)	2006-2025	10.75	G.O.	12,177,479	13,521,739
1991 Series A	2003-2016	8.00-8.25	G.O.	64,685,000	62,325,000
1991 Series C	2003-2023	6.75-7.35	G.O.	8,665,000	8,180,000
1992 Series A	2003-2026	6.45-7.10	G.O.	39,845,000	37,950,000
1993 Series A	2004-2025	6.05-6.13	G.O.	42,935,000	42,935,000
1993 Series B (Taxable)	2003-2003	6.85	G.O.	1,715,000	880,000
1993 Series C	2003-2028	5.80-6.10	G.O.	12,010,000	12,010,000
1993 Series D (Taxable)	2003-2003	6.80	G.O.	325,000	130,000
1994 Series A and B	2003-2020	6.40-6.80	G.O.	4,620,000	3,785,000
1995 Series A	2003-2021	4.80-5.95	S.L.O.	22,230,000	21,525,000
1999 Series A	2003-2028	3.94-5.31	G.O.	9,790,000	9,605,000
2001 Series B	2003-2043	4.60-5.50	S.L.O.	<u>10,990,000</u>	<u>10,895,000</u>
				278,807,479	272,561,739
Less unamortized discount thereon.				<u>16,215,685</u>	<u>15,889,720</u>
				<u>\$262,591,794</u>	<u>\$256,672,019</u>

- (1) Capital appreciation term bonds which were originally issued in the amount of \$1,750,000 and which are scheduled for redemption in part, on a semi-annual basis from July 1, 2009 through July 1, 2025, at accreted values aggregating \$45,941,387.

Fixed Rate Housing Bonds:					
1984 Series A	2003-2021	7.25	G.O.	\$8,795,000	\$8,585,000
1984 Series D	2003-2015	7.25	G.O.	<u>2,020,000</u>	<u>1,935,000</u>
				<u>\$10,815,000</u>	<u>\$10,520,000</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

	<u>Maturity Dates</u>	<u>Interest Rate Range-%</u>	<u>Debt Class</u>	<u>Amount</u>	
				<u>June 30, 2002</u>	<u>June 30, 2003</u>
Multi-Family Program Bonds:					
Series 1	2005-2021	6.63-6.75	G.O.	\$45,715,000	\$45,715,000
Series 2 (Taxable)	2003-2005	7.85	G.O.	7,830,000	5,420,000
Series 3	2009-2023	6.05-6.20	G.O.	98,135,000	98,135,000
Series 4 (Taxable)	2003-2008	7.20-7.80	G.O.	29,910,000	26,190,000
Series 5	2007-2023	6.65-6.75	G.O.	74,725,000	74,725,000
Series 6 (Taxable)	2003-2006	8.02-8.28	G.O.	15,295,000	12,365,000
Series 7	2019-2029	6.25	S.L.O.	11,350,000	11,350,000
Series 8 (Taxable)	2003-2031	7.19-8.52	S.L.O.	<u>17,010,000</u>	<u>16,690,000</u>
				<u>\$299,970,000</u>	<u>\$290,590,000</u>
Housing Bonds:					
1999 Series A	2003-2031	3.88-5.25	G.O.	\$42,770,000	\$40,960,000
1999 Series B (1)			G.O.	4,305,000	-
1999 Series C	2003-2003	6.05	G.O.	<u>255,000</u>	<u>90,000</u>
				<u>\$47,330,000</u>	<u>\$41,050,000</u>
Housing Finance Bonds:					
1999 Series B	2003-2030	4.80-6.30	S.L.O.	\$5,575,000	\$5,495,000
2000 Series A	2003-2032	5.75-6.30	S.L.O.	<u>9,450,000</u>	<u>9,330,000</u>
				<u>\$15,025,000</u>	<u>\$14,825,000</u>
Multi-Family Variable Rate Demand Bonds:					
Series 1996A (Taxable) (1)	2026	6.28	S.L.O.	<u>\$8,135,000</u>	<u>\$8,135,000</u>
Multi-Family Housing Revenue Bonds:					
Series 1997(1)		5.75	G.O.	\$14,170,000	\$14,170,000
Series 2000 A (1)		5.50	S.L.O.	<u>43,185,000</u>	<u>42,385,000</u>
				<u>\$57,355,000</u>	<u>\$56,555,000</u>
(1) Interest rates on the bonds are determined weekly at a rate established by the Remarketing Agents on each Rate Determination Date. The Authority has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. Payment of the principal and interest on the bonds when due is insured by a financial guarantee insurance policy. The Authority has a general obligation to reimburse the insurer for any such payments made.					
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes, Series 2003	2005-2045	4.50-5.20	S.L.O.	-	\$15,865,000
Multifamily Bonds:					
Turnberry Village II Apartments	2005-2045	4.50-4.75	S.L.O.	-	\$5,320,000
Affordable Housing Program Trust Fund Bonds:					
Series 1994 A	2003-2021	8.13-8.64	S.L.O.	\$43,925,000	\$42,700,000
Series 1995 A	2003-2022	6.74-7.82	S.L.O.	<u>39,160,000</u>	<u>38,155,000</u>
				<u>83,085,000</u>	<u>80,855,000</u>
Total Mortgage Loan Program Fund				882,822,479	874,936,739
Less unamortized discount thereon				<u>16,350,048</u>	<u>16,010,838</u>
				<u>\$866,472,431</u>	<u>\$858,925,901</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

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, 2002	June 30, 2003
Residential Mortgage Revenue Bonds:					
1983 Series A	2015	10.872	G.O.	\$1,319	\$1,467
1983 Series B	2015	10.746	G.O.	1,339	1,487
1984 Series B	2016	11.257	G.O.	1,130	1,260
1985 Series A	2017	10.75	G.O.	1,086	1,206
1987 Series A	2004-2007	6.90	G.O.	1,395,000	-
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
1988 Series A and B	2003	7.50-7.70	G.O.	10,000	-
1988 Series C	2003	7.70	G.O.	5,000	5,000
1993 Series A and B	2003-2024	4.80-5.90	G.O.	<u>20,680,000</u>	<u>10,700,000</u>
				<u>\$22,394,874</u>	<u>\$11,010,420</u>

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

Series	Redemption Basis and Period	Original Issue Amount (1)	Accreted Value		Aggregate Value to be Redeemed
			June 30, 2002	June 30, 2003	
1983 Series A	Maturity 2/1/15	\$180	\$1,319	\$1,467	\$5,000
1983 Series B	Maturity 2/1/15	193	1,339	1,487	5,000
1984 Series B	Maturity 2/1/16	166	1,130	1,260	5,000
1985 Series A	Maturity 2/1/17	190	1,086	1,206	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2003.

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount	
				June 30, 2002	June 30, 2003
Homeowner Mortgage Revenue Bonds:					
1994 Series A	2003-2025	5.50-6.45	S.L.O.	\$ 25,535,000	\$ 1,970,000
1994 Series B	2003-2025	6.10-7.05	S.L.O.	8,775,000	-
1994 Series C	2026	6.63	S.L.O.	1,420,000	-
1995 Series A	2003-2022	5.80-6.85	S.L.O.	12,710,000	3,435,000
1995 Series B	2003-2026	5.40- 6.63	S.L.O.	22,825,000	14,735,000
1995 Series C	2003-2018	4.75-6.20	S.L.O.	10,670,000	7,205,000
1995 Series D	2003-2027	5.20-6.63	S.L.O.	27,385,000	6,555,000
1995 Series E	2023-2028	6.17	S.L.O.	7,860,000	7,760,000
1996 Series A	2003-2027	4.90-6.15	S.L.O.	24,955,000	18,995,000
1996 Series B	2006-2028	6.30-6.45	S.L.O.	20,945,000	10,780,000
1996 Series C	2019-2028	5.63-6.30	S.L.O.	15,585,000	14,685,000
1996 Series E	2003-2027	4.80-6.13	S.L.O.	18,645,000	15,405,000
1996 Series E-3 (Taxable)	2019-2027	7.43	S.L.O.	45,000	-
1996 Series F	2003-2028	4.35-5.65	S.L.O.	24,760,000	20,950,000
1997 Series A	2003-2028	4.80-6.15	S.L.O.	28,025,000	24,310,000
1997 Series B (remarketed 4/30/98)	2003-2028	4.20-5.50	S.L.O.	25,405,000	19,920,000
1997 Series B (remarketed 6/29/98)	2003-2028	4.20-5.40	S.L.O.	26,560,000	23,460,000

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount	
				June 30, 2002	June 30, 2003
1997 Series C	2003-2028	4.40-6.00	S.L.O.	32,265,000	25,285,000
1997 Series C-5 (Taxable)	2003-2029	6.72-7.74	S.L.O.	17,060,000	5,825,000
1997 Series D	2003-2028	4.35-5.65	S.L.O.	16,425,000	13,865,000
1997 Series D-3 (Taxable)	2006-2028	6.60	S.L.O.	2,980,000	2,395,000
1998 Series A (Taxable)	2003-2028	6.45-7.16	S.L.O.	17,735,000	9,085,000
1998 Series C (Taxable)	2003-2029	6.28-7.00	S.L.O.	16,025,000	12,465,000
1998 Series D (remarketed 10/7/98)	2003-2029	3.95-5.20	S.L.O.	27,275,000	23,545,000
1998 Series D (remarketed 12/17/98)	2003-2029	4.00-5.25	S.L.O.	15,975,000	13,550,000
1998 Series D (remarketed 4/29/99)	2003-2029	3.90-5.30	S.L.O.	41,365,000	32,070,000
1998 Series E (Taxable)	2003-2029	5.66-6.31	S.L.O.	17,680,000	16,440,000
1998 Series G	2003-2029	4.00-5.25	S.L.O.	27,210,000	22,495,000
1999 Series A	2003-2028	4.90-6.40	S.L.O.	22,580,000	17,630,000
1999 Series B	2003-2028	4.90-6.40	S.L.O.	13,715,000	10,725,000
1999 Series C (Taxable)	2003-2029	7.16	S.L.O.	4,870,000	-
1999 Series D	2003-2030	4.50-5.70	S.L.O.	35,180,000	29,310,000
1999 Series D-3 (Taxable)	2003-2030	6.70-7.76	S.L.O.	9,385,000	3,965,000
1999 Series E	2003-2028	5.20-6.64	S.L.O.	20,870,000	17,700,000
1999 Series F (Taxable)	2003-2030	8.25	S.L.O.	10,670,000	10,565,000
1999 Series G	2003-2031	4.70-6.05	S.L.O.	16,840,000	14,745,000
2000 Series B	2003-2032	4.65-5.95	S.L.O.	15,345,000	14,245,000
2000 Series C	2003-2031	5.00-6.38	S.L.O.	18,580,000	15,360,000
2000 Series C-4 (Taxable)	2003-2031	8.19	S.L.O.	5,395,000	4,485,000
2000 Series D	2003-2031	4.60-6.05	S.L.O.	42,290,000	37,345,000
2000 Series E	2003-2031	4.45-5.95	S.L.O.	28,465,000	26,480,000
2000 Series F (Taxable)	2003-2031	7.71	S.L.O.	4,935,000	-
2001 Series A	2003-2032	3.50-5.50	S.L.O.	40,630,000	36,985,000
2001 Series B (Taxable)	2003-2032	6.36	S.L.O.	4,970,000	4,390,000
2001 Series C	2003-2032	3.10-5.55	S.L.O.	46,940,000	41,975,000
2001 Series D (Taxable)	2003-2032	Variable	S.L.O.	8,000,000	7,855,000
2001 Series E	2003-2033	2.88-5.60	S.L.O.	55,545,000	50,580,000
2001 Series F (Taxable)	2003-2023	Variable	S.L.O.	10,000,000	10,000,000
2003 Series A	2004-2033	3.10-5.63	S.L.O.	40,000,000	39,885,000
2003 Series B (Taxable)	2004-2023	Variable	S.L.O.	10,000,000	10,000,000
2002 Series C	2004-2033	2.25-5.40	S.L.O.	-	49,975,000
				999,305,000	821,385,000
Plus unamortized premium thereon				106,495	106,495
				<u>\$999,411,495</u>	<u>\$821,491,495</u>
Homeowner Mortgage Revenue Notes:					
2003 Series A	2004	1.13-1.18	S.L.O.	-	<u>\$91,455,000</u>
Total Single Family Program Fund				1,021,699,874	923,850,420
Plus unamortized premium thereon				106,495	106,495
				<u>\$1,021,806,369</u>	<u>\$923,956,915</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

The following summarizes the debt activity for the Authority's proprietary funds for fiscal year 2003:

	<u>6/30/02</u>	<u>Issuance</u>	<u>Accretion</u>	<u>Retirement</u>	<u>06/30/03</u>
Housing Development Bond.....	\$ 82,300,000	-	-	(\$ 3,640,000)	\$78,660,000
Multi-Family Housing Bond.....	278,807,479	-	1,344,260	(7,590,000)	272,561,739
Fixed Rate Housing Bond.....	10,815,000	-	-	(295,000)	10,520,000
Multi-Family Program Bond.....	299,970,000	-	-	(9,380,000)	290,590,000
Housing Bond.....	47,330,000	-	-	(6,280,000)	41,050,000
Housing Finance Bond.....	15,025,000	19,055,000	-	(19,255,000)	14,825,000
Multi-Family Variable Rate Demand Bond.....	8,135,000	-	-	-	8,135,000
Multi-Family Housing Revenue Bond.....	57,355,000	-	-	(800,000)	56,555,000
Multifamily Housing Revenue Bond (Marywood).	-	15,865,000	-	-	15,865,000
Multifamily Bond (Turnberry II).....	-	5,320,000	-	-	5,320,000
Affordable Housing Program Trust Fund Bond	<u>83,085,000</u>	-	-	<u>(2,230,000)</u>	<u>80,855,000</u>
Total Mortgage Loan Program Fund.....	<u>882,822,479</u>	<u>40,240,000</u>	<u>1,344,260</u>	<u>(49,470,000)</u>	<u>874,936,739</u>
Residential Mortgage Revenue Bond.....	22,394,874	-	546	(11,385,000)	11,010,420
Homeowner Mortgage Revenue Bond.....	999,305,000	50,000,000	-	(227,920,000)	821,385,000
Homeowner Mortgage Revenue Note.....	-	91,455,000	-	-	91,455,000
Owner Occupied Revenue Bond	-	<u>104,030,000</u>	-	<u>(104,030,000)</u>	-
Total Single Family Program Fund.....	<u>1,021,699,874</u>	<u>245,485,000</u>	<u>546</u>	<u>(343,335,000)</u>	<u>923,850,420</u>
Total Proprietary Funds.....	<u>\$1,904,522,353</u>	<u>\$285,725,000</u>	<u>\$1,344,806</u>	<u>(\$392,805,000)</u>	<u>\$1,798,787,159</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 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, 2003, there were twenty-two series of such bonds or notes outstanding, with an aggregate principal amount payable of \$284,533,900.

Assets Restricted for Capital and Debt Service Reserves

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

<u>Bonds</u>	<u>Requirement</u>
Housing Development Bonds	Maximum amount of principal and interest due in any succeeding year
Fixed Rate Housing Bonds	7.5% to 13.45%, as defined for each series, of the principal amounts of bonds outstanding provided that the debt service reserve funds for the 1978 Series B Bonds (none of which are outstanding) and subsequent series of bonds cannot be less than a specified percentage (100% except for the 1979 Series A and 1979 Series B Bonds, for which the percentage is 120%) of the maximum annual debt service on such bonds for the current or any succeeding year until July 1 of the year preceding the final maturity of the bonds of such series
Affordable Housing Program Trust Fund Bonds	
Multi-Family Housing Bonds	
Multi-Family Program Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding
Multi-Family Variable Rate Demand Bonds	Three months of adjusted debt service requirements
Multi-Family Housing Revenue Bonds	

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

<u>Bonds</u>	<u>Requirement</u>
Housing Bonds	25% of the maximum annual principal and interest
Housing Finance Bonds	50% of the maximum annual principal and interest
Multifamily Housing Revenue Bonds (Marywood)	Six months of maximum annual interest
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance or related mortgage loans and (ii) the amounts on deposit to the credit of series program accounts on the program fund

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2003, these amounts, which were not less than the amounts required, are as follows:

Housing Development Bonds.....	\$8,660,515
Multi-Family Housing Bonds	47,233,262
Fixed Rate Housing Bonds	1,173,801
Multi-Family Program Bonds.....	30,339,224
Housing Bonds.....	211,298
Housing Finance Bonds.....	519,000
Multi-Family Variable Rate Demand Bonds.....	359,511
Multi-Family Housing Revenue Bonds.....	806,347
Multifamily Housing Revenue Bonds (.Marywood).....	405,465
Residential Mortgage Revenue Bonds.....	5,458,684
Homeowner Mortgage Revenue Bonds.....	<u>32,613,733</u>
	<u>\$127,780,840</u>

In addition to the above, the debt service reserve requirement of the Affordable Housing Program Trust Fund Bonds (\$8,848,236) at June 30, 2003, is satisfied through the Authority's holding of a surety bond.

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

Other Maturity Information

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

<u>Issue</u>	<u>Maturity On or after</u>	<u>Redemption Price</u>		
Housing Development Bonds:				
1993 Series A.....	July 1, 2004	102	to	100%
1999 Series A.....	Mar. 1, 2009	101	to	100
Multi-Family Housing Bonds:				
1991 Series A and C.....	July 1, 2003	101	to	100
1992 Series A.....	July 1, 2003	102	to	100
1993 Series A and C.....	July 1, 2003	102	to	100
1994 Series A and B.....	Jan. 1, 2005	102	to	100
1995 Series A.....	July 1, 2005	102	to	100
1999 Series A.....	Mar. 1, 2009	101	to	100

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

<u>Issue</u>	<u>Maturity On or after</u>	<u>Redemption Price</u>		
			to	
Fixed Rate Housing Bonds, 1984 Series A and D.....	July 1, 2003	100.5	to	100
Multi-Family Program Bonds:				
Series 1.....	Mar. 1, 2003	102	to	100
Series 3.....	Sept. 1, 2003	102	to	100
Series 5.....	Sept. 1, 2004	102	to	100
Series 7.....	Mar. 1, 2006	102	to	100
Housing Bonds, 1999 A.....	Mar. 1, 2009	101	to	100
Residential Mortgage Revenue Bonds, 1993 Series A and B	Feb. 1, 2004	102	to	100
Homeowner Mortgage Revenue Bonds:				
1994 Series A	Aug. 1, 2004	102	to	100
1994 Series B and 1995 Series A.....	Feb. 1, 2005	102	to	100
1994 Series C.....	Aug. 1, 2005	102	to	100
1995 Series B.....	May 1, 2005	102	to	100
1995 Series C	Oct. 1, 2006	102	to	100
1995 Series D.....	Aug. 1, 2005	102	to	100
1995 Series E.....	Aug. 1, 2005	102	to	100
1995 Series E.....	Jan. 1, 2007	102	to	100
1996 Series A and B.....	Feb. 1, 2006	102	to	100
1996 Series C and E.....	Aug. 1, 2006	102	to	100
1997 Series A.....	Feb. 1, 2007	102	to	100
1997 Series B remarketed April 30, 1998.....	May 1, 2008	102	to	100
1997 Series B remarketed June 29, 1998.....	July 1, 2008	102	to	100
1997 Series C.....	Aug. 1, 2007	102	to	100
1997 Series D and 1996 Series F.....	Jan. 1, 2008	102	to	100
1998 Series A.....	April 1, 2008	101	to	100
1998 Series C.....	June 1, 2008	101	to	100
1998 Series D remarketed October 7, 1998 and 1998 Series E.....	Oct. 1, 2008	101.5	to	100
1998 Series D remarketed December 17, 1998.....	Dec. 1, 2008	101.5	to	100
1998 Series D remarketed April 29, 1999.....	April 1, 2009	101.5	to	100
1998 G.....	Aug. 1, 2008	101	to	100
1999 Series A and B remarketed January 26, 2001.....	Jan. 1, 2010	101	to	100
Affordable Housing Program Trust Fund Bonds, Series 1994 A	Aug. 1, 2004	102	to	100

Debt service requirements (in \$ millions) through 2008 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

<u>Year Ending</u>	<u>Mortgage Loan Program</u>		<u>Single Family Program</u>		<u>Total</u>	
	<u>Fund</u>		<u>Fund</u>			
<u>June 30</u>	<u>Principal*</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	28.3	53.8	110.6	46.6	138.9	100.4
2005	30.2	51.9	20.8	45.6	51.0	97.5
2006	31.8	49.8	23.9	44.6	55.7	94.4
2007	39.4	47.5	25.4	43.3	64.8	90.8
2008	39.3	45.0	25.5	42.0	64.8	87.0
Five Years Ending						
June 30						
2009-2013	216.5	185.9	136.5	189.4	353.0	375.3
2014-2018	232.4	114.3	158.4	147.4	390.8	261.7
2019-2023	146.0	53.8	112.2	110.0	258.2	163.8
2024-2028	88.8	17.4	198.7	69.2	287.5	86.6
2029-2033	15.4	5.3	115.5	14.6	130.9	19.9
2034-2038	4.1	2.6	1.7	0.1	5.8	2.7
2039-2043	5.3	1.4	-	-	5.3	1.4
2044-2048	2.2	0.2	-	-	2.2	0.2

* Includes capital appreciation bonds at their final redemption values.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

Derivatives

The Authority, as of June 30, 2003 has six active swap contracts, an interest rate cap, and a forward delivery swap. Details are shown in the following table.

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Counterparty Credit Rating</u>
MVRDB*							
Series 1996A	\$5,135,000	12/98	6.41%	30 day nonfinancial CP	\$(981,850)	12/2008	A+/Aa3
Series 1996A	\$3,000,000	4/99	6.06%	30 day nonfinancial CP	\$(87,378)	12/2003	AA-/Aa3
MHRB**							
Series 2000A (Lakeshore Plaza)(1)	\$42,385,000	6/02	5.51%	Actual bond rate	\$(2,706,924)	7/2027	AAA/Aaa
HMRB***							
Series 2001 D	\$7,855,000	7/01	6.13%	1mo LIBOR +30bp	\$(1,011,724)	2/2010	AAA/Aaa
Series 2001F	\$10,000,000	1/02	6.615%	1mo LIBOR +40bp	\$(2,312,589)	8/2020	A+/Aa3
Series 2002B	\$10,000,000	5/02	6.145%	1mo LIBOR +41.5bp	\$(1,487,596)	2/2023	AAA/Aaa
INTEREST RATE CAP							
MHRB**							
Series 1997 (Camelot Development)	\$14,170,000	11/97	5.75%		\$(126,366)	12/2007	AA-/Aa3
FORWARD DELIVERY SWAP							
AHPTFB****							
Series 1994A (2)	\$24,115,000	8/04	6.50%	1mo LIBOR	\$(4,071,090)	6/2026	A/A2

- *Multi-Family Variable Rate Demand Bonds
- **Multi-Family Housing Revenue Bonds
- ***Homeowner Mortgage Revenue Bonds
- ****Affordable Housing Program Trust Fund Bonds

- (1) \$550,000 premium received 9-17-98. Par termination rights at Authority's option beginning 7/1/05.
- (2) Counterparty collateralizes negative market value.
- (3) Includes accrued interest.

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

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2003 are as shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreements, all currently active swaps had a negative fair value as of June 30, 2003. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

As of June 30, 2003, the Authority was not exposed to credit risk because of the negative fair values of the swaps. Should interest rates change and the fair values become positive, the Authority would be exposed to credit risk in the amount of the swaps fair value. Fair value is a factor only upon termination.

One swap agreement contains a collateral agreement, at 105%, as determined by a formula, with the counter-party. The remaining swaps do not have collateral agreements. Collateral is in the form of cash, U.S. government securities or Federal Agency debentures.

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

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

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

As of June 30, 2003, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

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

Variable-Rate Bonds

<u>Fiscal Year(s)</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u> <u>Swaps, Net</u>	<u>Total</u>
2004	\$2,525,000	\$910,497	\$3,425,642	\$6,861,139
2005	3,055,000	871,682	3,305,034	7,231,716
2006	3,085,000	827,494	3,167,584	7,080,078
2007	6,565,000	784,349	3,031,091	10,380,440
2008	7,550,000	705,595	2,865,856	11,121,451

Five Year(s)
Ending June 30

2013	9,145,000	2,741,306	10,935,063	22,821,369
2018	15,230,000	2,152,918	8,640,622	26,023,540
2023	15,735,000	983,018	4,473,248	21,191,266
2028	<u>11,385,000</u>	<u>277,782</u>	<u>1,333,344</u>	<u>12,996,126</u>
Total	<u>\$74,275,000</u>	<u>\$10,254,641</u>	<u>\$41,177,484</u>	<u>\$125,707,125</u>

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

NOTE G—DEPOSITS HELD IN ESCROW

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

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

NOTE H—LEASES

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

The office lease provides for annual base rent of approximately \$787,000 for the fiscal year 2003 and escalates by approximately \$27,000 annually throughout the lease period, plus estimated payments totaling \$852,610 in fiscal year 2003 for the Authority's 7.488% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

During fiscal year 2001, the Authority was assigned an interest in a sublease, which terminates on October 31, 2003, for additional office space. The cost of this space approximates \$64,600 annually.

For fiscal year 2003, total rent expense of the Authority was \$1,683,317.

NOTE I—OTHER LIABILITIES

Included in Other Liabilities at June 30, 2003 is \$10,972,110 in undisbursed Risk Sharing Loan proceeds and \$15,490,306 in undisbursed Ambac Loan proceeds.

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

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in Other Liabilities at June 30, 2003, is an estimated rebate liability of \$4,815,616.

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

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

NOTE J—RETIREMENT PLAN

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

The Authority's total payroll in fiscal year 2003 was \$10,493,305. The Authority's contributions were calculated using the base salary amount of \$10,350,367. The Authority contributed \$694,299 or 6% of the base salary amount, in fiscal year 2003. Employee contributions amounted to \$668,501 in fiscal year 2003, or 6.7 % of the base salary amount.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

NOTE K—COMMITMENTS

At June 30, 2003 unexpended bond proceeds held by the Authority in the form of cash and investments amounting to \$95,968,196 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans.

At June 30, 2003, the Authority had authorized commitments for loans and grants totaling \$24,036,226 and \$4,895,025 respectively, of the Illinois Affordable Housing Trust Fund.

Under the HOME Program, \$228.9 million and \$24.8 million for federal fiscal years 1992 through 2002 and 2003, 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, 2003, the Authority had authorized commitments for loans and grants of \$17,439,862 and \$23,924,706 respectively for the HOME Program.

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

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B and 1993 Series A and B. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2003, loans receivable under this program were approximately \$13.4 million.

NOTE L—CONTINGENCIES

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

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 57 Authority-financed projects that have refinanced, 34 of these projects have executed such amendments, and these amendments have been approved by HUD. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2003

NOTE M—CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2003, the Authority changed its fund structure for proprietary funds. Specifically, the Authority redefined the activities and programs that were reported within individual funds. The activities previously reported in the following funds were combined into the Mortgage Loan Program Fund and Single Family Program Fund. The effect of this change on fund balance as of June 30, 2002 was as follows:

	Fund Balance June 30, 2002, as previously reported	Adjustment	Fund Balance June 30, 2002, as restated
Multi-Family Housing Bonds Fund	\$ 50,016,535	(50,016,535)	—
Multi-Family Program Bonds Fund	9,976,637	(9,976,637)	—
Housing Development Bonds Fund	33,412,019	(33,412,019)	—
Fixed Rate Housing Bonds Fund	8,851,412	(8,851,412)	—
Housing Bonds Fund	348,121	(348,121)	—
Housing Finance Bonds Fund	170,016	(170,016)	—
Multi-Family Variable Rate Demand Bonds Fund	1,782,206	(1,782,206)	—
Multi-Family Housing Revenue Bonds Fund	4,891,330	(4,891,330)	—
Affordable Housing Program Trust Fund Bonds Fund	13,902,634	(13,902,634)	—
Mortgage Loan Program Fund	—	123,350,910	123,350,910
Total	<u>\$ 123,350,910</u>	<u>—</u>	<u>123,350,910</u>
Homeowner Mortgage Revenue Bonds Fund	\$ 8,902,975	(8,902,975)	—
Residential Mortgage Revenue Bonds Fund	35,767,958	(35,767,958)	—
Single Family Program Fund	—	44,670,933	44,670,933
Total	<u>\$ 44,670,933</u>	<u>—</u>	<u>44,670,933</u>

Additionally, during fiscal year 2003 the Authority adopted GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and has applied the statement disclosure requirements in the financial statements.

NOTE N—SUBSEQUENT EVENTS

On September 30, 2003, the Authority issued its Homeowner Mortgage Revenue Bonds, 2003 Series B, in the aggregate principal amount of \$50,000,000, maturing in 2004 through 2034, at initial interest rates of 1.20% to 5.15%. These bonds are special limited obligations of the Authority.

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of June 30, 2003

<u>ASSETS</u>	Multi-Family	Multi-Family	Housing	Fixed Rate		Housing	Multi-Family	Multi-Family	Multi-Family	Affordable		Total
	Housing	Program	Development	Housing	Housing	Finance	Variable Rate	Housing	Housing	Housing	Program	
	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Trust Fund	
									(Marywood)	(Turnberry)	Bonds	
Current assets:												
Cash and cash equivalents	\$ 53,683	844	88,034	62,520	298		543,089	899,336	171,707	194,406		2,013,917
Investment income receivable	1,515,941	1,027,501	399,171	29,581	778,946	21,620	9,633	5,549	15,620		56,989	3,860,551
Program loans receivable	7,751,000	8,851,000	3,771,000	281,000	334,000	200,000					3,232,000	24,420,000
Interest receivable on program loans	331,311	187,281	1,079,396	469,693	94,088	76,598	51,464	13,231	123,468		637,112	3,063,642
Due from other funds		6,873,583	3,767,348	668,189	813			13,260,994		9,663		24,580,590
Total current assets	9,651,935	16,940,209	9,104,949	1,510,983	1,208,145	298,218	604,186	14,179,110	310,795	204,069	3,926,101	57,938,700
Noncurrent assets:												
Investments - Restricted	93,318,201	50,954,348	34,223,311	8,984,926	32,485,797	1,097,783	2,088,990	6,074,928	10,197,711		12,707,597	252,133,592
Program loans receivable, net of current portion	222,689,728	242,957,625	77,595,877	9,650,970	8,646,616	14,067,955	8,085,809	9,796,400	7,397,134	5,320,000	83,274,934	689,483,048
Less allowance for estimated losses	(3,500,000)		(3,900,000)	(250,000)	(1,000,000)		(100,000)				(5,000,000)	(13,750,000)
Net program loans receivable	219,189,728	242,957,625	73,695,877	9,400,970	7,646,616	14,067,955	7,985,809	9,796,400	7,397,134	5,320,000	78,274,934	675,733,048
Unamortized bond issuance costs	6,205,229		588,310	161,018	708,091		121,773	1,172,628			1,400,731	10,357,780
Real estate held for sale (net)								29,881,739				29,881,739
Other	15,875	27,226			278,794			1,460,563			185,293	1,967,751
Total noncurrent assets	318,729,033	293,939,199	108,507,498	18,546,914	41,119,298	15,165,738	10,196,572	48,386,258	17,594,845	5,320,000	92,568,555	970,073,910
Total assets	\$ 328,380,968	310,879,408	117,612,447	20,057,897	42,327,443	15,463,956	10,800,758	62,565,368	17,905,640	5,524,069	96,494,656	1,028,012,610
<u>LIABILITIES</u>												
Current liabilities:												
Bonds and notes payable	\$ 8,635,000	10,135,000	3,820,000	320,000	1,980,000	205,000		800,000			2,395,000	28,290,000
Accrued interest payable	8,576,448	6,549,590	2,187,793	254,233	984,226	306,207	7,900	47,586	120,875	8,928	546,421	19,590,207
Accrued liabilities and other	7,007,623	2,003,600	85,079		7,483	86,723			1,897,855	194,406	203,060	11,485,829
Due to other funds	1,286,959	454,892	873,803	14,294		36,773	802,447	556,041			62,923	4,088,132
Total current liabilities	25,506,030	19,143,082	6,966,675	588,527	2,971,709	634,703	810,347	1,403,627	2,018,730	203,334	3,207,404	63,454,168
Noncurrent liabilities:												
Bonds and notes payable, net of current portion	248,037,019	280,455,000	74,718,882	10,200,000	39,070,000	14,620,000	8,135,000	55,755,000	15,865,000	5,320,000	78,460,000	830,635,901
Total liabilities	\$ 273,543,049	299,598,082	81,685,557	10,788,527	42,041,709	15,254,703	8,945,347	57,158,627	17,883,730	5,523,334	81,667,404	894,090,069
<u>NET ASSETS</u>												
Restricted for bond resolution purposes	\$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541
Total net assets	\$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541

See accompanying independent auditor's report.

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:												
Interest and other investment income	\$ 2,781,951	2,895,155	882,550	204,635	1,413,225	175,061	58,594	217,494	19,317		795,819	9,443,801
Net increase (decrease) in fair value of investments...	1,819,952	214,175		206,844			7,492	(4,632)				2,243,831
Total investment income	4,601,903	3,109,330	882,550	411,479	1,413,225	175,061	66,086	212,862	19,317		795,819	11,687,632
Interest earned on program loans	19,472,534	18,187,165	6,124,200	713,683	503,865	903,874	624,530	186,306	123,468	9,663	2,929,810	49,779,098
Federal assistance programs	153,762		4,709,160	678,431	285,299							5,826,652
Other								2,918,080				2,918,080
Total operating revenues	24,228,199	21,296,495	11,715,910	1,803,593	2,202,389	1,078,935	690,616	3,317,248	142,785	9,663	3,725,629	70,211,462
Operating expenses:												
Interest expense	19,237,178	19,951,032	4,485,345	707,204	2,085,825	1,026,548	578,170	2,622,916	120,875	8,928	6,787,131	57,611,152
Federal assistance programs	153,762		4,709,160	678,431	285,299							5,826,652
Professional fees					3,000	3,000						6,000
Financing costs	15,875	40,774	6,534		538	10,150	39,241	178,921			213,880	505,913
Provision for estimated losses on program loans receivable											1,000,000	1,000,000
Total operating expenses	19,406,815	19,991,806	9,201,039	1,385,635	2,374,662	1,039,698	617,411	2,801,837	120,875	8,928	8,001,011	64,949,717
Operating income (loss)	4,821,384	1,304,689	2,514,871	417,958	(172,273)	39,237	73,205	515,411	21,910	735	(4,275,382)	5,261,745
Other:												
Transfers in					109,886						5,200,000	5,309,886
Change in net assets	4,821,384	1,304,689	2,514,871	417,958	(62,387)	39,237	73,205	515,411	21,910	735	924,618	10,571,631
Net assets at beginning of year	50,016,535	9,976,637	33,412,019	8,851,412	348,121	170,016	1,782,206	4,891,330			13,902,634	123,350,910
Net assets at end of year	\$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541

See accompanying independent auditor's report.

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2003

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multi-Family Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:												
Cash received from interest, service fees, and principal on program loans	\$ 26,378,846	27,778,978	15,506,182	1,162,934	800,795	1,102,553	598,674	189,481			5,864,508	79,382,951
Cash payments for loaned amounts	(4,994,382)		(1,416,234)						(7,397,134)	(5,320,000)		(19,127,750)
Cash received from federal assistance programs	76,939		3,531,870	508,952	213,975							4,331,736
Cash payments for federal assistance programs	(76,939)		(3,531,870)	(508,952)	(213,975)							(4,331,736)
Interest on investments	3,801,922	2,888,491	910,718	205,213	1,624,694	174,420	58,596	129,778	3,697		785,447	10,582,976
Other	(16,395)	(40,774)	78,545		(738,847)	(1,219)		2,766,099	1,897,855	194,406	(429,677)	3,709,993
Net cash provided by (used in) operating activities	<u>25,169,991</u>	<u>30,626,695</u>	<u>15,079,211</u>	<u>1,368,147</u>	<u>1,686,642</u>	<u>1,275,754</u>	<u>657,270</u>	<u>3,085,358</u>	<u>(5,495,582)</u>	<u>(5,125,594)</u>	<u>6,220,278</u>	<u>74,548,170</u>
Cash flows from noncapital financing activities:												
Proceeds from sale of revenue bonds and notes						19,055,000			15,865,000	5,320,000		40,240,000
Principal paid on revenue bonds and notes	(7,590,000)	(9,380,000)	(3,640,000)	(295,000)	(6,280,000)	(19,255,000)		(800,000)			(2,230,000)	(49,470,000)
Interest paid on revenue bonds and notes	(17,410,913)	(20,189,918)	(4,489,823)	(773,394)	(2,109,212)	(1,045,771)	(129,197)	(789,188)			(6,679,310)	(53,616,726)
Transfers in					109,886						5,200,000	5,309,886
Other							(389,624)	(1,794,760)				(2,184,384)
Net cash provided by (used in) used in noncapital financing activities	<u>(25,000,913)</u>	<u>(29,569,918)</u>	<u>(8,129,823)</u>	<u>(1,068,394)</u>	<u>(8,279,326)</u>	<u>(1,245,771)</u>	<u>(518,821)</u>	<u>(3,383,948)</u>	<u>15,865,000</u>	<u>5,320,000</u>	<u>(3,709,310)</u>	<u>(59,721,224)</u>
Cash flows from investing activities:												
Purchase of investment securities	(100,905,746)	(28,173,918)	(60,728,022)	(21,740,774)	(16,185,444)	(96,582,884)	(3,394,011)	(17,991,819)	(10,197,711)		(11,502,318)	(367,402,647)
Proceeds from sales and maturities of investment securities	100,710,984	27,111,544	53,843,146	21,475,981	22,769,014	96,537,258	3,200,861	18,245,084			8,991,350	352,885,222
Net cash provided by (used in) investing activities	<u>(194,762)</u>	<u>(1,062,374)</u>	<u>(6,884,876)</u>	<u>(264,793)</u>	<u>6,583,570</u>	<u>(45,626)</u>	<u>(193,150)</u>	<u>253,265</u>	<u>(10,197,711)</u>		<u>(2,510,968)</u>	<u>(14,517,425)</u>
Net increase (decrease) in cash and cash equivalents	(25,684)	(5,597)	64,512	34,960	(9,114)	(15,643)	(54,701)	(45,325)	171,707	194,406		309,521
Cash and cash equivalents at beginning of year	79,367	6,441	23,522	27,560	9,412	15,643	597,790	944,661				1,704,396
Cash and cash equivalents at end of year	<u>\$ 53,683</u>	<u>844</u>	<u>88,034</u>	<u>62,520</u>	<u>298</u>	<u>543,089</u>	<u>899,336</u>	<u>171,707</u>	<u>194,406</u>			<u>2,013,917</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	\$ 4,821,384	1,304,689	2,514,871	417,958	(172,273)	39,237	73,205	515,411	21,910	735	(4,275,382)	5,261,745
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Interest expense	19,237,178	19,951,032	4,485,345	707,204	2,085,825	1,026,548	578,170	2,622,916	120,875	8,928	6,787,131	57,611,152
Depreciation and amortization								800,000				800,000
Provision for estimated losses on program loans receivable.....											1,000,000	1,000,000
Changes in assets and liabilities:												
Decrease (increase) in investment income receivable	(16,483)	(7,262)	28,168		31,336	(641)	(695)	(1,492)	(15,620)		(10,372)	6,939
Decrease (increase) in program loan and interest receivable	2,636,748	9,128,252	7,953,299	449,251	322,441	187,255	(40,857)	3,175	(7,520,602)	(5,320,000)	2,930,922	10,729,884
Increase (decrease) in due to/from other funds	(725,338)	463,561	12,449		(23,974)	20,249	54,242	178,921		(9,663)	(217,133)	(246,686)
Increase (decrease) in other liabilities	935,168		85,079		(556,713)	(12,538)		(61,316)	1,897,855	194,406		2,481,941
Decrease (increase) in other assets								(145,051)			5,112	(139,939)
Other	(1,718,666)	(213,577)		(206,266)		15,644	(6,795)	(827,206)				(2,956,866)
Total adjustments	<u>20,348,607</u>	<u>29,322,006</u>	<u>12,564,340</u>	<u>950,189</u>	<u>1,858,915</u>	<u>1,236,517</u>	<u>584,065</u>	<u>2,569,947</u>	<u>(5,517,492)</u>	<u>(5,126,329)</u>	<u>10,495,660</u>	<u>69,286,425</u>
Net cash provided by (used in) operating activities	<u>\$ 25,169,991</u>	<u>30,626,695</u>	<u>15,079,211</u>	<u>1,368,147</u>	<u>1,686,642</u>	<u>1,275,754</u>	<u>657,270</u>	<u>3,085,358</u>	<u>(5,495,582)</u>	<u>(5,125,594)</u>	<u>6,220,278</u>	<u>74,548,170</u>

See accompanying independent auditor's report.

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

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS

As of June 30, 2003

<u>ASSETS</u>	<u>Homeowner Mortgage Revenue Bonds</u>	<u>Residential Mortgage Revenue Bonds</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 5,867,060	1,045,828	6,912,888
Investment income receivable	4,514,229	362,845	4,877,074
Program loans receivable	10,046,000	1,061,000	11,107,000
Interest receivable on program loans	2,902,571	165,184	3,067,755
Due from other funds	44,981	318,117	363,098
Total current assets	23,374,841	2,952,974	26,327,815
Noncurrent assets:			
Investments - Restricted	307,961,298	16,545,947	324,507,245
Program loans receivable, net of current portion	594,829,963	27,022,066	621,852,029
Unamortized bond issuance costs	12,504,966	195,555	12,700,521
Real estate held for sale (net)	1,184,586	90,824	1,275,410
Total noncurrent assets	916,480,813	43,854,392	960,335,205
Total assets	\$ 939,855,654	46,807,366	986,663,020
 <u>LIABILITIES</u>			
Current liabilities:			
Bonds and notes payable	\$ 109,605,000	945,000	110,550,000
Accrued interest payable	19,278,419	252,120	19,530,539
Accrued liabilities and other	2,517,014	33,100	2,550,114
Due to other funds	1,762,106	44,981	1,807,087
Total current liabilities	133,162,539	1,275,201	134,437,740
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	803,341,495	10,065,420	813,406,915
Total liabilities	\$ 936,504,034	11,340,621	947,844,655
 <u>NET ASSETS</u>			
Restricted for bond resolution purposes	\$ 3,351,620	35,466,745	38,818,365
Total net assets	\$ 3,351,620	35,466,745	38,818,365

See accompanying independent auditor's report.

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

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Operating revenues:			
Interest and other investment income	\$ 10,330,099	996,830	11,326,929
Net increase in fair value of investments.....	573,919	293,821	867,740
Total investment income	10,904,018	1,290,651	12,194,669
Interest earned on program loans	41,482,591	1,849,658	43,332,249
Total operating revenues	<u>52,386,609</u>	<u>3,140,309</u>	<u>55,526,918</u>
Operating expenses:			
Interest expense	59,223,579	1,461,678	60,685,257
Salaries and benefits		10,664	10,664
Professional fees	48,000	18,000	66,000
Other general and administrative	155,297	63,591	218,888
Financing costs	478,324	22,113	500,437
Total operating expenses	<u>59,905,200</u>	<u>1,576,046</u>	<u>61,481,246</u>
Operating income (loss)	<u>(7,518,591)</u>	<u>1,564,263</u>	<u>(5,954,328)</u>
Other:			
Transfers in	1,967,418		1,967,418
Transfers out	(182)	(1,865,476)	(1,865,658)
Total other	<u>1,967,236</u>	<u>(1,865,476)</u>	<u>101,760</u>
Change in net assets	<u>(5,551,355)</u>	<u>(301,213)</u>	<u>(5,852,568)</u>
Net assets at beginning of year	<u>8,902,975</u>	<u>35,767,958</u>	<u>44,670,933</u>
Net assets at end of year	<u>\$ 3,351,620</u>	<u>35,466,745</u>	<u>38,818,365</u>

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2003

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Cash received from interest, service fees, and principal on program loans	\$ 326,935,199	14,996,369	341,931,568
Cash payments for loaned amounts	(115,180,213)		(115,180,213)
Cash payments for operating expense.....		(354,957)	(354,957)
Interest on investments	9,428,701	871,225	10,299,926
Other	(1,664,156)	43,243	(1,620,913)
Net cash provided by operating activities	219,519,531	15,555,880	235,075,411
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	245,485,000		245,485,000
Principal paid on revenue bonds and notes	(331,950,000)	(11,385,000)	(343,335,000)
Interest paid on revenue bonds and notes	(56,245,068)	(1,196,559)	(57,441,627)
Transfers in	1,967,418		1,967,418
Transfers out	(182)	(1,865,476)	(1,865,658)
Other	(1,884,976)		(1,884,976)
Net cash used in noncapital financing activities	(142,627,808)	(14,447,035)	(157,074,843)
Cash flows from investing activities:			
Purchase of investment securities	(755,800,194)	(39,146,005)	(794,946,199)
Proceeds from sales and maturities of investment securities	668,791,277	36,430,248	705,221,525
Net cash used in investing activities	(87,008,917)	(2,715,757)	(89,724,674)
Net decrease in cash and cash equivalents	(10,117,194)	(1,606,912)	(11,724,106)
Cash and cash equivalents at beginning of year	15,984,254	2,652,740	18,636,994
Cash and cash equivalents at end of year	\$ 5,867,060	1,045,828	6,912,888
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (7,518,591)	1,564,263	(5,954,328)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Interest expense	59,223,579	1,461,678	60,685,257
Changes in assets and liabilities:			
Increase in investment income receivable	(418,455)	(131,946)	(550,401)
Decrease in program loan and interest receivable	170,272,395	13,146,711	183,419,106
Increase (decrease) in due to/from other funds	681,620	(240,590)	441,030
Decrease in other liabilities	(1,619,784)		(1,619,784)
Decrease (increase) in other assets	(527,237)	43,244	(483,993)
Other	(573,996)	(287,480)	(861,476)
Total adjustments	227,038,122	13,991,617	241,029,739
Net cash provided by operating activities	\$ 219,519,531	15,555,880	235,075,411

See accompanying independent auditor's report.

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APPENDIX B

AUTHORITY INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

STATEMENT OF NET ASSETS
As of March 31, 2004
(Unaudited)

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 126,967	38,586,093	38,713,060
Funds held by State Treasurer	28,520,338		28,520,338
Investments	33,847,830	81,815,445	115,663,275
Investment income receivable		2,815,513	2,815,513
Program loans receivable	8,570,000	33,890,000	42,460,000
Interest receivable on program loans	141,940	9,471,909	9,613,849
Interfund accounts receivable (payable)	(19,622)	19,622	
Total current assets	<u>71,187,453</u>	<u>166,598,582</u>	<u>237,786,035</u>
Noncurrent assets:			
Investments - Restricted		698,147,892	698,147,892
Program loans receivable, net of current portion	287,155,211	1,194,784,558	1,481,939,769
Less allowance for estimated losses	(11,500,000)	(22,565,000)	(34,065,000)
Net program loans receivable	<u>275,655,211</u>	<u>1,172,219,558</u>	<u>1,447,874,769</u>
Unamortized bond issuance costs		20,797,085	20,797,085
Real estate held for sale (net)		31,184,823	31,184,823
Capital assets (net)		605,544	605,544
Other	353,620	10,980,943	11,334,563
Total noncurrent assets	<u>276,008,831</u>	<u>1,933,935,845</u>	<u>2,209,944,676</u>
Total assets	<u>\$ 347,196,284</u>	<u>2,100,534,427</u>	<u>2,447,730,711</u>
<u>LIABILITIES</u>			
Current liabilities:			
Bonds and notes payable	\$	224,680,000	224,680,000
Accrued interest payable		14,844,112	14,844,112
Deposits held in escrow		146,716,397	146,716,397
Accrued liabilities and other		46,271,641	46,271,641
Total current liabilities		<u>432,512,150</u>	<u>432,512,150</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion		<u>1,379,620,567</u>	<u>1,379,620,567</u>
Total liabilities	\$	<u>1,812,132,717</u>	<u>1,812,132,717</u>
<u>NET ASSETS</u>			
Invested in capital assets (net)	\$	605,544	605,544
Restricted for bond resolution purposes		178,232,018	178,232,018
Restricted for loan and grant programs	110,411,306	22,587,458	132,998,764
Unrestricted	236,784,978	86,976,690	323,761,668
Total net assets	<u>\$ 347,196,284</u>	<u>288,401,710</u>	<u>635,597,994</u>

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

STATEMENT OF ACTIVITIES
For the Nine Months Ended March 31, 2004
(Unaudited)

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) / Revenues and Changes in Net Assets		
	Expenses	Charges for Services and Interest Income	Operating Grant/Federal Revenues	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	\$ 4,771,124	1,424,032	500,000	(2,847,092)		(2,847,092)
HOME Program	5,063,192	742,919	14,469,041	10,148,768		10,148,768
Total governmental activities	<u>9,834,316</u>	<u>2,166,951</u>	<u>14,969,041</u>	<u>7,301,676</u>		<u>7,301,676</u>
Business-type activities:						
Administrative	9,048,578	4,481			(9,044,097)	(9,044,097)
Multi-Family Mortgage Loan Programs	41,460,873	51,762,738			10,301,865	10,301,865
Multi-Family Federal Assistance Programs	116,044,548		116,044,548			
Single-Family Mortgage Loan Programs	36,054,159	31,599,643			(4,454,516)	(4,454,516)
Tax Credit Authorization and Monitoring	452,928	1,541,172			1,088,244	1,088,244
Preservation	125,111	94,022			(31,089)	(31,089)
FAF Lending Program		78,185	896,679		974,864	974,864
Total business-type activities	<u>203,186,197</u>	<u>85,080,241</u>	<u>116,941,227</u>		<u>(1,164,729)</u>	<u>(1,164,729)</u>
Total Authority	<u>213,020,513</u>	<u>87,247,192</u>	<u>131,910,268</u>	<u>7,301,676</u>	<u>(1,164,729)</u>	<u>6,136,947</u>
				Real Estate Transfer Taxes		32,303,938
				Unrestricted investment income	710,891	710,891
				Transfer to State of Illinois General Revenue Fund ...	(8,804,000)	(8,804,000)
				Transfers	(5,200,000)	5,200,000
				Total general revenues and transfers	<u>18,299,938</u>	<u>5,910,891</u>
				Change in net assets	25,601,614	4,746,162
				Net assets at beginning of period.....	321,594,670	283,655,548
				Net assets at end of period.....	<u>\$ 347,196,284</u>	<u>288,401,710</u>
						<u>605,250,218</u>
						<u>635,597,994</u>

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

GOVERNMENTAL FUNDS
BALANCE SHEET
As of March 31, 2004
(Unaudited)

<u>ASSETS</u>	<u>Illinois Affordable Housing Trust Fund</u>	<u>HOME Program Fund</u>	<u>Total</u>
Current assets:			
Cash	\$ 126,967		126,967
Funds held by State Treasurer	28,320,857	199,481	28,520,338
Investments	33,847,830		33,847,830
Program loans receivable	7,260,000	1,310,000	8,570,000
Interest receivable on program loans	85,917	56,023	141,940
Due from other funds	750,000		750,000
Total current assets	70,391,571	1,565,504	71,957,075
Noncurrent assets:			
Program loans receivable, net of current portion	174,309,409	112,845,802	287,155,211
Less allowance for estimated losses	(7,500,000)	(4,000,000)	(11,500,000)
Net program loans receivable	166,809,409	108,845,802	275,655,211
Other		353,620	353,620
Total noncurrent assets	166,809,409	109,199,422	276,008,831
Total assets	\$ 237,200,980	110,764,926	347,965,906
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Deferred revenue	\$ 85,917	56,023	141,940
Due to other funds	416,002	353,620	769,622
Total current liabilities	501,919	409,643	911,562
Fund balances:			
Reserved for loans receivable	166,809,409	108,845,802	275,655,211
Unreserved	69,889,652	1,509,481	71,399,133
Total fund balances	236,699,061	110,355,283	347,054,344
Total liabilities and fund balances	\$ 237,200,980	110,764,926	
Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans			141,940
Net assets of governmental activities			\$ 347,196,284

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Nine Months Ended March 31, 2004
(Unaudited)

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Revenues:			
Real estate transfer taxes	\$ 32,303,938		32,303,938
Federal HOME funds		14,469,041	14,469,041
Interest and investment income	1,386,726	748,813	2,135,539
Private donation	500,000		500,000
Application fees	22,135		22,135
Total revenues	34,212,799	15,217,854	49,430,653
Expenditures:			
Grants	3,205,854	4,022,286	7,228,140
General and administrative	1,565,270	1,040,906	2,606,176
Total expenditures	4,771,124	5,063,192	9,834,316
Excess of revenues over expenditures	29,441,675	10,154,662	39,596,337
Other financing uses:			
Transfer to State of Illinois General Revenue Fund	(8,804,000)		(8,804,000)
Transfer out	(5,200,000)		(5,200,000)
Net change in fund balances	15,437,675	10,154,662	25,592,337
Fund balances at beginning of period	221,261,386	100,200,621	
Fund balances at end of period	\$ 236,699,061	110,355,283	
			9,277
			\$ 25,601,614

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

Changes in net assets of governmental activities

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of March 31, 2004
(Unaudited)

<u>ASSETS</u>	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Current assets:				
Cash and cash equivalents	\$ 28,899,888	7,045,663	2,640,542	38,586,093
Investments	81,815,445			81,815,445
Investment income receivable	429,084	1,367,509	1,018,920	2,815,513
Program loans receivable	480,000	25,205,000	8,205,000	33,890,000
Interest receivable on program loans	466,341	4,158,945	4,846,623	9,471,909
Due from other funds	4,906,823	22,220,283	273,136	27,400,242
Total current assets	116,997,581	59,997,400	16,984,221	193,979,202
Noncurrent assets:				
Investments - Restricted	151,840,857	218,459,662	327,847,373	698,147,892
Program loans receivable, net of current portion	43,432,824	612,025,858	539,325,876	1,194,784,558
Less allowance for estimated losses	(8,815,000)	(13,750,000)		(22,565,000)
Net program loans receivable	34,617,824	598,275,858	539,325,876	1,172,219,558
Unamortized bond issuance costs		10,211,605	10,585,480	20,797,085
Real estate held for sale (net)		29,907,035	1,277,788	31,184,823
Capital assets (net)	605,544			605,544
Other	9,128,283	1,852,660		10,980,943
Total noncurrent assets	196,192,508	858,706,820	879,036,517	1,933,935,845
Total assets	\$ 313,190,089	918,704,220	896,020,738	2,127,915,047
 <u>LIABILITIES</u>				
Current liabilities:				
Bonds and notes payable	\$	24,560,000	200,120,000	224,680,000
Accrued interest payable		9,089,457	5,754,655	14,844,112
Deposits held in escrow	146,716,397			146,716,397
Accrued liabilities and other	31,352,274	13,678,115	1,241,252	46,271,641
Due to other funds	24,951,726	2,371,494	57,400	27,380,620
Total current liabilities	203,020,397	49,699,066	207,173,307	459,892,770
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		727,540,677	652,079,890	1,379,620,567
Total liabilities	\$ 203,020,397	777,239,743	859,253,197	1,839,513,337
 <u>NET ASSETS</u>				
Invested in capital assets (net)	\$ 605,544			605,544
Restricted for bond resolution purposes		141,464,477	36,767,541	178,232,018
Restricted for loan and grant programs	22,587,458			22,587,458
Unrestricted	86,976,690			86,976,690
Total net assets	\$ 110,169,692	141,464,477	36,767,541	288,401,710

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income	\$ 944,836	7,750,138	8,337,059	17,032,033
Net decrease in fair value of investments.....	(233,945)	(1,510,379)	(124,787)	(1,869,111)
Total investment income	710,891	6,239,759	8,212,272	15,162,922
Interest earned on program loans	2,898,564	33,916,026	22,729,450	59,544,040
Federal assistance programs	112,083,648	3,960,900		116,044,548
Service fees	6,610,351			6,610,351
Development fees	423,780			423,780
HUD savings	974,864			974,864
Other	1,684,125	2,287,729		3,971,854
Total operating revenues	125,386,223	46,404,414	30,941,722	202,732,359
Operating expenses:				
Interest expense		39,489,356	34,452,194	73,941,550
Federal assistance programs	112,083,648	3,960,900		116,044,548
Salaries and benefits	8,085,366			8,085,366
Professional fees	1,398,715			1,398,715
Other general and administrative	2,508,732		79,471	2,588,203
Financing costs	273,346	612,222	242,247	1,127,815
Total operating expenses	124,349,807	44,062,478	34,773,912	203,186,197
Operating income (loss)	1,036,416	2,341,936	(3,832,190)	(453,838)
Other:				
Transfers in	664	5,200,000	1,782,030	6,982,694
Transfers out	(1,782,030)		(664)	(1,782,694)
Total other	(1,781,366)	5,200,000	1,781,366	5,200,000
Change in net assets	(744,950)	7,541,936	(2,050,824)	4,746,162
Net assets at beginning of period	110,914,642	133,922,541	38,818,365	283,655,548
Net assets at end of period	\$ 110,169,692	141,464,477	36,767,541	288,401,710

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Cash received from interest, service fees, and principal on program loans	\$ 13,104,066	249,465,988	198,152,782	460,722,836
Cash payments for loaned amounts	(17,724,627)	(141,829,434)	(91,772,167)	(251,326,228)
Cash received from federal assistance programs	112,083,648	3,960,900		116,044,548
Cash payments for federal assistance programs	(112,935,090)	(3,960,900)		(116,895,990)
Cash payments for operating expenses	(12,662,022)			(12,662,022)
Interest on investments	1,142,438	10,243,179	13,174,252	24,559,869
Other	1,104,800	8,866,350	(4,398,389)	5,572,761
Net cash provided by (used in) operating activities	<u>(15,886,787)</u>	<u>126,746,083</u>	<u>115,156,478</u>	<u>226,015,774</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes		117,420,000	191,577,523	308,997,523
Principal paid on revenue bonds and notes		(225,082,877)	(263,335,000)	(488,417,877)
Interest paid on revenue bonds and notes		(51,415,012)	(43,643,788)	(95,058,800)
Transfers in	664	155,932,392	37,136,932	193,069,988
Transfers out	(1,782,030)	(150,732,392)	(35,355,566)	(187,869,988)
Other			(1,364,971)	(1,364,971)
Net cash used in noncapital financing activities	<u>(1,781,366)</u>	<u>(153,877,889)</u>	<u>(114,984,870)</u>	<u>(270,644,125)</u>
Cash flows from investing activities:				
Purchase of investment securities	(557,421,188)	(523,817,178)	(453,028,689)	(1,534,267,055)
Proceeds from sales and maturities of investment securities	575,874,863	555,980,730	448,584,735	1,580,440,328
Developer escrow and other interest	1,445,023			1,445,023
Net cash provided by (used in) investing activities	<u>19,898,698</u>	<u>32,163,552</u>	<u>(4,443,954)</u>	<u>47,618,296</u>
Net increase (decrease) in cash and cash equivalents	2,230,545	5,031,746	(4,272,346)	2,989,945
Cash and cash equivalents at beginning of period	26,669,343	2,013,917	6,912,888	35,596,148
Cash and cash equivalents at end of period	<u>\$ 28,899,888</u>	<u>7,045,663</u>	<u>2,640,542</u>	<u>38,586,093</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,036,416	2,341,936	(3,832,190)	(453,838)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Interest expense		39,489,356	34,452,194	73,941,550
Depreciation and amortization	206,449	600,000		806,449
Changes in assets and liabilities:				
Decrease (increase) in investment income receivable	(52,311)	2,493,042	3,858,154	6,298,885
Decrease (increase) in program loan and interest receivable	(13,313,588)	75,576,888	83,649,285	145,912,585
Increase (decrease) in due to/from other funds	2,388,005	643,669	(1,659,725)	1,371,949
Increase (decrease) in other liabilities	(487,601)	2,192,286	(1,308,862)	395,823
Decrease (increase) in other assets	(766,360)	89,795	(2,378)	(678,943)
Other	(4,897,797)	3,319,111		(1,578,686)
Total adjustments	<u>(16,923,203)</u>	<u>124,404,147</u>	<u>118,988,668</u>	<u>226,469,612</u>
Net cash provided by (used in) operating activities	<u>\$ (15,886,787)</u>	<u>126,746,083</u>	<u>115,156,478</u>	<u>226,015,774</u>

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS

As of March 31, 2004
(Unaudited)

	Multi-Family		Housing	Housing	Multi-Family	Multi-Family	Multi-Family	Multifamily	Affordable	Total
	Housing	Program					Housing		Finance	
<u>ASSETS</u>	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	(Marywood)	(Turnberry)	Bonds	
Current assets:										
Cash and cash equivalents	\$ 80,012	5,566	4,982,244		654,038	888,854	170,708	147,064	117,177	7,045,663
Investment income receivable	810,340	190,644	24,828	3,962	3,006	12,042	6,266		316,421	1,367,509
Program loans receivable	7,860,000	9,110,000	4,630,000	215,000					3,390,000	25,205,000
Interest receivable on program loans	278,663	114,462	2,166,640	70,160	47,722	11,983	737,181	22,922	709,212	4,158,945
Due from other funds	1,356,450	5,013,200	2,579,976			13,260,994		9,663		22,220,283
Total current assets	10,385,465	14,433,872	14,383,688	289,122	704,766	14,173,873	914,155	179,649	4,532,810	59,997,400
Noncurrent assets:										
Investments - Restricted	94,356,129	39,828,004	49,774,049	824,969	2,092,074	6,158,448	7,313,762		18,112,227	218,459,662
Program loans receivable, net of current portion ..	162,435,246	183,528,680	138,439,315	13,905,374	8,076,270	9,796,400	9,721,533	5,320,000	80,803,040	612,025,858
Less allowance for estimated losses	(3,500,000)		(5,150,000)		(100,000)				(5,000,000)	(13,750,000)
Net program loans receivable	158,935,246	183,528,680	133,289,315	13,905,374	7,976,270	9,796,400	9,721,533	5,320,000	75,803,040	598,275,858
Unamortized bond issuance costs	5,414,124		2,433,112		121,773	1,159,809			1,082,787	10,211,605
Real estate held for sale (net)						29,907,035				29,907,035
Other			139,399			1,665,771			47,490	1,852,660
Total noncurrent assets	258,705,499	223,356,684	185,635,875	14,730,343	10,190,117	48,687,463	17,035,295	5,320,000	95,045,544	858,706,820
Total assets	\$269,090,964	237,790,556	200,019,563	15,019,465	10,894,883	62,861,336	17,949,450	5,499,649	99,578,354	918,704,220
<u>LIABILITIES</u>										
Current liabilities:										
Bonds and notes payable	\$ 9,385,000	9,725,000	2,030,000	220,000		800,000			2,400,000	24,560,000
Accrued interest payable	3,485,363	1,236,397	1,478,330	75,586		572,833	67,153	20,603	2,153,192	9,089,457
Accrued liabilities and other	6,969,028	2,003,600	2,388,231	86,723			1,897,855	129,618	203,060	13,678,115
Due to other funds	146,351	443,147	191,678	2,240	838,857	682,086			67,135	2,371,494
Total current liabilities	19,985,742	13,408,144	6,088,239	384,549	838,857	2,054,919	1,965,008	150,221	4,823,387	49,699,066
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	189,995,677	212,220,000	149,485,000	14,400,000	8,135,000	54,955,000	15,865,000	5,320,000	77,165,000	727,540,677
Total liabilities	\$209,981,419	225,628,144	155,573,239	14,784,549	8,973,857	57,009,919	17,830,008	5,470,221	81,988,387	777,239,743
<u>NET ASSETS</u>										
Restricted for bond resolution purposes	\$ 59,109,545	12,162,412	44,446,324	234,916	1,921,026	5,851,417	119,442	29,428	17,589,967	141,464,477
Total net assets	\$ 59,109,545	12,162,412	44,446,324	234,916	1,921,026	5,851,417	119,442	29,428	17,589,967	141,464,477

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Account Eliminations	Total
Operating revenues:													
Interest and other investment income	\$ 2,497,788	2,509,765	447,992	420,157	938,627	45,091	37,590	71,329	87,933	219	693,647		7,750,138
Net decrease in fair value of investments.....	(587,597)	(408,763)		(479,890)			(14,193)	(19,936)					(1,510,379)
Total investment income (loss)	1,910,191	2,101,002	447,992	(59,733)	938,627	45,091	23,397	51,393	87,933	219	693,647		6,239,759
Interest earned on program loans	12,454,434	11,223,634	2,430,491	398,289	3,129,001	669,979	448,700	106,442	613,974	213,902	2,227,180		33,916,026
Federal assistance programs	115,125		2,138,970	282,325	1,424,480								3,960,900
Other								2,287,729					2,287,729
Total operating revenues	14,479,750	13,324,636	5,017,453	620,881	5,492,108	715,070	472,097	2,445,564	701,907	214,121	2,920,827		46,404,414
Operating expenses:													
Interest expense	11,704,070	12,554,938	3,307,492	447,385	2,547,960	685,176	374,447	1,874,843	604,375	185,428	5,203,242		39,489,356
Federal assistance programs	115,125		2,138,970	282,325	1,424,480								3,960,900
Financing costs	46,526	47,432	35,939		165,144	4,231	32,035	126,045			154,870		612,222
Total operating expenses	11,865,721	12,602,370	5,482,401	729,710	4,137,584	689,407	406,482	2,000,888	604,375	185,428	5,358,112		44,062,478
Operating income (loss)	2,614,029	722,266	(464,948)	(108,829)	1,354,524	25,663	65,615	444,676	97,532	28,693	(2,437,285)		2,341,936
Other:													
Transfers in	9,176,593	158,820	42,962,540	1,665,210	96,769,229						5,200,000	(150,732,392)	5,200,000
Transfers out	(7,518,996)		(78,424,482)	(10,825,751)	(53,963,163)							150,732,392	
Total other	1,657,597	158,820	(35,461,942)	(9,160,541)	42,806,066						5,200,000		5,200,000
Change in net assets	4,271,626	881,086	(35,926,890)	(9,269,370)	44,160,590	25,663	65,615	444,676	97,532	28,693	2,762,715		7,541,936
Net assets at beginning of period	54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252		133,922,541
Net assets at end of period	\$ 59,109,545	12,162,412	0	0	44,446,324	234,916	1,921,026	5,851,417	119,442	29,428	17,589,967		141,464,477

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

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multi-Family Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:												
Cash received from interest, service fees, and principal on program loans	\$ 70,419,926	70,444,831	85,001,601	10,758,345	6,834,644	785,234	466,356	107,690	261	190,980	4,456,120	249,465,988
Cash payments for loaned amounts					(139,505,035)				(2,324,399)			(141,829,434)
Cash received from federal assistance programs	115,125		2,138,970	282,325	1,424,480							3,960,900
Cash payments for federal assistance programs	(115,125)		(2,138,970)	(282,325)	(1,424,480)							(3,960,900)
Interest on investments	3,203,388	3,346,622	847,163	449,738	1,692,745	62,749	44,217	64,836	97,287	219	434,215	10,243,179
Other	2,983,399	2,338,249	(724,581)	594,377	1,954,977			1,784,717		(64,788)		8,866,350
Net cash provided by (used in) operating activities	<u>76,606,713</u>	<u>76,129,702</u>	<u>85,124,183</u>	<u>11,802,460</u>	<u>(129,022,669)</u>	<u>847,983</u>	<u>510,573</u>	<u>1,957,243</u>	<u>(2,226,851)</u>	<u>126,411</u>	<u>4,890,335</u>	<u>126,746,083</u>
Cash flows from noncapital financing activities:												
Proceeds from sale of revenue bonds and notes					117,420,000							117,420,000
Principal paid on revenue bonds and notes	(58,007,877)	(68,645,000)	(78,660,000)	(10,520,000)	(6,955,000)	(205,000)		(800,000)			(1,290,000)	(225,082,877)
Interest paid on revenue bonds and notes	(18,604,580)	(18,356,381)	(5,313,586)	(689,475)	(1,978,199)	(915,797)	(382,347)	(1,064,269)	(658,097)	(173,753)	(3,278,528)	(51,415,012)
Transfers in	9,176,593	158,820	42,962,540	1,665,210	96,769,229						5,200,000	155,932,392
Transfers out	(7,518,996)		(78,424,482)	(10,825,751)	(53,963,163)							(150,732,392)
Net cash provided by (used in) noncapital financing activities	<u>(74,954,860)</u>	<u>(86,842,561)</u>	<u>(119,435,528)</u>	<u>(20,370,016)</u>	<u>151,292,867</u>	<u>(1,120,797)</u>	<u>(382,347)</u>	<u>(1,864,269)</u>	<u>(658,097)</u>	<u>(173,753)</u>	<u>631,472</u>	<u>(153,877,889)</u>
Cash flows from investing activities:												
Purchase of investment securities	(135,028,064)	(95,500,666)	(68,110,233)	(22,315,883)	(178,915,132)	(984,833)	(17,277)	(9,678,345)	(3,500,134)	(53,890)	(9,712,718)	(523,817,175)
Proceeds from sales and maturities of investment securities	133,402,543	106,218,247	102,333,544	30,820,919	161,626,880	1,257,647		9,574,889	6,384,083	53,890	4,308,088	555,980,730
Net cash provided by (used in) investing activities	<u>(1,625,521)</u>	<u>10,717,581</u>	<u>34,223,311</u>	<u>8,505,036</u>	<u>(17,288,252)</u>	<u>272,814</u>	<u>(17,277)</u>	<u>(103,456)</u>	<u>2,883,949</u>		<u>(5,404,630)</u>	<u>32,163,555</u>
Net increase (decrease) in cash and cash equivalents	26,329	4,722	(88,034)	(62,520)	4,981,946	0	110,949	(10,482)	(999)	(47,342)	117,177	5,031,746
Cash and cash equivalents at beginning of period	53,683	844	88,034	62,520	298		543,089	899,336	171,707	194,406		2,013,917
Cash and cash equivalents at end of period	<u>\$ 80,012</u>	<u>5,566</u>	<u>0</u>	<u>0</u>	<u>4,982,244</u>	<u>0</u>	<u>654,038</u>	<u>888,854</u>	<u>170,708</u>	<u>147,064</u>	<u>117,177</u>	<u>7,045,663</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	\$ 2,614,029	722,266	(464,948)	(108,829)	1,354,524	25,663	65,615	444,676	97,532	28,693	(2,437,285)	2,341,936
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Interest expense	11,704,070	12,554,938	3,307,492	447,385	2,547,960	685,176	374,447	1,874,843	604,375	185,428	5,203,242	39,489,356
Depreciation and amortization								600,000				600,000
Provision for estimated losses on program loans receivable			3,900,000	250,000	(4,150,000)							
Changes in assets and liabilities:												
Decrease (increase) in investment income receivable	705,601	836,857	399,171	29,581	754,118	17,658	6,627	(6,493)	9,354		(259,432)	2,493,042
Decrease (increase) in program loan and interest receivable	60,198,130	59,242,764	82,446,273	10,401,663	(136,161,251)	154,019	13,281	1,248	(2,938,112)	(22,922)	2,241,795	75,576,888
Increase (decrease) in due to/from other funds	(2,497,058)	1,848,638	2,893,545	653,895	(2,387,485)	(34,533)	36,410	126,045			4,212	643,669
Increase (decrease) in other liabilities	(38,595)		(85,079)		2,380,748					(64,788)		2,192,286
Decrease (increase) in other assets	15,875	27,226			139,395			(230,504)			137,803	89,795
Other	3,904,661	897,013	(7,272,271)	128,765	6,499,322		14,193	(852,572)				3,319,111
Total adjustments	<u>73,992,684</u>	<u>75,407,436</u>	<u>85,589,131</u>	<u>11,911,289</u>	<u>(130,377,193)</u>	<u>822,320</u>	<u>444,958</u>	<u>1,512,567</u>	<u>(2,324,383)</u>	<u>97,718</u>	<u>7,327,620</u>	<u>124,404,147</u>
Net cash provided by (used in) operating activities	<u>\$ 76,606,713</u>	<u>76,129,702</u>	<u>85,124,183</u>	<u>11,802,460</u>	<u>(129,022,669)</u>	<u>847,983</u>	<u>510,573</u>	<u>1,957,243</u>	<u>(2,226,851)</u>	<u>126,411</u>	<u>4,890,335</u>	<u>126,746,083</u>

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

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of March 31, 2004
(Unaudited)

<u>ASSETS</u>	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Current assets:			
Cash and cash equivalents	\$ 2,632,502	8,040	2,640,542
Investment income receivable	1,015,531	3,389	1,018,920
Program loans receivable	8,205,000		8,205,000
Interest receivable on program loans	4,846,623		4,846,623
Due from other funds		273,136	273,136
Total current assets	<u>16,699,656</u>	<u>284,565</u>	<u>16,984,221</u>
Noncurrent assets:			
Investments - Restricted	327,399,904	447,469	327,847,373
Program loans receivable, net of current portion	539,325,876		539,325,876
Unamortized bond issuance costs	10,582,495	2,985	10,585,480
Real estate held for sale (net)	1,277,788		1,277,788
Total noncurrent assets	<u>878,586,063</u>	<u>450,454</u>	<u>879,036,517</u>
Total assets	<u>\$ 895,285,719</u>	<u>735,019</u>	<u>896,020,738</u>
<u>LIABILITIES</u>			
Current liabilities:			
Bonds and notes payable	\$ 200,120,000		200,120,000
Accrued interest payable	5,750,609	4,046	5,754,655
Accrued liabilities and other	1,208,152	33,100	1,241,252
Due to other funds	51,296	6,104	57,400
Total current liabilities	<u>207,130,057</u>	<u>43,250</u>	<u>207,173,307</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	651,774,018	305,872	652,079,890
Total liabilities	<u>\$ 858,904,075</u>	<u>349,122</u>	<u>859,253,197</u>
<u>NET ASSETS</u>			
Restricted for bond resolution purposes	\$ 36,381,644	385,897	36,767,541
Total net assets	<u>\$ 36,381,644</u>	<u>385,897</u>	<u>36,767,541</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 NET ASSETS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Inter-Account Eliminations	Total
Operating revenues:				
Interest and other investment income	\$ 8,317,368	19,691		8,337,059
Net decrease in fair value of investments.....	(124,787)			(124,787)
Total investment income	8,192,581	19,691		8,212,272
Interest earned on program loans	22,106,544	622,906		22,729,450
Total operating revenues	<u>30,299,125</u>	<u>642,597</u>		<u>30,941,722</u>
Operating expenses:				
Interest expense	34,090,419	361,775		34,452,194
Other general and administrative	73,480	5,991		79,471
Financing costs	242,134	113		242,247
Total operating expenses	<u>34,406,033</u>	<u>367,879</u>		<u>34,773,912</u>
Operating income (loss)	(4,106,908)	274,718		(3,832,190)
Other:				
Transfers in	37,136,932		(35,354,902)	1,782,030
Transfers out		(35,355,566)	35,354,902	(664)
Total other	<u>37,136,932</u>	<u>(35,355,566)</u>		<u>1,781,366</u>
Change in net assets	33,030,024	(35,080,848)		(2,050,824)
Net assets at beginning of period	3,351,620	35,466,745		38,818,365
Net assets at end of period.....	<u>\$ 36,381,644</u>	<u>385,897</u>		<u>36,767,541</u>

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

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Nine Months Ended March 31, 2004
(Unaudited)

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Cash received from interest, service fees, and principal on program loans	\$ 169,279,746	28,873,036	198,152,782
Cash payments for loaned amounts	(91,772,167)		(91,772,167)
Interest on investments	11,816,066	1,358,186	13,174,252
Other	(3,508,294)	(890,095)	(4,398,389)
Net cash provided by operating activities	85,815,351	29,341,127	115,156,478
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	191,577,523		191,577,523
Principal paid on revenue bonds and notes	(252,630,000)	(10,705,000)	(263,335,000)
Interest paid on revenue bonds and notes	(43,226,961)	(416,827)	(43,643,788)
Transfers in	37,136,932		37,136,932
Transfers out		(35,355,566)	(35,355,566)
Other	(2,344,010)	979,039	(1,364,971)
Net cash used in noncapital financing activities	(69,486,516)	(45,498,354)	(114,984,870)
Cash flows from investing activities:			
Purchase of investment securities	(432,395,196)	(20,633,493)	(453,028,689)
Proceeds from sales and maturities of investment securities	412,831,803	35,752,932	448,584,735
Net cash provided by (used in) investing activities	(19,563,393)	15,119,439	(4,443,954)
Net decrease in cash and cash equivalents	(3,234,558)	(1,037,788)	(4,272,346)
Cash and cash equivalents at beginning of period	5,867,060	1,045,828	6,912,888
Cash and cash equivalents at end of period	\$ 2,632,502	8,040	2,640,542
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (4,106,908)	274,718	(3,832,190)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Interest expense	34,090,419	361,775	34,452,194
Changes in assets and liabilities:			
Decrease in investment income receivable	3,498,698	359,456	3,858,154
Decrease in program loan and interest receivable	55,401,035	28,248,250	83,649,285
Increase (decrease) in due to/from other funds	(1,665,829)	6,104	(1,659,725)
Decrease in other liabilities	(1,308,862)		(1,308,862)
Decrease (increase) in other assets	(93,202)	90,824	(2,378)
Total adjustments	89,922,259	29,066,409	118,988,668
Net cash provided by operating activities	\$ 85,815,351	29,341,127	115,156,478

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
DEBT ACTIVITY
For the Nine Months Ended March 31, 2004
(Unaudited)

The following summarizes the debt activity for the Authority's proprietary funds for nine months ended March 31, 2004.

Funds	06/30/03	Issuance	Accretion	Retirement	03/31/04
Housing Development Bond	\$78,660,000			(78,660,000)	\$0
Multi-Family Housing Bond	272,561,739		533,486	(58,007,877)	215,087,348
Fixed Rate Housing Bond	10,520,000			(10,520,000)	0
Multi-Family Program Bond	290,590,000			(68,645,000)	221,945,000
Housing Bond	41,050,000	117,420,000		(6,955,000)	151,515,000
Housing Finance Bond	14,825,000			(205,000)	14,620,000
Multi-Family Variable Rate Demand Bond	8,135,000				8,135,000
Multi-Family Housing Revenue Bond	56,555,000			(800,000)	55,755,000
Multi-Family Housing Revenue Bond (Marywood)	15,865,000				15,865,000
Multifamily Bond (Turnberry II)	5,320,000				5,320,000
Affordable Housing Program Trust Fund Bond	80,855,000			(1,290,000)	79,565,000
Total Mortgage Loan Program Funds	<u>874,936,739</u>	<u>117,420,000</u>	<u>533,486</u>	<u>(225,082,877)</u>	<u>767,807,348</u>
Residential Mortgage Revenue Bond	11,010,420		452	(10,705,000)	305,872
Homeowner Mortgage Revenue Bond	821,385,000	100,000,000		(252,630,000)	668,755,000
Homeowner Mortgage Revenue Note	91,455,000	91,290,000			182,745,000
Total Single Family Program Funds	<u>923,850,420</u>	<u>191,290,000</u>	<u>452</u>	<u>(263,335,000)</u>	<u>851,805,872</u>
Total Proprietary Funds	<u>\$1,798,787,159</u>	<u>\$308,710,000</u>	<u>\$533,938</u>	<u>(\$488,417,877)</u>	<u>\$1,619,613,220</u>
Less unamortized discount thereon	15,904,343		(591,690)		15,312,653
Net Bonds Outstanding	<u>\$1,782,882,816</u>				<u>\$1,604,300,567</u>

APPENDIX C

[PROPOSED FORM OF OPINION OF FOLEY & LARDNER LLP]
[TO BE DATED THE CLOSING DATE]

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

LaSalle Bank National Association, as Trustee
135 South LaSalle Street, Suite 1960
Chicago, Illinois 60603

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Illinois Housing Development Authority (the “Authority”) of its \$34,480,000 aggregate principal amount Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A (the “Bonds”). The Bonds are being issued for the purpose of refunding a portion of the Authority’s outstanding principal amount of Affordable Housing Program Trust Fund Bonds, Series 1995A (the “Refunded Bonds”) and paying costs of issuance relating to the Bonds and the redemption and refunding of the Refunded Bonds.

In our capacity as Bond Counsel, we have examined a certified record of proceedings of the Authority, together with various accompanying certificates, pertaining to the issuance by the Authority of the Bonds. The record of proceedings includes the Authority’s Affordable Housing Program Trust Fund Bond General Resolution, adopted by the members of the Authority on May 20, 1994, as amended and restated on July 15, 1994 (the “General Resolution”), and a Series Resolution for the Bonds adopted by members of the Authority on May 21, 2004, and a Determination dated August 25, 2004 (the “Series Resolution” and, together with the General Resolution, the “Resolution”). As to questions of fact material to our opinion, we have relied upon the aforementioned record of proceedings of the Authority and other certifications of officials of the Authority and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a legally existing body politic and corporate of the State of Illinois, and has the right and power under the Illinois Housing Development Act, as amended (the “Act”), to adopt the Resolution, issue the Bonds and perform its obligations thereunder. 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.

2. The Bonds have been duly and validly authorized and issued in accordance with law and the Resolution, and constitute valid and legally binding direct limited obligations of the Authority as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and the Act.

3. The Bonds, together with all bonds previously issued or hereafter issued on a parity therewith under the General Resolution, are secured by a valid pledge of mortgages (the “Mortgages”) securing the mortgage loans (the “Mortgage Loans”) that have been made or are subsequently made by the Authority and which are or will be financed by the issuance of bonds under the Resolution. The Bonds are also secured by a valid pledge of the Revenues and Trust Fund Moneys (each as defined in the Resolution) and certain other receipts of the Authority derived from low and very low income residential rental apartment developments with respect to which the Mortgage Loans have been made or are subsequently made and of the moneys and securities in funds established by the Resolution (including the Debt Service Reserve Fund and the Real Estate Transfer Tax Fund), all as to the extent provided in the Resolution. Under certain circumstances set forth in the Resolution, the Authority has agreed to provide additional limited security for the Bonds as described in the Resolution. Section 26.1 of the Act does not apply to the Bonds. 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.

4. The Bonds will not be treated as obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, which excludes from federal gross income the interest on obligations of a state or political subdivision thereof. **THE OWNERS OF THE BONDS SHOULD TREAT THE INTEREST ON THE BONDS AS SUBJECT TO FEDERAL INCOME TAXATION.**

5. 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 subdivision, except for estate, transfer and inheritance taxes.

The binding effect and enforceability of the Bonds and the Resolution are subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally and (ii) the effect of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or law). Furthermore, we express no opinion as to the availability of any particular remedy.

We have examined an executed Series 2005A Bond and, in our opinion, the form of that Bond and its execution are regular and proper.

Very truly yours,

APPENDIX D

DEVELOPMENTS FINANCED UNDER THE BOND PROGRAM

Developments Originally Financed with Proceeds of the Series 1994A Bonds †

TFB#	Development	Location	Owner	Manager	Occupancy as of May 31, 2004	Total Units	Very Low Income Units	Low Income Units	Mortgage Loan Balance as of July 31, 2004	Earliest Voluntary Prepayment Date
001	533 W. Barry	Chicago	Revere Corporation	Revere Corporation	81.5%	162	17	25	\$ 5,885,748	May 6, 2011
002	Southgate (King Essex)	Chicago	Investment Management Corporation	IMC Property Management, LLC	67.5	83	10	73	3,581,411	May 30, 2011
007	Northlake Farms Apartments	Gurnee	Gurnee Housing Associates, LP	Buckingham Management, LLC	100.0	222	23	183	7,937,246	June 7, 2011
008	Briarwood	DeKalb	Briarwood Apartments, LP	Briarwood Apartments, LP	91.7	48	5	43	1,192,887	April 26, 2011
009	Hickory Point	Decatur	Steve Horve Builders	Steve Horve Builders	100.0	80	8	72	1,992,033	December 8, 2010
010	Garden Glen	Mt. Vernon	The Yarco Company	The Yarco Company	90.7	150	15	135	4,582,962	September 29, 2012
011	Forest Glen	Rockford	Spring Creek Ltd Partnership	Oakbrook Corporation	89.3	140	14	42	7,006,893	July 29, 2012
013	Park Apts	Chicago	Brinshore Development LLC	Metroplex, Inc.	86.7	120	83	37	3,339,967	September 23, 2011
014	Eden's Garden	DeKalb	Eden's Garden Ltd Partnership	Eden's Garden Partners, LP	93.4	122	13	79	4,687,238	June 2, 2012
018	Countrywood	Naperville	Countrywood Assoc., LP and Century Development	Professional Property Management Group	90.0	180	18	162	4,508,201	December 30, 2011
TOTAL:									44,714,587	

† The Series 1994A Bonds were refunded by proceeds of the Series 2004 Bonds.

Developments Originally Financed with Proceeds of the Series 1995A Bonds

<u>TFB#</u>	<u>Development</u>	<u>Location</u>	<u>Owner</u>	<u>Manager</u>	<u>Occupancy as of May 31, 2004</u>	<u>Total Units</u>	<u>Very Low Income Units</u>	<u>Low Income Units</u>	<u>Mortgage Loan Balance as of July 31, 2004</u>	<u>Earliest Voluntary Prepayment Date</u>
016	Anchor House	Chicago	Woodlawn Community Development Corp.	Woodlawn Community Development Corp.	99.1%	115	115	0	\$ 3,546,644	December 22, 2013
026	Jade Garden	Chicago	Jade Garden Ltd Partnership	The Habitat Company	91.7	72	8	64	3,752,157	March 28, 2012
027	Fairview Ridge	Normal	Centrum-Normal LDHA, LP	Centrum Management, LLC	72.1	136	24	112	3,836,885	August 25, 2012
032	Bradford Woods	Peoria	Peoria Housing Associates, LP and Buckingham-Peoria, LLC	Buckingham Management, LLC	93.3	180	39	123	5,650,514	February 11, 2013
043	Fox Pointe	Aurora	New Directions Housing Corp	Mid America Management	85.1	248	25	223	8,113,767	April 2, 2013
050	Drexel Terrace / Woodlawn †	Chicago	Woodlawn Preservation and Investment Corp	The Habitat Company	90.7	86	9	77	3,025,351	May 12, 2013
052	Westwood	Chicago	62nd Street Phase II, LLP	IMC Property Management, LLC	57.1	42	42	0	2,110,022	May 12, 2013
056	Chatham Court	Rockford	Capital Associates, Ltd.	Affiliated Capital Corporation	84.2	120	12	108	3,903,659	March 20, 2013
074	Grand Apts	Chicago	Grand Apartments Ltd Partnership	Prairie Management Corporation	72.2	36	34	2	1,331,164	November 27, 2011
075	Magnolia	Chicago	Related Management Company	Related Management Company	95.1	102	51	51	1,661,078	March 14, 2012
077	South Park	Chicago	Brinshore Development Co.	Metroplex, Inc.	93.5	46	22	24	1,477,637	January 26, 2013
TOTAL:									38,408,878	

† The Authority has initiated foreclosure proceedings against this Development.

APPENDIX E

DESCRIPTION OF THE SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM AND THE HAP CONTRACTS

Some of the Financed Developments (the “Section 8 Developments”) are the subject of housing assistance payments on behalf of eligible tenants under the Section 8 Housing Assistance Program for new construction and substantial or moderate rehabilitation (the “Section 8 Program”). The Anchor House Development is currently the only Development that receives Section 8 housing assistance payments for moderate rehabilitation. The following is a summary of such programs; it does not purport to be comprehensive or definitive, and it is qualified in its entirety by the statutes, regulations and agreements referred to in this summary.

Section 8 of the United States Housing Act of 1937, as amended (the “1937 Housing Act”), provides for the payment by the United States Department of Housing and Urban Development (“HUD”) of a federal rental subsidy for the benefit of low income families (defined generally as families whose income does not exceed 80 percent of the median income for the area as determined by HUD) and very-low income families (defined generally as families whose income does not exceed 50 percent of the median income for the area as determined by HUD). Subsidy payments are made to or for the account of the owner of dwelling units occupied by low income and very-low income families. Provision is made under the 1937 Housing Act and HUD regulations thereunder for administration of the Section 8 Programs through state housing finance agencies, including the Authority. Under this arrangement, the state housing finance agency agrees to pay the subsidy to or for the account of the owner and concurrently contracts with HUD for payment of the subsidy by HUD to the state housing finance agency. With respect to the new construction or substantial rehabilitation program, the regulations permit the state agency to exercise a high degree of program responsibility for developments without federal mortgage insurance, such as selection of the developer, approval of design and construction quality, site selection, and determination of economic feasibility and marketability, subject to audit and review by HUD to assure compliance with federal requirements and objectives.

Eligible Tenants. An eligible tenant for a Section 8-assigned unit is a family or an individual whose income, determined in accordance with HUD schedules and criteria, does not exceed the income limits prescribed by HUD for the area in which the development is located. Under existing HUD regulations, the income limit is generally fifty percent (50%) of the area’s median income, with further adjustment for the size of the tenant’s family and regional economic conditions; although tenants in up to twenty five percent (25%) of units (fifteen (15%) for developments with HAP contracts dated after October 1, 1981) may have incomes up to eighty percent (80%) of the area’s medium income, as adjusted by HUD. Recent legislation also requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Subsidy Contracts. Under the Section 8 Programs, three principal contracts are executed. The Authority enters into an Agreement to Enter Into Housing Assistance Payments Contract (“AHAP”) with the developer or owner of the development to be constructed or rehabilitated.

The AHAP is approved by HUD, except that HUD approval is not required under the Section 8 Program for moderate rehabilitation. Subject to certain conditions, the AHAP commits the owner and HUD to enter into a HAP Contract upon completion and acceptance of the development, providing for payment by the state housing finance agency of housing assistance payments to or for the account of the owner. At the same time that the AHAP is executed, or prior to the execution of the AHAP for the moderate rehabilitation program, the state housing finance agency and HUD execute an ACC which provides for the payment to the Authority by HUD of the subsidy which the Authority is to pay to or for the account of the owner under the proposed HAP Contract. ACCs under the moderate rehabilitation program do not relate to a specific development. The HAP Contract must be submitted to HUD for approval and its effective date may not precede submission to HUD of certification as to completion of the development, except that HUD approval of the HAP Contract is not required under the moderate rehabilitation program. The HAP Contract may be executed with respect to separate stages of a development completed at different times.

Certain Terms of the Subsidy Contracts. A development financed by bonds or notes of the Authority during its construction is not eligible to receive Section 8 subsidy payments with respect to eligible dwelling units until a certification of completion has been furnished. The HAP Contracts provide for the payment of the Section 8 subsidy for a period of not more than 40 years or, in the case of most developments that are the subject of more recently executed HAP Contracts, 30 years and as short a period as 20 years from the date of the initial HAP Contract with respect to the applicable portion of the development. In the case of the Section 8 Program for moderate rehabilitation, the HAP Contracts provide for the payment of the Section 8 subsidy for a period of not more than 15 years from the date of the initial HAP Contracts.

Initial Amount of Subsidy. In connection with any Section 8 Developments, Section 8 subsidies are based upon the Contract Rents applicable to subsidized dwelling units.

The amount of the subsidy payable to the account of the owner under a HAP Contract is the applicable Contract Rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30 percent of family income. Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the Contract Rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD to the owner in the form of housing assistance payments. The proportion of the Contract Rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

Limitations on Subsidy-Vacancies. Generally, the Section 8 subsidy is payable with respect to the assisted dwelling unit only when it is occupied by a low income or very-low income family. However, the law and the regulations provide for the payment of the subsidy under certain limited circumstances when the dwelling is not occupied.

A subsidy amounting to 80% of the Contract Rent is payable for a vacancy period of sixty days (a) during the rent-up period following completion of the development or a stage of the development, and (b) upon occurrence of a vacancy in an assisted dwelling unit after it is initially rented, subject in each case to compliance by the owner with certain conditions relating primarily to a diligent effort to rent the subsidized unit. Such payments may continue for an

additional 12-month period in an amount equal to the debt service attributable to the unit contingent upon, among other things, the additional conditions that the unit is in decent, safe and sanitary condition during the vacancy period, that the owner has taken and continues to take all feasible action to fill the vacancy, that the development is not providing the owner thereof with revenues at least equal to the costs incurred by such owner, that the amount of the payments requested is not in excess of that portion of the deficiency which is attributable to the vacant unit for the period of the vacancy and that there is a reasonable prospect that the development can achieve financial soundness within a reasonable time.

Adjustments of Contract Rents. The statute and applicable regulations contain various provisions for review and readjustment of the amount of the Contract Rents upward or downward, subject to the limitations that in no case shall the adjustment lower the Contract Rent below that effective on the date of the HAP Contract and that no adjustment shall result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units, as further described below.

Each HAP Contract provides for certain adjustments in Contract Rents. At least annually, HUD publishes an Annual Adjustment Factor (“Annual Adjustment Factor” or “AAF”), which is intended to reflect changes in the fair market rent established in the housing area for similar types and sizes of dwelling units; interim revisions may be made where market conditions warrant. Upon request from an owner to the Authority, the AAF is applied on the anniversary date of the HAP Contract to Contract Rents, *provided* that no adjustment may result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units except to the extent that the differences existed with respect to the Contract Rents set forth at the time of the HAP Contract execution or cost certification where applicable. (The difference that existed between the Contract Rent for a unit at HAP Contract execution and the rent on comparable unassisted units is generally referred to by HUD as the “initial difference” in Contract Rents.) In addition, provision is made in the regulations for special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units that have resulted from substantial general increases in real property taxes, assessments, utility rates and utilities not covered by regulated rates, if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Under current law (Section 8(c)(2)(C) of the U.S. Housing Act), “[t]he Secretary may not reduce the Contract Rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under the section . . . unless the project has been refinanced in a manner that reduces the periodic payments of the owner.”

Notwithstanding the foregoing, if the Contract Rents for a development exceed the applicable HUD fair market rents (“FMR’s”) (plus any initial difference), then Contract Rents cannot be increased beyond comparable market rents (plus the initial difference) as determined by independent appraisals of at least three comparable local developments submitted by the Borrower. In addition, the AAFs for Section 8 units which experienced no turnover in tenants since their preceding HAP Contract anniversary date will be one percentage point less than the AAFs that would otherwise apply.

There can be no assurance that increases in Contract Rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Reduction of Number of Subsidized Dwelling Units. Failure to make available for occupancy by eligible families the total number of units for which assistance is committed under the HAP Contract may result in a reduction in the number of subsidized dwelling units in a development. To ensure that the number of subsidized units will not be reduced, the owner must (i) conduct marketing in accordance with Section 8 regulations; (ii) make a good faith effort to lease the units to eligible families; and (iii) accept any eligible family except for reasons acceptable to the Authority. The Authority may require owners of Section 8 Developments to maintain the full amount of subsidized units, but has not covenanted with the holders of Bonds to do so.

Funding of Increases in Subsidy. Funds for the payment of increased subsidies which may result from the adjustments described in the second paragraph under “Adjustment of Contract Rents” above are to be obtained in two ways. Provision is made in the 1937 Housing Act for the payment by HUD into a project account in respect of each subsidized development of the amount by which the Contract Rents in effect from time to time exceed the actual subsidy paid by HUD (this amount is, in effect, the equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent resulting from the adjustments described in such paragraph will initially be drawn from this account. The regulations provide that when the HUD-approved estimate of required annual subsidy payments exceeds the maximum annual ACC commitment then in effect and would cause the amount in such reserve account to be less than 40 percent of such maximum annual ACC commitment, HUD shall take such additional steps authorized by subdivision (c)(6) of Section 8 (quoted below) as may be necessary to obtain funds to assure that payment will be adequate to cover increases in Contract Rents and decreases in tenant rents. Subdivision (c)(6) of Section 8 provides:

“The Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.”

Pledge of Subsidy. The regulations permit an owner to pledge the federal subsidy payments as security for the mortgage loan for the development. Prior to any disbursement of a mortgage loan for a development which is to be subsidized under Section 8, the Authority requires the owner of the development to enter into an agreement to pledge such federal subsidy payments as security for the mortgage loan on the development.

Foreclosure. The regulations provided that in the event of foreclosure, or assignment or sale of the Section 8 Development in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the HAP Contract.

Under each ACC, annual contributions are paid monthly into a special account maintained by the Authority for the receipt of Section 8 payments. To the extent such subsidy

payments are sufficient, the Authority retains an amount up to the current payment due from the owner on the mortgage loan and any amounts necessary to fund the reserves required to be maintained by the owner with respect to the development, and disburses any remainder to the owner.

Compliance with Subsidy Contracts. The AHAP, the ACC and the HAP Contract contain numerous agreements on the part of HUD and the owner, including the obligation to maintain the development as decent, safe and sanitary housing and compliance with a number of additional requirements (such as nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the owner, or both, might endanger the payment of the federal subsidy. Reference is made to the complete texts of these agreements, the forms of which are available for inspection at the offices of the Authority.

Prior to any disbursement of a mortgage loan for a development which is to be subsidized under Section 8, the Authority enters into a regulatory arrangement with the owner requiring the owner to take or refrain from taking action as necessary to maintain eligibility for Section 8 subsidies for assisted dwelling units in the development during the term of the mortgage loan.

The regulations which apply to moderate rehabilitation under Section 8 differ, in certain respects, from those for new construction and substantial rehabilitation. Among such differences, the moderate rehabilitation regulations provide that: (1) Fair Market Rent is determined by a different HUD schedule; (2) the initial Contract Rent may exceed Fair Market Rent by a maximum of 20 percent, but only when justified by increased costs during rehabilitation; (3) the HAP Contract must be for a term of not more than 15 years; (4) the ACC is entered into between HUD and the Authority for the overall dollar amount and number of units and does not relate to specific developments; (5) contracts between the owners and the Authority are not subject to HUD approval; (6) only the owner may pledge subsidy payments as security; and (7) with respect to vacancy, the owner may receive a housing assistance payment in the amount of 80 percent of the Contract Rent for a vacancy period not exceeding one month following the month in which the unit is first vacated.

Expiring HAP Contracts and Recent Legislation

In recent years there have been numerous proposals and pronouncements from Members of Congress and HUD Officials which address the future of HUD and the various programs operating pursuant to Section 8 of the 1937 Housing Act. The primary focus of these proposals and pronouncements have been developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAP Contracts with substantially shorter terms. Efforts to address this subject are often referred to, generally and without specific import, as “Portfolio Reengineering” or “Mark-to-Market.”

After a series of interim legislative acts and demonstration programs, HUD’s Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, was signed into law by the President on October 27, 1997. This legislation includes within it the “Multifamily Assisted Housing Reform and Affordability Act of 1997 (the “1997 Act”), which was further amended by the 1999 Act. The 1997 Act implements a new “Mark-to-Market” program, beginning in fiscal year 1999, pursuant

to which many FHA-insured Section 8 developments with expiring HAP Contracts and above-market rents will be eligible for restructuring plans, and, upon restructuring, may receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial prepayment of mortgage debt, intended to permit the reduction of Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance.

The 1997 Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, the 1999 Act provided for a new program for preservation of Section 8 developments (including Section 236 developments that have project based HAP Contracts) that allows increases in Section 8 rent levels for certain developments that have below market rents, to market or near market rate levels (the “Mark-up-to Market Program”).

The restructuring (or expiration and renewal of HAP Contracts) is designed also to result in a change from “project-based” to “tenant-based” Section 8 payments in many cases. In the former circumstance, the Section 8 HAP Contract is associated with a particular development and the units therein, and when a tenant moves from the development, the successor tenant, assuming that he or she is within the applicable income limits, will receive the benefit of the Section 8 payments. With “tenant-based” assistance, the Section 8 subsidy is associated with a particular tenant, and when that tenant moves from the development, the successor tenant will not receive the benefit of Section 8 payments.

The 1997 Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Upon the request of the owner of such a development, HUD is currently required to renew an expiring HAP Contract (absent certain actions or omissions of an owner or affiliate and subject to certain verifications). Under current HUD policy, renewals are expected to be made for an initial term of from one to five years, with initial rents at the lesser of: (1) existing rents adjusted by an Operating Costs Adjustment Factor (“OCAF”) established by HUD, (2) a budget-based rent determined by HUD, or (3) in the case of certain “moderate rehabilitation” Section 8 HAP Contracts, the lesser of (x) existing rents, adjusted by an operating cost factor determined by HUD, (y) existing fair market rents (less any amounts retained for tenant purchased utilities), or (z) comparable market rents for the market area. Under current law, future rent adjustments for renewal contracts will be determined using an OCAF or a budget-based adjustment. While it is anticipated that any such adjustment will be structured so as to take due account of debt service requirements, there can be no assurance that rent adjustments will provide for contract rents adequate to pay principal and interest on Bonds. More generally, there can be no assurance that future policies or funding levels will continue to make renewals and rent adjustments available on the same terms as are currently anticipated.

Under the amendments effected by the 1999 Act, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government, such as the Authority, are subject to the Mark-to-Market program unless

implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. To the extent any such state and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement.

Contract rents under the 1997 Act may be significantly lower than the current Section 8 contract rents in Section 8 developments, and the corresponding reduction in Section 8 Housing Assistance Payments for such developments could materially adversely affect the ability of the owners of such developments to pay debt service on the mortgage loans. Any termination or expiration of HAP Contracts, without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a mortgagor, poor condition of the project or other causes) could also have a material adverse impact on the ability of the related Section 8 developments to generate revenues sufficient to pay debt service on the mortgage loans. In such an instance, a default under the FHA-insured mortgage would result in a claim for payment of mortgage insurance benefits.

While the 1997 Act generally allows owners to renew project-based HAP Contracts (absent certain material adverse conduct or conditions), owners are not required to renew HAP Contracts beyond their initial expiration – or the expiration of a renewal term. Upon an election not to renew a HAP Contract owners are required to provide certain notices and transitional tenant protections.

Substantially all of the Section 8 Developments do not have FHA-insured mortgages and have HAP Contracts which are generally coterminous with their mortgages. Accordingly, those Section 8 Developments will not be subject to having their mortgages restructured under the 1997 Act. Three of the Section 8 Developments have FHA-insured mortgages and HAP Contracts which expire before the maturity of the related mortgages. These developments may be subject to restructuring. In such event, the FHA-insured mortgages may be subject to prepayment in whole or in part and to refinancing, each of which events could lead to a partial redemption of the Offered Bonds. It is the policy of the Authority to encourage and facilitate the retention of these Section 8 Developments as affordable housing, and the Authority undertakes no obligation to the holders of the Offered Bonds to take or refrain from taking any action with respect to the Section 8 Developments, such as refinancing, in order to reduce the likelihood or amount of any such partial redemption.

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

which it has financed have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 57 Authority-financed projects that have refinanced, 38 of these projects have executed such amendments, and these amendments have been acknowledged by HUD. In addition, one of the 57 projects has executed a Mark Up to Market contract for the term that would have been remaining under its original HAP contract. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

APPENDIX F

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

Illinois is a state of diversified economic strength. Personal income and workforce composition in Illinois are similar to that of the United States as a whole. Measured by per capita personal income, Illinois ranks third among the ten most populous states and ninth among all states. Illinois ranks second among all states in total cash receipts from crops, second in agricultural exports and ranks among the top states in several measures of manufacturing activity. Chicago serves as the transportation center of the Midwest and the headquarters of many of the nation's major corporations and financial institutions. Table F-1 compares the workforce composition of Illinois to that of the United States as a whole. Table F-2 shows the distribution of Illinois non-agricultural employment by industry sector.

Table F-1
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY – 2002
(Thousands)

	<u>Illinois</u>	<u>% of Total</u>	<u>U.S.</u>	<u>% of Total</u>
Natural Resources & Mining	10	0.2	581	0.4
Construction	276	4.7	6,732	5.2
Manufacturing	756	12.8	15,306	11.7
Trade, Transportation and Utilities	1,197	20.3	25,493	19.6
Information and Financial Activities	549	9.3	11,263	8.6
Professional and Business Services	786	13.3	16,010	12.3
Education and Health Services	711	12.1	16,184	12.4
Leisure and Hospitality	494	8.4	11,969	9.2
Other Services	255	4.3	5,348	4.1
Government	<u>861</u>	<u>14.6</u>	<u>21,489</u>	<u>16.5</u>
Total	5,895	100.0	130,376	100.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, January 2004.

Note: Columns may not add due to rounding. Beginning in March 2003, the basis for industry classification changed from the 1987 Standard Industrial Classification System to the 2002 North American Industry Classification System.

According to the U.S. Department of Commerce, Bureau of Economic Analysis (May 2003), agricultural employment in the State of Illinois totaled 98,943 in 2001, compared to national agricultural employment of 3,075,000.

Table F-2
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
ILLINOIS - 1998 THROUGH 2002
(Thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Non-Agricultural Employment	5,899	5,958	6,045	5,995	5,895
Natural Resources and Mining	11	11	10	10	10
Construction	245	256	270	277	276
Manufacturing	906	882	871	815	756
Non-Durable Goods	326	324	322	311	298
Durable Goods	580	558	549	505	458
Trade, Transportation and Utilities	1,217	1,230	1,248	1,232	1,197
Wholesale Trade	314	317	321	317	306
Retail Trade	634	642	651	643	633
Transportation and Utilities	269	271	276	272	258
Information and Financial Activities	551	553	557	558	549
Professional and Business Services	782	813	838	814	786
Education and Health Services	661	665	681	697	711
Leisure and Hospitality	473	479	487	491	494
Other Services	237	243	245	251	255
Government	816	826	840	850	861

Source: U.S. Department of Labor, Bureau of Labor Statistics, January 2004.

Note: Columns may not add due to rounding. Beginning in March 2003, the basis for industry classification changed from the 1987 Standard Industrial Classification System to the 2002 North American Industry Classification System.

The following sections present pertinent data on Illinois' economy, tax base and employment characteristics.

Agriculture

Illinois is a major agricultural state. Tables F-3 and F-4 summarize key agricultural production statistics.

Table F-3
ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK
(\$ in Millions)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Rank Among States – 2002</u>
Crops	6,167	5,233	5,312	5,704	5,924	2
Livestock	<u>1,575</u>	<u>1,524</u>	<u>1,710</u>	<u>1,843</u>	<u>1,562</u>	22
Total	7,742	6,757	7,022	7,547	7,486	6

Source: U.S. Department of Agriculture-Economic Research Service.

Note: Columns may not add due to rounding.

Table F-4
AGRICULTURAL EXPORTS
Federal Fiscal Year 2002
(\$ in Millions)

<u>Agricultural Exports</u>	<u>U.S. Total</u>	<u>Illinois Share</u>	<u>Percent of U.S.</u>	<u>Rank Among States</u>
All Commodities	53,293.6	3,310.5	6.2	2
Feed Grain and Products	6,779.2	1,054.7	15.6	1
Soybeans and Products	7,325.7	1,211.1	16.4	2

Source: U.S. Department of Agriculture-Economic Research Service.

Financial Institutions

Illinois serves as the financial center of the Midwest. The State ranks third among all states in total assets for commercial banks. As of September 30, 2003, there were 777 commercial and savings banks in Illinois with total assets of \$53.2 billion. Additionally, as of December 4, 2004, there were 57 OTS-regulated and FDIC-insured thrift institutions in Illinois with total assets of \$26.3 billion.

Source: Federal Deposit Insurance Corporation and Office of Thrift Supervision.

Contract Construction

Contracts for future construction in Illinois averaged \$14.5 billion annually during the period 1992 through 2002 and totaled \$20.7 billion in 2002. During the period 1992 through 2002, building permits issued for residential construction averaged 49,778 annually, with an average annual valuation of \$5.7 billion. Table F-5 presents annual data on contracts for future construction and residential building activity.

Table F-5
CONTRACTS FOR FUTURE CONSTRUCTION
AND RESIDENTIAL BUILDING ACTIVITY

<u>Year</u>	Residential, Non-residential and Non-building Contracts for Future Construction² <u>(\$ in Millions)</u>	Residential Building Activity <u>(Privately-Owned Housing Units)¹</u>	
		<u>Permits</u>	<u>Valuation</u> <u>(\$ in Millions)</u>
1992	10,600	40,430	3,962
1993	11,161	44,742	4,487
1994	12,008	49,290	5,012
1995	11,726	47,467	4,844
1996	12,667	49,592	5,199
1997	12,703	46,323	5,087
1998	15,000	47,984	5,618
1999	16,450	53,974	6,538
2000	16,945	51,944	6,528
2001	19,393	54,839	7,141
2002	20,733	60,971	8,546

¹U.S. Department of Commerce, Housing Units Authorized by Building Permits: Annual, various issues.

²Dodge Division, McGraw Hill Information System Co.

Personal Income

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table F-6 presents personal income data, and Table F-7 presents per capita income comparisons.

Table F-6
PERSONAL INCOME
(\$ in Billions)

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Illinois	125.8	238.5	400.4	410.3	416.0
United States	2,298.3	4,861.9	8,422.1	8,703.0	8,900.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2004

Table F-7
PER CAPITA PERSONAL INCOME

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	Rank
Illinois	\$11,005	\$20,824	\$32,187	\$32,782	\$33,053	9
United States	10,114	19,477	29,847	30,527	30,906	--

Ten Most Populous States:

New Jersey	11,707	24,572	38,372	39,077	39,461	1
New York	11,015	23,523	34,900	35,626	35,805	2
Illinois	\$11,005	\$20,824	\$32,187	\$32,782	\$33,053	3
California	11,951	21,638	32,466	32,892	32,989	4
Pennsylvania	10,085	19,687	29,697	30,318	31,116	5
Michigan	10,314	18,922	29,553	29,499	29,816	6
Florida	9,933	19,564	28,511	29,247	29,758	7
Ohio	10,046	18,743	28,208	28,627	29,195	8
Texas	9,880	17,421	28,313	28,943	29,039	9
Georgia	8,420	17,603	27,989	28,555	28,821	10

Great Lakes States:

Illinois	\$11,005	\$20,824	\$32,187	\$32,782	\$33,053	1
Wisconsin	10,107	18,072	28,573	29,361	30,050	2
Michigan	10,314	18,922	29,553	29,499	29,816	3
Ohio	10,046	18,743	28,208	28,627	29,195	4
Indiana	9,374	17,491	27,134	27,619	28,032	5

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2004.

**Table F-8
UNEMPLOYMENT**

	Number of Unemployed						Unemployment Rate (%)					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
United States	6,210,000	5,880,000	5,692,000	6,801,000	8,378,000	8,774,000	4.5	4.2	4.0	4.7	5.8	6.0
Illinois	282,000	277,600	280,800	348,200	414,200	422,300	4.5	4.3	4.3	5.4	6.5	6.7
Bloomington-Normal MSA	2,042	2,056	2,316	2,285	2,570	2,634	2.3	2.2	2.5	2.4	2.7	2.8
Champaign-Urbana MSA	2,662	2,507	2,434	2,798	3,227	3,292	2.8	2.5	2.4	2.8	3.2	3.3
Chicago PMSA	180,451	176,631	179,220	231,495	286,929	290,004	4.3	4.1	4.1	5.4	6.7	6.8
Davenport-Moline-Rock Island MSA, IL portion	4,023	5,916	5,584	5,695	6,048	6,182	3.9	5.6	5.3	5.5	6.0	6.2
Decatur MSA	3,287	2,981	3,074	3,698	4,656	4,134	5.6	4.8	5.0	6.3	8.2	7.4
Kankakee MSA	3,190	2,896	2,566	3,078	3,790	4,027	6.1	5.4	4.8	5.8	7.2	7.7
Peoria-Pekin MSA	6,800	7,660	7,354	8,606	9,694	9,967	3.7	4.0	3.9	4.6	5.3	5.5
Rockford MSA	8,874	9,236	9,573	13,150	15,408	16,486	4.5	4.5	4.7	6.5	7.8	8.4
Springfield MSA	4,259	3,969	3,889	4,280	4,986	5,505	3.9	3.6	3.5	3.9	4.6	5.2
St. Louis MSA, IL portion	15,195	14,237	15,013	16,751	18,002	18,792	5.2	4.8	5.2	5.9	6.4	6.6

Source: Illinois Department of Employment Security and U.S. Department of Labor,
Bureau of Labor Statistics

Population

Illinois is the nation's fifth most populous state.

Table F-9
POPULATION: ILLINOIS AND SELECTED
METROPOLITAN STATISTICAL AREAS

	<u>1980</u>	<u>1990</u>	<u>2000</u>
Illinois	11,427,409	11,430,602	12,419,293
Chicago CMSA (IL Part)	7,348,874	7,507,113	8,272,768
St. Louis MSA (IL Part)	588,464	588,995	599,845
Rockford MSA	325,852	329,626	371,236
Peoria MSA	365,864	339,172	347,387
Springfield MSA	187,770	189,550	201,437
Champaign-Urbana MSA	168,392	173,025	179,669

Source: U.S. Bureau of the Census. (Populations for 1980 and 1990 reflect Metropolitan Statistical Area definitions as of June 30, 1993.)

Table F-10
ILLINOIS POPULATION BY AGE GROUP
(Thousands)

	<u>1990</u>	<u>2000</u>
Under 5 years	848	877
5-14 years	1,633	1,835
15-24 years	1,678	1,745
25-34 years	1,993	1,812
35-44 years	1,700	1,984
45-54 years	1,167	1,627
55-64 years	975	1,041
65 years and over	<u>1,437</u>	<u>1,500</u>
TOTAL	11,431	12,419

Source: U.S. Bureau of the Census.
Note: Columns may not add due to rounding.

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**APPENDIX G
REAL ESTATE TRANSFER TAX TABLE**

	Total Receipts (\$ in thousands)	Tax per \$500	Receiving Fund				Transfer Declarations †	Normalized Receipts at \$0.25 per \$500 (\$ in thousands)
			Affordable Housing Trust Fund (#286)	General Revenue Fund (#001)	Open Space Lands A&D Fund (#299)	Natural Areas Acquisition Fund (#298)		
1989	\$ 14,285.8	\$ 0.25		100%			280,744	14,285.8
1990	25,456.3 *	0.50 *	50%	50			265,236	12,728.2
1991	25,020.8	0.50	50	40	7%	3%	247,100	12,510.4
1992	25,878.6	0.50	50	30	14	6	272,604	12,939.3
1993	28,531.1	0.50	50	20	21	9	285,700	14,265.6
1994	35,156.6	0.50	50	10	28	12	301,700	17,578.3
1995	33,001.2	0.50	50	0	35	15	277,600	16,500.6
1996	37,519.0	0.50	50	0	35	15	288,500	18,759.5
1997	38,942.5	0.50	50	0	35	15	284,400	19,471.3
1998	46,901.2	0.50	50	0	35	15	304,600	23,450.6
1999	54,507.3	0.50	50	0	35	15	331,500	27,253.7
2000	57,654.2	0.50	50	0	35	15	313,900	28,827.1
2001	57,787.1	0.50	50	0	35	15	314,000	28,893.6
2002	65,197.8	0.50	50	2	34	14	333,600	32,598.9
2003	71,355.7	0.50	50	25	20	5	321,700	35,677.9
2004	86,157.2	0.50	50	0	35	15	n/a	43,078.6

Source: Illinois Department of Revenue

* From FY 1976 to FY 1979, the Department of Revenue ("DOR") collected both the state (\$0.25) and the local (\$0.25) portion of the Real Estate Transfer Tax ("RETT"). From FY 1980 to the present, the DOR has collected only the state portion. From FY 1976 to FY 1989, the state portion of the RETT was \$0.25 per \$500. Since FY 1990, the RETT has been \$0.50 per \$500, with \$0.25 of the \$0.50 dedicated to fund the Illinois Affordable Housing Trust Fund.

† With certain limited exceptions, a Transfer Declaration is filed every time a transfer of ownership of real estate is executed. Some of these transfers are "tax exempt."

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APPENDIX H

SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKING OF THE AUTHORITY

(a) Undertaking. The Authority shall make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission, as amended from time to time, applicable to the Authority are met with respect to the Offered Bonds.

(b) Annual Financial Information. Each year the Authority shall provide annual financial information concerning the Offered Bonds to each nationally recognized municipal securities information repository and to any entity designated by the State of Illinois as a state information depository for purposes of Rule 15c2-12(b)(5). A copy of the annual financial information shall also be provided to the Trustee. The annual financial information shall be so provided within 180 days after the end of the Authority's fiscal year, beginning with the fiscal year ending June 30, 2005. Copies of the annual financial information shall also be made available to any beneficial or registered owner of Offered Bonds upon request. The annual financial information shall include the Authority's audited financial statements, prepared in accordance with generally accepted accounting principles as in effect from time to time. The annual financial information shall also include financial and operating information of the type set forth in the final Official Statement for the Offered Bonds, including information relating to:

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

The annual financial information may include any or all information by incorporating, by specific reference, other documents which have been provided to each of those national information repositories and the state information depository, if any. If the incorporated information is in an Official Statement, it must be available from the Municipal Securities Rulemaking Board. The annual financial information shall include a notice of any change in the Authority's fiscal year.

(c) Reporting Significant Events. Upon the occurrence of any of the following events with respect to the Offered Bonds, if material, the Authority shall report the event in a timely manner to the state information depository, if any, and either to each of the national information repositories described above or to the Municipal Securities Rulemaking Board:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements (if any are subsequently provided) reflecting financial difficulties;
- (v) substitution of credit or liquidity providers (if any such enhancement is subsequently provided) or their failure to perform;
- (vi) adverse tax opinions or events affecting tax-exempt status;
- (vii) modifications to rights of Owners of the Offered Bonds;
- (viii) non-scheduled redemptions;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds (other than in the ordinary course of the operations as contemplated in the Official Statement); and
- (xi) rating changes.

The Authority will give a copy of each such report to the Trustee. The Authority will give notice in a timely manner to the Trustee, to the state information depository, if any, and either to each of the national information repositories or to the Municipal Securities Rulemaking Board of any failure timely to provide the annual financial information as provided in this continuing disclosure undertaking.

(d) Enforcement. The agreements of the Authority in this continuing disclosure undertaking are a contract between the Authority and the beneficial and registered owners from time to time of the Offered Bonds. It may be enforced by any beneficial or registered owner of Offered Bonds. The sole remedy with respect to the Authority's compliance with its undertaking under this Section shall be to require compliance. This continuing disclosure undertaking shall be solely for the benefit of the beneficial or registered owners of the Offered Bonds from time to time, and shall create no right in anyone else. The Trustee shall have no powers or duties under this continuing disclosure undertaking. No violation by the Authority of any provision described in this continuing disclosure undertaking shall constitute any Event of Default or a default under the Resolution or under the Act. Articles X (Supplemental Resolutions) and XI (Defeasance) of the General Resolution do not apply to this continuing disclosure undertaking.

(e) Termination. The obligation of the Authority under this continuing disclosure undertaking shall end upon the Offered Bonds being paid or treated as paid as provided in Section 1101 of the General Resolution, except for the obligations to give notice under c(viii) above.

(f) Amendment. The Authority may by resolution amend this continuing disclosure undertaking at any time to the extent and in the manner allowed by Rule 15c2-12(b)(5), as amended from time to time, if the Authority's agreements under this continuing disclosure undertaking, as amended, shall continue to comply with the Rule, the amendment to be effective upon receipt by the Authority of an opinion of counsel, selected by it with significant federal securities law expertise, to that effect. Any such amendment shall be described in the next annual financial information.

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APPENDIX I

FORM OF DELAYED DELIVERY CONTRACT

[Date]

Re: Illinois Housing Development Authority
Affordable Housing Program Trust Fund Refunding Bonds, Series 2005A

Dear Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby agrees to purchase from Banc of America Securities LLC (the "Underwriter") and the Underwriter agree to sell to the Purchaser,

Maturity Date	Par Amount	Coupon	Purchase Price	CUSIP Number
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in aggregate principal amount of the above-referenced Bonds offered by the Illinois Housing Development Authority (the "Authority") pursuant to a Preliminary Official Statement dated _____ ("Preliminary Official Statement") and the Official Statement dated _____ (the "Official Statement"), receipt of copies of which is hereby acknowledged, at a purchase price (plus accrued interest, if any, from [dated date]) at the interest rates, amounts and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the information under the heading "DELAYED DELIVERY OF THE OFFERED BONDS," has considered the risks associated with purchasing the Bonds and is duly authorized to purchase the Bonds. The Purchaser further acknowledges and agrees that the Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such Bonds from the Underwriter on or about _____, 2005 (the "Delivery Date") as they may be issued pursuant to the Forward Delivery Purchase Contract ("Purchase Contract") between the Authority and the Underwriter.

Payment for the Bonds which the Purchaser has agreed to purchase on the Delivery Date shall be made to the Underwriter or its order by wire transfer to a bank account specified by the Underwriter, on the Delivery Date upon delivery to the Purchaser of the Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company.

The obligations of the Purchaser hereunder to take delivery of and pay for the Bonds are unconditional subject to (a) the issuance of the Bonds by the Authority and purchase thereof by the Underwriter under the Purchase Contract or (b) the termination by the Underwriter of the Purchase Contract because of a Change in Law. A "Change in Law" is defined to mean (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the

courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Delivery Date); (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delivery Date); (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case, would (A) as to the Underwriter, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from (1) accepting delivery of and paying for the Bonds in accordance with the provisions of this Purchase Contract or (2) selling the Bonds or beneficial ownership interests therein to bona fide purchasers, or (B) as to the Authority, would (1) make the sale or issuance and delivery of the Bonds illegal (or have the retroactive effect of making such sale, issuance, or delivery illegal, if enacted, adopted, passed or finalized), (2) eliminate the exclusion from State of Illinois income tax of interest with respect to the Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized), (3) require the Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (or have the retroactive effect of requiring such registration or qualification if enacted, passed, finalized, or adopted); provided, however, that such change in or addition to law, legislation, rule or regulation, or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, or been proposed or been issued, as the case may be, subsequent to the date of execution of this Purchase Contract; or (v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the execution and delivery, offering, or sale of the Bonds, or the delivery of the Resolution is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended.

The Authority's obligation to issue and deliver the Bonds to the Underwriter on the Delivery Date, and, accordingly, the Underwriter's obligation to accept and pay for the Bonds and its ability to redeliver the Bonds to the Purchaser is conditioned upon AMBAC Assurance Corporation (the "Bond Insurer") issuing its financial guaranty insurance policy insuring the Bonds (the "Bond Insurance Policy").

The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Bonds on the Delivery Date because of market or credit changes, including specifically, but not limited to changes in the financial condition, operations, performance, properties or prospects of the Authority from the date hereof to the Delivery Date of the Bonds (unless such changes give rise to an event of default under the financing documents). The Purchaser further acknowledges that the Underwriter could be liable under the Purchase Contract for damages to the Authority in the event of a wrongful failure to accept delivery of the Bonds, and that the Underwriter has executed such Purchase Contract in reliance on the Purchaser's commitment set forth herein. Finally, the Purchaser acknowledges and agrees that it will remain

obligated to purchase the Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject. This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the written consent of the other.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Delayed Delivery Contract (including this one) is in Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on first-come, first serve basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter and the Purchaser when such counterpart is so mailed or delivered by the Underwriter. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

The Authority shall be deemed a third party beneficiary of this Delayed Delivery Contract.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

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APPENDIX J

**SPECIMEN FINANCIAL GUARANTY
INSURANCE POLICY**

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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