**OFFICIAL STATEMENT**
(For Delivery to Fannie Mae and Freddie Mac Only)

RATINGS:
Moody's:Aaa
S & P:AAA

*The Department has taken no action to cause any interest on the Program Bonds to be excludable from gross income for the purposes of federal income taxation and therefore it is assumed that interest on the Program Bonds is not excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS" herein. In connection with the Conversion of the Program Bonds, assuming all conditions and requirements for the Program Bonds to qualify as tax-exempt bonds have been met, Bond Counsel expects to issue an opinion substantially to the effect that (i) interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under existing law, (ii) interest on the Tax-Exempt Bonds will not be (A ) a specific preference item subject to the alternative minimum tax on individuals and corporations or (B) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax. See "TAX MATTERS – Tax-Exempt Bonds" herein for a discussion of Bond Counsel's opinion relating to the Tax-Exempt Bonds.*

NEW ISSUE - BOOK-ENTRY ONLY

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## $300,000,000
## Residential Mortgage
## Revenue Bonds
## Series 2009 C

Dated Date: As of December 21, 2009 Due: July 1, 2041

The Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2009 C (the "Program Bonds") are issuable by the Texas Department of Housing and Community Affairs (the "Department") only as fully registered bonds, without coupons, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Program Bonds. The Program Bonds will be available to the purchasers only in book-entry form in Authorized Denominations (as defined in APPENDIX A -- GLOSSARY). For as long as Cede & Co. is the exclusive registered owner of the Program Bonds, the principal or redemption price of, and interest on, the Program Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Trustee, to DTC, which will be responsible for making such payments to DTC Participants (as defined herein), for subsequent remittance to the owners of beneficial interests in the Program Bonds. The purchasers of the Program Bonds will not receive certificates representing their beneficial ownership interest. See "THE PROGRAM BONDS - DTC and Book-Entry."

The Program Bonds will accrue interest from the Settlement Date (as defined herein) until their maturity or prior redemption at the per annum rates of interest set forth on the inside cover page hereof. Interest on the Program Bonds will be payable to DTC commencing on each Interest Payment Date (as defined herein).

**THE PROGRAM BONDS ARE SUBJECT TO SPECIAL REDEMPTION, SINKING FUND REDEMPTION AND OPTIONAL REDEMPTION AT VARIOUS TIMES PRIOR TO THEIR SCHEDULED MATURITIES AT VARIOUS REDEMPTION PRICES AS DESCRIBED HEREIN.** See "THE PROGRAM BONDS – Redemption Provisions."

The Program Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates (the "Mortgage Certificates") backed by qualifying FHA-insured or VA- or RDA-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single-family residences located in the State of Texas. For certain geographic and income restrictions, see "THE PROGRAM." The Mortgage Certificates will be guaranteed as to timely payment of principal and interest by either the Government National Mortgage Association ("GNMA") (the "GNMA Certificates"), Freddie Mac ("Freddie Mac") ("Freddie Mac Certificates") or Fannie Mae ("Fannie Mae") (the "Fannie Mae Certificates"). See APPENDIX C-1, APPENDIX C-2 and APPENDIX C-3. The Program Bonds, the Prior Bonds (as defined herein), and, unless subordinated, all Bonds subsequently issued under the Trust Indenture are equally and ratably secured by the Trust Estate (as defined herein) held by the Trustee under the Trust Indenture. See "SECURITY FOR THE BONDS" and "THE TRUST INDENTURE."

**THE PROGRAM BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE OF TEXAS (THE "STATE") NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GNMA, FREDDIE MAC, AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE PROGRAM BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GNMA, FREDDIE MAC, AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GNMA CERTIFICATES, FREDDIE MAC CERTIFICATES, AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE PROGRAM BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.**

The Program Bonds are offered when, as, and if issued by the Department. Delivery of the Program Bonds is subject to approval of the legality thereof by Vinson & Elkins L.L.P., Bond Counsel, and by the Attorney General of the State, and certain other conditions. Certain legal matters will be passed upon for the Department by its Acting General Counsel, Jeff Pender, Esq. and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. It is expected that the Program Bonds will be available for delivery to DTC in book-entry only form on or about December 21, 2009.

December 9, 2009

## MATURITY SCHEDULE

### Program Bonds

$300,000,000 Term Bonds due July 1, 2041 Price 100%

Each Pre-Conversion Bond shall bear interest at the Short-Term Rate from the Settlement Date to the related Conversion Date. "Short-Term Rate" shall mean, (i) for the period from the Settlement Date to the applicable Release Date, the interest rate which produces an interest payment on such Release Date relative to the Program Bonds with respect to which Escrowed Proceeds are subject to release on such Release Date equal to Investment Earnings and (ii) from the Release Date to the Conversion Date, an interest rate equal to the sum of the Spread plus the lesser of (A) the Four Week T-Bill Rate as of the Business Day prior to the Release Date or (B) the Permanent Rate less the Spread ; provided, however, that the Short-Term Rate for the Program Bonds shall not exceed the maximum net effective interest rate permitted by applicable law, as provided by Texas Government Code Section 1204.006, as amended. For purposes of this provision, "Investment Earnings" shall mean total investment earnings on the portion of the Escrow Fund related to Program Bonds with respect to which a Release Date is occurring.

(Interest Accrues from Date of Delivery)

The interest rate on some or all of the Pre-Conversion Bonds may be Converted on a Conversion Date to a Permanent Rate.

Any Pre-Conversion Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption at par on February 1, 2011.

This Official Statement does not constitute, and is not to be used in connection with, an offer to sell or the solicitation of an offer to buy the Program Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth in this Official Statement has been obtained from the Department and other sources which are believed to be reliable. This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Department or other matters described herein since the date hereof.

The Department does not make any representation as to the accuracy, completeness, or adequacy of the information supplied by the DTC for use in this Official Statement.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

Many statements contained in this Official Statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on the Department's beliefs, as well as assumptions made by, and information currently available to, the management and staff of the Department. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this Official Statement.

The Department's projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Department's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Department. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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# OFFICIAL STATEMENT

**Relating to**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**$300,000,000**
**Residential Mortgage**
**Revenue Bonds**
**Series 2009 C**

## INTRODUCTION

This Official Statement provides certain information concerning the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of its Residential Mortgage Revenue Bonds, Series 2009 C (the "Program Bonds"). Capitalized terms used but not otherwise defined herein shall have the respective meanings for such terms as set forth in "APPENDIX A -- GLOSSARY."

The Department, a public and official agency of the State of Texas (the "State"), was created and organized pursuant to and in accordance with the provisions of the Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act") for the purpose of, among other things, financing sanitary, decent and safe housing for individuals and families of low and very low income and families of moderate income. The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and all functions and obligations of which were transferred to the Department pursuant to the Act. Under the Act, the Department may issue bonds, notes and other obligations to finance or refinance residential housing and multi-family developments located in the State and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. See "THE DEPARTMENT."

The Program Bonds are authorized to be issued pursuant to the Act, a resolution adopted by the Governing Board of the Department on November 9, 2009 (the "Bond Resolution"), a Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987 (the "Master Indenture" and as amended and supplemented from time to time, collectively, the "Trust Indenture") between the Agency or the Department, as the case may be, and MTrust Corp, or its successor as trustee, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Trustee"), and a Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Thirtieth Series Supplement"), dated as of December 1, 2009. The Trust Indenture authorizes the Department to issue bonds to provide funds to acquire or refinance residential mortgage loans or participations therein ("Mortgage Loans") which are made to eligible borrowers, as determined from time to time by the Department, to refund Outstanding Bonds issued under the Trust Indenture or certain other bonds of the Department or the Agency, to fund certain reserves, and to pay costs associated therewith. The Department has previously issued twenty-nine prior series of residential mortgage revenue bonds (the "Prior Bonds") under the Trust Indenture of which $337,570,000 in aggregate principal amount was outstanding as of August 31, 2009. See "SECURITY FOR THE BONDS -- Prior Bonds." The Program Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture (collectively, the "Bonds") are equally and ratably secured by the Trust Estate held by the Trustee pursuant to the Trust Indenture. See "THE TRUST INDENTURE" and "SECURITY FOR THE BONDS -- Additional Bonds."

The Program Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed pass-through certificates (the "2009 Mortgage Certificates") guaranteed as to timely payment of principal and interest by either the Government National Mortgage Association ("GNMA"), Freddie Mac or Fannie Mae which represent beneficial ownership of pools of Mortgage Loans (the "2009 Mortgage Loans"). Proceeds of the Program Bonds will only be used to purchase Mortgage Certificates once a Release Date has occurred.

**The Program Bonds are on a parity in all respects with all outstanding Prior Bonds and, unless subordinated, any Bonds subsequently issued**. The Prior Bonds are payable solely from and are secured by a pledge of and lien on the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), Investment Securities, moneys held in the Funds (excluding the Rebate Fund) and other property pledged under the Trust Indenture (collectively, the "Trust Estate"). The Trust Estate currently includes, among other things, Mortgage Certificates which were purchased with the proceeds of the Prior Bonds (other than the Series 1987A Bonds) and FHA-insured Mortgage Loans not backed by Mortgage Certificates (purchased with proceeds of the Series 1987A Bonds). There is no requirement that proceeds of subsequent issues of Bonds be used to purchase Mortgage Certificates. All payments with respect to principal of and interest on Mortgage Loans (net of servicing fees) and on Mortgage Certificates (net of servicing and guaranty fees) received by the Department and the earnings on investments of Funds and accounts held pursuant to the Trust Indenture constitute Revenues. The pledge of and lien on the Trust Estate is subject to discharge if moneys or qualified securities sufficient to provide for the payment of all Outstanding Bonds are deposited and held in trust for such payment. See "SECURITY FOR THE BONDS."

The Trust Indenture established a Debt Service Reserve Fund and a Mortgage Reserve Fund. However for Bonds issued subsequent to 1997, there is no requirement in the Trust Indenture that additional deposits be made to, or additional amounts be maintained in, the Debt Service Reserve Fund or the Mortgage Reserve Fund. All Bonds issued prior to 1997 have been defeased. Accordingly, the Debt Service Reserve Fund and Mortgage Reserve Fund have been extinguished.

**THE PROGRAM BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GNMA, FREDDIE MAC AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE PROGRAM BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GNMA, FREDDIE MAC AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GNMA CERTIFICATES, FREDDIE MAC CERTIFICATES AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE PROGRAM BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.**

There follows in this Official Statement a brief description of the plan of finance, the Department and its bond programs, together with summaries of certain terms of the Program Bonds, the Trust Indenture, and certain provisions of the Act, as well as other matters. All references herein to the Act, the Trust Indenture, and other agreements are qualified in their entirety by reference to each such document, copies of which are available from the Department, and all references to the Program Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Indenture.

For information concerning the Prior Bonds and the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, see "SECURITY FOR THE BONDS - Prior Bonds" and "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND

MORTGAGE CERTIFICATES." For information concerning other single family and multi-family programs of the Department, see "APPENDIX F-2 -- OTHER INDEBTEDNESS OF THE DEPARTMENT."

## PLAN OF FINANCE

Proceeds of the Program Bonds are being issued as part of the Housing Finance Agency Initiative New Issue Bond Program established by the Treasury (the "Housing Finance Agency Initiative"). Pursuant to its authority under the 2008 Housing and Economic Recovery Act ("HERA"), Treasury will purchase securities of Fannie Mae and Freddie Mac secured by bonds such as the Program Bonds. The GSEs will acquire the Program Bonds pursuant to the Placement Agreement. The proceeds from the transaction will be placed in escrow and invested in Permitted Escrow Investments as described herein until the respective Release Date and then used by the Department to provide for the funding of Mortgage Loans in 2010 (see "SECURITY FOR THE BONDS-Investment of Funds" and "SOURCES AND USES OF FUNDS" herein"). The proceeds received from the release of Escrowed Proceeds in connection with Program Bonds will be used only to redeem Program Bonds or (i) to acquire and finance the holding of single family Mortgage Loans or single family MBS which are either newly-originated or refinanced, so long as all such loans are eligible to be financed on a tax-exempt basis under applicable federal income tax law or (ii) to fund reasonably required reserves and pay costs of issuance of the Program Bonds in accordance with the requirements and limitations of applicable federal tax law.

## SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Program Bonds are expected to be approximately as set forth below.

| | |
|---|---|
| **Sources:** | |
| Program Bond Proceeds[1] | $299,672,500 |
| Department Contribution | $ 701,000 |
| **Total Sources** | $300,373,500 |
| **Uses:** | |
| Deposit to Program Bonds Escrowed Proceeds Fund[2] | $300,000,000 |
| Costs of Issuance | $ 373,500 |
| **Total Uses** | $300,373,500 |

(1) The Program Bonds are being sold at a price of 100% of the principal amount thereof, less certain fees and expenses in the amount of $327,500.
(2) The proceeds of the Program Bonds plus the Shortfall Amount contributed by the Department shall be held in the Program Bonds Escrowed Proceeds Fund until the establishment of one or more Release Dates.

## THE PROGRAM BONDS

### General

The Program Bonds are issuable only as fully registered bonds, without coupons, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Program Bonds. The Program Bonds will be available to the purchasers in book-entry form only in denominations of $5,000 and integral multiples thereof and, for purposes of initial issuance and redemption of Program Bonds, $10,000 or any integral multiple of $10,000 in excess thereof, as more fully described herein. The principal or redemption price of, and interest on the Program Bonds will be payable by the Trustee to DTC, which will be responsible for making such payments to DTC Participants (hereinafter defined) for subsequent remittance to the owners of beneficial interests in the Program Bonds or their nominees. See "THE PROGRAM BONDS - DTC and Book-Entry."

**Date, Maturity and Denominations**

The initially issued Program Bonds will be dated as of December 21, 2009, and will bear interest at the rates described below from the Settlement Date and will mature on the date and in the principal amount set forth below, except as otherwise described herein:

| **Maturity** | **Principal Amount** |
|---|---|
| July 1, 2041 | $300,000,000 |

Any Program Bond authenticated on or after January 1, 2010 will be dated as of the date six months preceding the Interest Payment Date next following the date of authentication thereof by the Trustee, unless such date of authentication is an Interest Payment Date, in which case such Program Bond will be dated as of such date of authentication.

The Program Bonds will be issued only in Authorized Denominations and each Release Date will apply to Program Bonds in Authorized Denominations.

**Interest Rates**

Each Pre-Conversion Bond shall bear interest at the Short-Term Rate from the Settlement Date to the related Conversion Date. The interest rate on some or all of the Pre-Conversion Bonds may be Converted on a Conversion Date to a Permanent Rate. See "THE PROGRAM BONDS – Release and Conversion" below. Interest will be payable on each Interest Payment Date. From and after the Release Date, such Program Bonds will bear interest on the basis of a 360-day year consisting of 12 30-day months.

**Issuance of Market Bonds**

The Department is required under the Housing Finance Agency Initiative announced by Treasury on October 19, 2009 to issue Market Bonds under the Trust Indenture in connection with any release of Escrowed Proceeds of Program Bonds as described herein. All Market Bonds must be issued by December 31, 2010. The Department has represented and warranted that it reasonably expects to issue Market Bonds on or before December 31, 2010 in a principal amount which will satisfy the Market Bond Ratio Requirement. The Department has further represented and warranted that it reasonably expects to meet all other requirements contained in the Thirtieth Series Supplement relative to the release of Escrowed Proceeds of all Program Bonds issued thereunder.

**Release and Conversion**

***General***

A Conversion may involve all or only a portion of the Pre-Conversion Bonds, provided that such Pre-Conversion Bonds may only be Converted in integral multiples of $10,000. Any particular Pre-Conversion Bond may be Converted to a Permanent Rate only once. The Department may exercise its right of Conversion on no more than three (3) occasions and must cause each related Release Date to occur on or prior to December 31, 2010. If Pre-Conversion Bonds are Converted to Permanent Rates in part on different dates, each portion of such Program Bond may bear interest at different Permanent Rates based on their respective Conversion Dates.

***Release Requirements***

On or Prior to a Permanent Rate Calculation Date. (a) On or prior to the date which is fourteen (14) days prior to a proposed Permanent Rate Calculation Date, the Department is required to notify the Trustee, the Notice Parties and the Rating Agencies, of (i) the proposed Release Date, (ii) the proposed Conversion Date, (iii) the principal amount of Pre-Conversion Bonds to be Converted on such Conversion Date, (iv) the proposed Permanent Rate Calculation Date and (v) the Bond Rating anticipated to be in effect on the Release Date.

(b) On the Permanent Rate Calculation Date, the Department shall deliver to the Trustee, with copies to the Notice Parties, (i) a copy of the executed bond purchase agreement delivered with respect to the Market Bonds, and (ii) the preliminary Official Statement with respect to the Market Bonds (with the final Official Statement to be provided as soon as it is available).

On or Prior to a Release Date. The Department shall deliver or cause to be delivered to the Trustee on or prior to any Release Date, the following:

(a) the certification of the Special Permanent Rate Advisor specifying the Permanent Rate Calculation Date and the Four Week T-Bill Rate, Spread and Permanent Rate applicable to the relevant Conversion;

(b ) the Official Statement for the Market Bonds and the Official Statement or Official Statement Supplement relative to the Program Bonds;

(c)(i) an opinion or opinions of counsel and a certificate of an authorized officer of the Department to the effect that nothing has come to their attention that the Official Statement Supplement or the Official Statement relating to the Program Bonds contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which there were made, not misleading and (ii) a letter or letters from the counsel referenced in the foregoing clause (i) addressed to the GSEs stating that the GSEs may rely on such opinion as though it was addressed to them;

(d) confirmation by the Rating Agencies of the Bond Rating on the applicable Program Bonds after giving effect to the Release Date and related Conversion;

(e) an opinion of Bond Counsel dated as of the Release Date to the effect that the applicable Program Bonds have been duly and validly issued and are enforceable obligations of the Department and that interest payable on such Program Bonds is exempt from federal income taxation under Section 103 of the Code;

(f) net proceeds of the Market Bonds, which proceeds (together with any amounts deducted from proceeds for underwriting fees and expenses) shall be in an amount not less than two thirds (2/3) of the applicable portion of the principal amount of the Program Bonds being Converted;

(g) a certificate of the Department in the form attached to the Thirtieth Series Supplement, specifying (i) the principal amount of the related Program Bonds to be Converted, (ii) the related Market Bonds and their maturity dates, interest rates and principal amounts, (iii) the amount of the proceeds of the Market Bonds, and the amounts to be released from the Escrow Fund in connection with such Conversion, (iv) the applicable Conversion Date, (v) the Release Date and (vi) the principal amount of the Pre-Conversion Bonds which will not be Converted as part of the related Conversion; and

(h) a certificate of the GSEs, evidencing (i) their consent to the Release Date and (ii) that the Department has paid or made arrangements to pay the fees of the GSEs' counsel in connection with the Release Date.

***Changes Permitted Upon Conversion***

In conjunction with the Conversion of Pre-Conversion Bonds, on or prior to the Release Date, the Department may add mandatory sinking fund redemption requirements to such Program Bonds, may agree to pay the principal of such Program Bonds prior to their stated maturity and may issue additional Market Bonds (whether or not as part of the same federal tax financing plan), which Market Bonds may mature before or after the Program Bonds or be redeemed before or after the Program Bonds.

## Redemption Provisions

The Program Bonds are subject to special redemption, sinking fund redemption and optional redemption at various times prior to their scheduled maturities at various redemption prices as described below.

***Special Redemption***

***Pre-Conversion Bonds***.

*Failure to Convert*. Any Pre-Conversion Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption on February 1, 2011 (or an earlier date selected by the Department), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

*Withdrawal of Closing Certificates*. The Program Bonds are subject to mandatory redemption in whole, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, on the first Business Day at least thirty (30) days after the Settlement Date, if there is delivered by mail or by electronic means to the Trustee on or prior to the Settlement Date a Certificate of Adverse Change and the GSEs have not, prior to the date 20 days following the Settlement Date, provided the Trustee a written waiver.

***Pre-Conversion Bonds Not Meeting Minimum Rating Thresholds***. Within ten (10) Business Days of receipt by the Trustee of notice that the Bond Rating has been withdrawn or fallen below 'Baa3' or 'BBB-', all proceeds that are held in the Escrow Fund will be used to mandatorily redeem a corresponding amount of Pre-Conversion Bonds, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date. The Department has covenanted in the Thirtieth Series Supplement to provide such notice to the Trustee promptly upon receipt by the Department of notice of any such withdrawal or downgrade.

***Available Moneys for Redemptions***. With respect to the redemptions set forth in (a) and (b) above, moneys still on deposit in the Escrow Fund will be used for any such redemption; if Escrow Fund moneys are not sufficient, then any available moneys under the Trust Indenture will also be used for any such redemption.

***Mandatory Sinking Fund Redemption***

Program Bonds are subject to mandatory sinking fund redemption in the amounts and on the dates to be established by the Department not later than the final Release Date. The Department has covenanted in the

Thirtieth Series Supplement to establish such sinking fund schedules as therein provided. Each such redemption will be at a price of par, plus accrued interest to the redemption date. The schedules described above must take into account anticipated underlying mortgage loan amortization, and standard and customary practices of the Department in connection with combined serial bond and term bond issuances.

The Department will not issue Market Bonds with 'super sinkers,' planned amortization classes or other priority allocation class rights unless such provisions retain for application to the redemption of the Program Bonds at least the portion of any prepayments or other recoveries of principal relative to Mortgage Loans funded or MBS purchased with proceeds of the Program Bonds as described in "THE PROGRAM BONDS – Redemption Provisions – Redemption Provisions and Recycling Prohibition. "

***Optional Redemption***

Program Bonds are subject to redemption at the option of the Department, in whole or in part, from any source of funds, on the first Business Day of any month, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest, if any, to the redemption date.

***Redemption Restrictions and Recycling Prohibition***

Except as limited by tax law requirements, the Department is required to apply the following exclusively to the redemption of Program Bonds: (i) all proceeds of the Program Bonds in excess of $10,000, to the extent not used to acquire Mortgage Loans or MBS, pay Program Bond issuance expenses or fund related reserve accounts and (ii) so long as any Market Bonds remain Outstanding, at least 60%, and after no Market Bonds remain Outstanding, 100%, of all principal prepayments and recoveries of principal received with respect to the Mortgage Loans or MBS acquired or financed with the proceeds of the Program Bonds and the Market Bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Program Bonds, Market Bonds or other bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds. Amounts set forth in clause (ii) are required to be applied to the redemption of Program Bonds promptly and as described above may not be recycled into new Mortgage Loans or MBS. Prepayments received on the underlying Mortgage Loans financed with proceeds of the Program Bonds and the related Market Bonds, if any, will be applied at least on a pro rata basis to redemption of such Program Bonds as described in this paragraph.

**Partial Redemption**

In the event that a Program Bond subject to redemption is in a denomination larger than $10,000, a portion of such Program Bond may be redeemed at random by the Trustee, but only in a principal amount equal to $10,000 or an integral multiple of $10,000 in excess thereof. Upon surrender of any Program Bond for redemption in part, the Trustee will authenticate and deliver an exchange Program Bond or Program Bonds of the same interest rate in an aggregate principal amount equal to the unredeemed portion of the surrendered Program Bond. See "THE PROGRAM BONDS - DTC and Book-Entry."

**Notice of Redemption**

The Trustee shall give notice, in the name of the Department, of the redemption of Program Bonds to the holders thereof, which notice shall specify the maturity and interest rates of the Program Bonds to be redeemed, the redemption date and the method and place or places where amounts due upon such redemption will be payable and, if less than all of the Program Bonds of any like interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Program Bonds so to be redeemed, and, in the case of Program Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state any conditions that must be satisfied prior to the redemption date and that on such date there shall become due and payable upon each Program Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal amount thereof, in the case of Program Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the holders of any Program Bonds or portions thereof which are to be redeemed, at their addresses, appearing upon the registry books of the Trustee. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not received by the holder.

In addition to the foregoing required notices, written notice of each redemption of Program Bonds shall be provided by the Trustee to the Notice Parties by e-mail or facsimile transmission. Redemption of Program Bonds will not be conditioned on or delayed for the giving of such notice, which must be provided to the Notice Parties at least ten (10) days in advance of the date of such redemption (or such lesser period as is required under the Thirtieth Series Supplement). All redemptions of Program Bonds shall be only in Authorized Denominations.

**Conditional Notices of Redemption**

The Department reserves the right to give notice of its election or direction to redeem Program Bonds conditioned upon the occurrence of subsequent events.

**Payment of Redeemed Bonds**

Notice having been given as provided in the Trust Indenture, the Program Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the redemption price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Program Bond, the Department shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Program Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Program Bond so surrendered, Program Bonds of like interest rate and aggregate principal amount in any Authorized Denomination. If, on the redemption date, moneys for the redemption of all the Program Bonds or portions thereof of any like interest rate to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as specified in the Trust Indenture, then, from and after the redemption date, interest on the Program Bonds or portions thereof of like interest rate so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Program Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Purchase in Lieu of Redemption**

The Trust Indenture permits the purchase of Bonds, including the Program Bonds, in the open market in lieu of redemption of Bonds. Any such purchase may be at a price not exceeding the then applicable redemption price for such Bonds.

**DTC and Book-Entry**

DTC will act as securities depository for the Program Bonds. The Program 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 certificate will be issued for each maturity of the Program 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Program Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Program Bonds on DTC's records. The ownership interest of each actual purchaser of each Program Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' Records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Program 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 Program Bonds, except in the event that use of the book-entry system for the Program Bonds is discontinued.

To facilitate subsequent transfers, all Program 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 Program 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 Program Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Program 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 notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Program Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Program Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial

Owners of Program Bonds may wish to ascertain that the nominee holding the Program Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Program Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Program Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department 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 Program Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Program 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 Department or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department 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 depository with respect to the Program Bonds at any time by giving reasonable notice to the Department or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Department, or the Trustee.

SO AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE PROGRAM BONDS, THE DEPARTMENT WILL HAVE NO OBLIGATION OR RESPONSIBILITY TO DTC, PARTICIPANTS OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES, WITH RESPECT TO PAYMENT TO OR PROVIDING OF NOTICE TO SUCH PARTICIPANTS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES.

**Discontinuation of Book-Entry-Only System**

In the event that the book-entry-only system is discontinued by DTC or the Department, the following provisions will be applicable to the Program Bonds. Program Bonds may be exchanged for an equal aggregate principal amount of Program Bonds in other Authorized Denominations of the same interest rate upon surrender thereof at the applicable corporate trust office of the Trustee with a duly executed assignment in form satisfactory to the Trustee. The transfer of any Program Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender of such Program Bond to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or transfer of registration of Program Bonds, the Department and the Trustee may make a charge sufficient to reimburse them for any tax, fee, or other governmental charge required to be paid with respect to such exchange or registration of transfer, as well as the fee, if any, charged by the Trustee for the transfer or exchange. The Trustee will not be required to transfer or exchange any Program Bond for a period of 15 days next preceding an interest payment date on such Program Bonds or next preceding any selection of Program Bonds to be redeemed or thereafter until after mailing of any notice of redemption on any Program Bonds called for redemption, or transfer or exchange any Program Bonds called for redemption. The Department and the Trustee may treat the person in whose name a Program Bond is registered as the absolute owner thereof for all purposes of the Trust Indenture regardless of any notice to the contrary. If any Program Bond is not presented for payment when the principal or the redemption price therefor becomes due, and if moneys sufficient to pay such Program Bond (or the portion thereof called for redemption) or such interest, as is applicable, have been deposited under the Trust Indenture, all liability of the Department to the owner thereof for the payment of such Program Bonds (or portion thereof) or such interest, as applicable, will be discharged, and thereupon it shall be the duty of the Trustee to hold such money for the benefit of the owner of the applicable Program Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Trust Indenture or on or with respect to, such principal, redemption price and/or interest. Money not claimed within three years will be turned over to the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), in accordance with Title 6, Texas Property Code.

## SECURITY FOR THE BONDS

### Pledge of Trust Indenture

The Pre-Conversion Bonds will be secured by funds on deposit in the Escrow Fund, which will be invested in Permitted Escrow Investments. The Bonds, including the Program Bonds, are, unless subordinated, equally and ratably secured by the Trust Indenture for the equal benefit, protection and security of the owners of the Bonds, each of which, regardless of time of issuance or maturity, is to be of equal rank without preference, priority or distinction, except as otherwise provided in the Trust Indenture.

The principal or redemption price of and interest on all Bonds are payable solely from and are secured by a pledge of and lien on the Trust Estate established pursuant to the Trust Indenture, which consists primarily of the following:

(a) Mortgage Certificates and the Revenues derived by the Department therefrom, including the scheduled principal payments thereof and interest payments thereon, principal prepayments, and payments made by GNMA, Freddie Mac or Fannie Mae, as the case may be, pursuant to their respective guaranties of the Mortgage Certificates (see "APPENDIX C-1 -- GNMA AND THE GNMA CERTIFICATES," "APPENDIX C-2 -- FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES," and "APPENDIX C-3 -- FANNIE MAE AND THE FANNIE MAE CERTIFICATES");

(b) the Mortgage Loans and the Revenues derived by the Department therefrom, including the scheduled principal and interest payments, principal prepayments, and payments made with respect to FHA insurance or VA or RDA guaranty or Supplemental Mortgage Security;

(c) the moneys and Investment Securities held in the various Funds established by the Trust Indenture and the investment earnings thereon (see "Investment of Funds" below) but excluding the Rebate Fund and Cost of Issuance Fund; and

(d) such other Revenues and security pledged by the Department from time to time as security for the Bonds.

For purposes of the Trust Indenture, "Revenues" means (i) all amounts paid or required to be paid with respect to principal and interest or otherwise from time to time on the Mortgage Loans and Mortgage Certificates, including Mortgage Loan Principal Payments, and including any such amounts held by persons collecting such amounts on behalf of the Department, after deducting any fees required to be paid for accounting, collection and other services required in connection with servicing of the Mortgage Loans (including any servicing fees and guaranty fees of GNMA, Freddie Mac and Fannie Mae); (ii) all interest received on or profits derived from investing moneys or securities held in the Funds and paid or to be paid into the Revenue Fund; and (iii) any other income, revenues or receipts of the Department which are defined by a Supplemental Indenture as Revenues and pledged to the Trustee as part of the Trust Estate pursuant to a Supplemental Indenture. The term "Revenues," however, does not include fees paid to Mortgage Lenders to service Mortgage Loans; payments made in order to obtain or maintain primary mortgage insurance or guaranties with respect to one or more Mortgage Loans; payments made in order to obtain or maintain fire or other hazard insurance with respect to Mortgage Loans; payments required to be made with respect to Mortgage Loans for taxes, other governmental charges and other similar charges customarily required to be escrowed on mortgage loans; commitment fees; or amounts required to be paid or credited to a borrower or to the United States of America pursuant to applicable federal income tax laws and regulations.

The Department has covenanted in the Trust Indenture to enforce diligently, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans, including the prompt payment of all amounts due the Department thereunder. The Department has further covenanted not to release the obligation of any borrower under any Mortgage Loan, except upon the execution of a valid and enforceable assumption agreement as permitted by the Trust Indenture, and at all times, to the extent permitted by law, to defend, enforce, preserve and protect the rights and privileges of the Department and of the Bondholders under or with respect to each Mortgage Loan. The Department reserves the right to settle a default on any Mortgage Loan on such terms as are consistent with the Cashflow Statement most recently filed with the Trustee. The Department may not amend or modify any Mortgage Loan if it will materially impair or materially adversely affect the rights or security of the Bondholders except for amendments and modifications made in connection with settling any default on any Mortgage Loan which are consistent with the Cashflow Statement most recently filed with the Trustee, or in connection with a refinancing of a Mortgage Loan.

**The Program Bonds are limited obligations of the Department and are payable solely from the Revenues and funds pledged for the payment thereof as more fully described herein. Neither the State nor any agency of the State, other than the Department, nor the United States of America nor any agency, department or other instrumentality thereof, including GNMA, Freddie Mac, and Fannie Mae, is obligated to pay the principal or redemption price of, or interest on, the Program Bonds. Neither the faith and credit nor the taxing power of the State or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. GNMA, Freddie Mac and Fannie Mae guarantee only the payment of the principal of and interest on the GNMA Certificates, Freddie Mac Certificates and Fannie Mae Certificates, respectively, when due and do not guarantee the payment of the Program Bonds or any other obligations issued by the Department.**

**Mortgage Insurance**

The Trust Indenture requires that all Mortgage Loans must be secured by Mortgages, subject to certain permitted encumbrances, on one-to-four family residences located in the State. Mortgage Loans (i) shall be insured by the FHA under the National Housing Act of 1934, as amended (other than Section 245 thereof), guaranteed by the RDA under the Cranston-Gonzales National Affordable Housing Act of 1990 or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended; or (ii) shall have (or have had at the time each was made) a principal balance not exceeding 80% of the purchase price or appraised value on the date of purchase, whichever is lower, of the mortgaged property, or be insured to the extent of any such excess by a private mortgage insurance company acceptable to each Rating Agency. See "APPENDIX B -- SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS."

**Supplemental Mortgage Security**

The Trust Indenture requires that each Mortgage Loan be further secured by Supplemental Mortgage Security, if any, as directed in the Supplemental Indenture authorizing the Series of Bonds used to purchase such Mortgage Loan. Information concerning Supplemental Mortgage Security, including Mortgage Certificates and 1987A Mortgage Loans, is contained in "APPENDIX B -- SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS", "APPENDIX C-1 -- GNMA AND THE GNMA CERTIFICATES" "APPENDIX C-2 -- FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES" and "APPENDIX C-3 -- FANNIE MAE AND THE FANNIE MAE CERTIFICATES."

**Cashflow Statement and Asset Test**

The Department is required to deliver periodically a "Cashflow Statement" prepared or verified by a nationally-recognized firm experienced in preparing mortgage revenue bond cashflows, comparing estimates of Revenues with the debt service requirements and Department Expenses with respect to Outstanding Bonds, which Cashflow Statement must demonstrate the sufficiency of such Revenues to pay scheduled debt service on the Bonds and Department Expenses at their respective requirements under each of the scenarios required by the Rating Agencies. Under the terms of the Trust Indenture, such Cashflow Statements must incorporate certain assumptions concerning Mortgage Loan Principal Prepayments, reinvestment rates, expenses and certain other assumptions as required by the Rating Agencies. The Cashflow Statement is required to be prepared (i) upon the issuance of a Series of Bonds; (ii) upon the adjustment of the interest rate or rates on a Series of Bonds, unless otherwise required by the applicable Series Supplement; (iii) upon the purchase or redemption of Bonds other than as assumed in the Cashflow Statement most recently filed with the Trustee; (iv) upon the application of Mortgage Loan Principal Payments other than as assumed in the Cashflow Statement most recently filed with the Trustee; (v) upon the application of amounts in the Residual Revenues Fund other than as assumed in the Cashflow Statement most recently filed with the Trustee; (vi) at such times, if any, as may be required by a Supplemental Indenture; and (vii) not later than two and one-half years after the date of filing of the most recent Cashflow Statement. The Department, at its option, may file a revised or amended Cashflow Statement with the Trustee at any time.

The Department has covenanted in the Trust Indenture that it will not make, acquire, refinance or sell Mortgage Loans or Mortgage Certificates or purchase or redeem Bonds, including the Program Bonds, or take certain other actions permitted under the Trust Indenture, unless such actions are consistent with the assumptions set forth in its most recent Cashflow Statement.

Moneys held under the Trust Indenture in excess of the amounts required by the Asset Test (hereinafter described) may, at the written direction of the Department accompanied by a Cashflow Statement, be transferred to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture. In general, the Asset Test is deemed satisfied if the outstanding principal balance of the Mortgage Loans and Mortgage Certificates and money and Investment Securities held in all Funds (other than the Cost of Issuance Fund, Expense Fund, Rebate Fund and any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans) is at least equal to 102% of the principal amount of Bonds Outstanding. See "THE TRUST INDENTURE -- Residual Revenues Fund."

**Prior Bonds**

In addition to the Program Bonds to be issued, twenty-nine series of Prior Bonds have been issued pursuant to the Master Indenture and twenty-nine separate Series Supplements. As of August 31, 2009, $337,570,000 in aggregate principal amount of such Prior Bonds were Outstanding in the following principal amounts:

| Series | Original Issue Amount | Bonds Outstanding |
|---|---|---|
| 1998 Series A/B | $ 116,355,000 | $ 37,935,000 |
| 1999 Series A | 25,615,000 | 4,045,000 |
| 2000 Series A | 50,000,000 | 13,965,000 |
| 2000 Series B/C/D/E | 124,915,000 | 53,540,000 |
| 2001 Series A/B/C/D/E | 155,125,000 | 43,685,000 |
| 2002 Series A/B | 116,965,000 | 26,655,000 |
| 2003 Series A | 73,630,000 | 55,140,000 |
| 2009 Series A/B | 102,605,000 | 102,605,000 |
| TOTAL | $ 662,605,000 | $ 337,570,000 |

For a more detailed description of the Prior Bonds, please refer to "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES."

**Mortgage Loans and Mortgage Certificates**

Since the inception of the Department's Residential Mortgage Revenue Bond Program, the Department has foreclosed on approximately 52 Mortgage Loans having an aggregate outstanding principal balance, at the time of foreclosure, of $2,585,312. The Department does not continue to hold title to property securing any of such Mortgage Loans. In an effort to maximize its return on real estate owned by the Department as a result of foreclosures, the Department has entered into a contract with outside contractors to manage, maintain and arrange for sales, in conjunction with real estate brokers, of such real estate owned. For a detailed examination of the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, please refer to "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES." Unless otherwise specified, all information is as of August 31, 2009.

**Investment of Funds**

Moneys in the Mortgage Loan Fund, the Revenue Fund, the Residual Revenues Fund, and the Self-Insurance Fund will be invested by the Texas Treasury Safekeeping Trust Company pursuant to the Depository Agreement in Investment Securities. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY." Moneys in the Interest Fund, the Principal Fund, Rebate Fund, and the Special Redemption Fund will be held and invested by the Trustee, upon the direction of the Department, in Investment Securities. Moneys in the Cost of Issuance Fund, the Expense Fund and the Special Mortgage Loan Fund will be held by the Department and invested, if at all, in accordance with the Department's investment policy. Moneys held or invested in all Funds and accounts (except for the Rebate Fund and Cost of Issuance Fund) under the Trust Indenture are for the equal and ratable benefit of all owners of the Bonds.

The following table summarizes certain information as of August 31, 2009 (except that information relating to the Program Bonds is as of the date of delivery thereof), regarding yields (calculated on the basis of stated maturity) on existing investments (valued at par) within the Float Fund (as defined in Footnote 1 below) in connection with outstanding Prior Bonds and the Program Bonds:

| Fund or Account | Approximate Amount Invested (Par Value) | Interest Rate | Investment Maturity Date | Investment Security/Investment Agreement Provider [(2)] |
|---|---|---|---|---|
| Float Fund[(1)] | | | | |
| Series 1998A/B | $5,847,697.19 | 5.040% | 1/1/2031 | CDC Funding Corp GIC |
| Series 1999B/C/D | 2,123,425.00 | Variable | Daily | Paribas Corp. Repurchase Agreement |
| Series 2000A | 1,335,221.29 | 6.510% | 7/1/2031 | Trinity Funding GIC |
| Series 2000B/C/D/E | 2,757,576.85 | Variable | Daily | Paribas Corp. Repurchase Agreement |
| Series 2001A/B/C/D/E | 1,967,049.77 | Variable | Daily | Paribas Corp. Repurchase Agreement |
| Series 2002A/B | 733,672.35 | 4.200% | 4/1/2034 | Transamerica Life Insurance GIC |
| Series 2003A | 1,163,267.36 | Variable | Daily | Paribas Corp. Repurchase Agreement |
| Series 2009A/B | 3,801,593.66 | Variable | Daily | AIM Mutual Fund |

(1) Float Fund includes the Revenue Fund, Principal Fund, Interest Fund, Special Redemption Fund, Expense Fund, Service Release Premium Fund, and Residual Revenue Fund.

(2) "GIC" means guaranteed investment contract.

Proceeds of the Program Bonds deposited into the Escrow Fund will be invested in Permitted Escrow Investments.

The ability of the Department to make timely payments of principal of and interest on the Program Bonds and the Prior Bonds, could be affected if the parties to the various investment agreements for the Program Bonds or the Prior Bonds do not honor their obligations thereunder to repay such moneys and the interest thereon at the times and rates set forth in the respective investment agreements.

The Department has adopted an investment policy (the "Investment Policy") which applies to all financial assets of the Department. The Investment Policy's objectives, in the order of priority, are as follows: (1) safety of principal, (2) sufficient liquidity to meet Department cashflow needs, (3) achievement of a market rate of return on investments, and (4) conformance with all applicable State statutes, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. With respect to bond proceeds, the Investment Policy provides that such proceeds should be invested in accordance with the applicable law, in particular the Public Funds Investment Act and as permitted by the applicable trust indenture.

## Additional Bonds

Various series of Bonds, including refunding Bonds, may be issued as provided in the Trust Indenture on a parity with the Bonds of all other Series, secured by a pledge of and lien on the Trust Estate. As a condition to the issuance of additional Bonds, including refunding Bonds, the Department must deliver various items to the Trustee including an opinion of Bond Counsel to the effect that, among other things, the series of Bonds is validly issued in accordance with the Trust Indenture and the Act. The Department must also deliver to the Trustee a Cashflow Statement which gives effect to the issuance of such additional Bonds as described above under "Cashflow Statement and Asset Test" and a written confirmation from each Rating Agency that the issuance of Bonds of each Series will not adversely affect the rating then in effect on any Outstanding Bonds (determined without regard to any Credit Facility). The Department has reserved the right to adopt one or more other bond indentures and to issue other obligations payable from sources other than the Trust Estate or, payable from the Trust Estate, including the Revenues, if the pledge of and lien on the Trust Estate and the Revenues is junior to or subordinate to the pledge of and lien on the Trust Estate and the Revenues.

## Sale of Mortgage Certificates and Mortgage Loans

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate, in whole or in part, or any of the rights of the Department with respect to any Mortgage Loan or Mortgage Certificate, in whole or in part, free and clear of the lien of the Trust Indenture, but only if a Cashflow Statement establishes that such sale, assignment, transfer or other disposition will not adversely affect the ability of the Department to pay when due the principal or redemption price of and interest on the Bonds and the Rating Agency shall have confirmed that such sale, assignment, transfer or other disposition will not have an adverse affect on the rating then in effect on the Bonds. The Department may also sell any Mortgage Loan, Mortgage Certificate or other obligation evidencing or securing a Mortgage Loan if it is necessary for the Department to take such action in order to maintain the exclusion of interest from gross income for federal income tax purposes on any of the Bonds.

## Special Mortgage Loans

Special Mortgage Loans are mortgage loans which otherwise meet the requirements of the Code applicable to mortgage loans financed with the proceeds of qualified mortgage bonds. Special Mortgage Loans will be funded from moneys transferred from the Revenue Fund to the Special Mortgage Loan Fund in amounts, if any, specified in the Cashflow Statement and necessary to maintain the tax-exempt status of the related Bonds. Special Mortgage Loans will be pledged as additional security for the Bonds, but are not expected to satisfy the Mortgage Loan requirements under the Trust Indenture and may be forgiven upon payment of the related Bonds.

## ASSUMPTIONS AND RISKS

### Assumptions

On the basis of the Cashflow Statement prepared in connection with the issuance of the Program Bonds, the Department expects that the scheduled payments, together with Mortgage Loan Principal Prepayments received, if any, of the principal of and interest on the Mortgage Loans and the Mortgage Certificates and amounts held under the Trust Indenture and the earnings thereon, will be sufficient to pay the principal or redemption price of and interest on the Program Bonds and all other Prior Bonds Outstanding when due. In arriving at the foregoing conclusions, the Department has included all Bonds but has not considered the issuance of additional Bonds or the application or investment of the proceeds thereof. Since obligations issued under the Trust Indenture, unless subordinated, will rank equally and ratably with the Program Bonds and the Prior Bonds with respect to the security afforded by the Trust Indenture, the availability of money for repayment thereof could be significantly affected by the issuance, application and investment of proceeds of additional Bonds.

The maturities of and mandatory sinking fund installments of the Program Bonds have been established on the basis of the consolidated scheduled payments of the Mortgage Loans (including Mortgage Certificates), under the Trust Indenture. The interest rates on the Mortgage Loans acquired with moneys made available upon the issuance of the Program Bonds will be established so that, together with payments of principal of and interest on the Mortgage Loans and the Mortgage Certificates outstanding under the Trust Indenture and moneys on deposit in the various funds and accounts under the Trust Indenture (as well as income derived from investments thereof), sufficient Revenues will be expected to be available to pay on a timely basis the principal of and interest on all Bonds outstanding under the Trust Indenture, including the Program Bonds and certain other amounts required to be paid under the Trust Indenture. Such expectation is based on, among others, the following assumptions:

(a) moneys held in the Mortgage Loan Fund, the Revenue Fund and the Residual Revenues Fund will be invested at the rates per annum applicable to each (a portion of the earnings from which may be subject to rebate to the United States Department of Treasury), and timely payments will be made to the Trustee of amounts due under such investments;

(b) the payments on the Mortgage Loans (including the Mortgage Certificates) will be made in full and received by or on behalf of the Department on the 30th day following their scheduled payment dates;

(c) the Mortgage Lenders, the servicers, and the Master Servicers will perform their duties in a timely manner;

(d) all future expenses with respect to the Bonds and administering and servicing the Mortgage Loans, including the Trustee's fees and payment of Department Expenses, will be paid in full on a timely basis from interest paid on the Mortgage Loans and the Mortgage Certificates and investment income on funds held by the Trustee;

(e) all of the lendable proceeds of the Program Bonds will be used to purchase Mortgage Certificates representing Mortgage Loans with terms of thirty (30) years that will provide for payment of principal and interest in approximately equal monthly installments; and

(f) the proceeds of the Program Bonds will be used to provide for the purchase of Mortgage Certificates, of which 95% are projected to be GNMA Certificates.

The Department makes no assurances that the foregoing assumptions can be realized. In particular, the Department establishes the interest rates on the Mortgage Loans (including Mortgage Certificates) on an ongoing basis as the Department deems necessary and appropriate, subject to the requirements of the Trust Indenture, including the Cashflow Statement. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and the Department's cost of funds.

**Uncertainties in Financial Markets**

Instability in the mortgage markets associated with downward pressure on the housing market and capital markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to: lenders, servicers, mortgage insurers, Fannie Mae and Freddie Mac. These pressures may have an adverse impact on transaction participants and their ability to conduct business. The Department can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if so how these conditions might impact the ability of such participants to perform their obligations under the Program.

HERA established on July 30, 2008 the Federal Housing Finance Agency ("FHFA"), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae and Freddie Mac. Pursuant to authority granted under HERA, on September 7, 2008, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorship under the direction of FHFA. In addition, Treasury announced three companion initiatives. First, to ensure the likelihood that Fannie Mae and Freddie Mac maintain positive net worth, Treasury executed a senior preferred stock purchase agreement with both Fannie Mae and Freddie Mac pursuant to which Treasury agreed to purchase up to $100 billion of preferred stock in each of Fannie Mae and Freddie Mac. Second, to improve credit availability, Treasury agreed, until December 31, 2009, to make secured short term loans to Fannie Mae and Freddie Mac. Finally, to promote stability of the mortgage market, Treasury agreed to temporarily purchase mortgage backed securities from Fannie Mae and Freddie Mac. The Department cannot predict the long term consequences of the federal takeover of these entities and the corresponding impact on the participants and the Program.

**Risk of Default on Loans**

Mortgage Loans originated with loan to value ratios in excess of eighty percent (80%) are required to be insured or guaranteed by a private mortgage insurer or by FHA, VA or USDA/RD RDA. Under the Program, the 2009 Mortgage Loans will be securitized as 2009 Mortgage Certificates guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae, or Freddie Mac. See "APPENDIX F-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES" for information relating to the Department's mortgage loan portfolio. Although a certain portion of Mortgage Loans are covered with various forms of insurance, guarantees or homeowner equity, there can be no assurance that losses incurred in connection with defaults on the Mortgage Loans will not exceed the levels of protection in place or that the providers of such insurance or guarantees will pay in accordance with their obligations under the insurance policies or guarantees. If losses result on the underlying Mortgage Loans and if the providers of guarantees under the Mortgage Certificates do not pay in accordance with their obligations, the ability of the Trustee to pay principal and interest on the Program Bonds may be adversely affected. For certain information about GNMA and the GNMA Certificates, Freddie Mac and the Freddie Mac Certificates and Fannie Mae and the Fannie Mae Certificates, see APPENDIX C-1, APPENDIX C-2 and APPENDIX C-3, respectively.

### Availability of Remedies

The remedies available to the owners of the Program Bonds upon an Event of Default under the Trust Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Trust Indenture and the various Program Documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Program Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity which permit the exercise of judicial discretion.

## THE DEPARTMENT

### General

The Department, a public and official governmental agency of the State of Texas (the "State") and a body corporate and politic, was created pursuant to and in accordance with Chapter 2306, Texas Government Code, as amended from time to time (together with other laws of the State applicable to the Department, the "Act"). The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to the Department. One of the purposes of the Department is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State. Pursuant to the Act, the Department may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Department.

The Department is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act") and its continued existence is subject to a review process that resulted in passage of legislation in the Seventy-Eighth Legislative Session in 2003 which continues the Department in existence until September 1, 2011, at which time it will again be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act that the State will not limit or alter the rights vested in the Department to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

**Governing Board**

The Department is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office-holder must be a Board member) to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

C. KENT CONINE, Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires January 31, 2015.

GLORIA L. RAY, Vice Chair and Board Member. Chief of Resources Management Division, Kelly Air Force Base, Retired. Her term expires January 31, 2011.

TOM GANN, Board Member. President, Gann Medford Real Estate, a commercial and residential real estate brokerage firm. His term expires January 31, 2015.

LESLIE BINGHAM-ESCARENO, Board Member. Chief Executive Officer of Valley Baptist Medical Center-Brownsville. Her term expires January 31, 2013.

JUAN SANCHEZ MUNOZ, PhD, Board Member. Associate Professor of Education at Texas Tech University and Associate Director of the Texas Tech University College of Education, Center for Research on Leadership and Education. His term expires January 31, 2013.

LOWELL A. KEIG, Board Member. General Counsel for Youth and Family Center Services, Inc. His term expires January 31, 2013.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Any Board member whose term has expired or tender resignation continues to serve until his or her successor has been appointed.

**Administrative Personnel**

The Act provides that the Department is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Department and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Department, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Department's bonds.

Currently, the Department has 329 employees. The following is a biographical summary of certain of the Department's senior staff members who have responsibility with respect to single-family housing matters.

MICHAEL G. GERBER, Executive Director. On April 13, 2006, the TDHCA Board selected Michael G. Gerber as Executive Director. Mr. Gerber began service at the Department on May 17, 2006. Before joining the Department, Mr. Gerber has served as an Advisor to Texas Governor Rick Perry in the Governor's Office of Budget, Policy, and Planning. From January 2003-October 2004, Mr. Gerber served in the Bush Administration at the U.S. Department of Housing and Urban Development, first as a Senior Advisor to the Assistant Secretary for Public and Indian Housing, and later as a Senior Advisor to the Assistant Secretary for Policy Development and Research. Mr. Gerber served as a Legislative Assistant to U.S. Senator Kay Bailey Hutchison from 1997-2001, and as a Special Assistant for State Projects to U.S. Senator Phil Gramm from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and an MBA from Marymount University.

WILLIAM DALLY, Chief of Agency Administration. Mr. Dally initially joined the Department on the Internal Audit staff in May 1994. On May 1, 1999, Mr. Dally was promoted to the position of Chief Financial Officer after serving as the Department's Controller since January 1996. Mr. Dally is presently responsible for the Department's management of fiscal affairs, including budgets and financial reporting. Mr. Dally earned a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin, and is a Certified Public Accountant. Prior to his employment with the Department, Mr. Dally was a Senior Auditor with the firm of KPMG Peat Marwick and worked primarily with governmental entities.

MATTHEW M. POGOR, Director of Bond Finance. Matt Pogor joined the Department as Bond Compliance and Disclosure Manager on October 4, 1994. On February 1, 2001, Mr. Pogor was promoted to the position of Bond Finance Project Manager. Mr. Pogor assumed the position of Acting Director of Bond Finance on May 15, 2006 and became the Director of Bond Finance on November 16, 2006. He is responsible for the development and administration of the Department's Single Family Mortgage Revenue Bond Program and the Department's Commercial Paper Program. Mr. Pogor also oversees ongoing compliance monitoring and disclosure requirements related to the Department's investments and single family and multifamily bond programs. Mr. Pogor earned a Bachelor of Business Administration degree in Management with a minor in Accounting from St. Edwards University in Austin, Texas. Prior to employment with the Department, Mr. Pogor was a Project Manager for IBM in Austin. Mr. Pogor has announced his retirement, which will be effective December 18, 2009.

ERIC PIKE, Director of the Texas Homeownership Program. He began his career at the Agency with the Community Development Block Grant Program (CDBG) prior to joining the Single Family Lending Division. He served as manager of the Single Family Mortgage Revenue Bond Program for 2 years, overseeing the program's primary vehicle, the Texas First Time Homebuyer Program. He was appointed director of the division in 2002. Additionally, he is responsible for the administration of the Texas Statewide Homebuyer Education Program (TSHEP) and the Department's Mortgage Credit Certificate Program. Mr.

Pike received his Bachelor of Business Administration in Finance and his Masters of Business Administration in Business Management from St. Edward's University in Austin.

JEFFREY T. PENDER, Acting General Counsel. Mr. Pender came to the Department in February, 2007 as its Deputy General Counsel and was appointed Acting General Counsel in September 2009. Mr. Pender is board certified in administrative law by the Texas Board of Legal Specialization. Before joining the Department Mr. Pender represented the staff of the Texas Public Utility Commission before the State Office of Administrative Hearings in several major electric deregulation hearings and the subsequent transition cost securitization proceedings. He has represented other state agencies before administrative tribunals and in state and federal courts. After graduating from law school he served three years as an administrative law judge for the Railroad Commission of Texas. Mr. Pender is a 1992 graduate of the University of Houston Law Center and has a Master's degree in Geology from Wright State University.

## THE PROGRAM

The Department has established a single family mortgage purchase program ("Program") pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State by eligible borrowers. The component of the Program relating to the Program Bonds ("Program 76") will be structured at such time as the proceeds of the Program Bonds are released from escrow in connection with the issuance of Market Bonds. It is further expected that the Department will contract with Bank of America, N.A. to act as the Master Servicer for Program 76.

## THE TRUST INDENTURE

### General

The Trust Indenture, which includes the Master Indenture and each of the Series Supplements and amendments thereto relating to the Bonds, contains various covenants and security provisions, certain of which are summarized below. In addition, the Trust Indenture contains requirements for the purchase of Mortgage Loans and certain covenants with respect to applicable provisions of federal income tax law. See "TAX MATTERS." Reference should be made to the Trust Indenture, a copy of which may be obtained from the Department, for a full and complete statement of its provisions.

### Funds and Accounts

The following Funds have been established under the Master Indenture: Mortgage Loan Fund; Cost of Issuance Fund; Revenue Fund; Interest Fund; Principal Fund; Special Redemption Fund; Residual Revenues Fund; and Expense Fund and the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement. The Series Supplements create within each Fund separate accounts for each Series or related Series of Bonds. The accounts so created do not grant a priority of one Series of Bonds over that of any other Series of Bonds, but are for accounting purposes only. In addition, the Thirtieth Series Supplement establishes an account within each Fund and an additional fund designated as the Program Bonds Escrowed Proceeds Fund (the "Escrow Fund").

### Escrow Fund

The proceeds of the Program Bonds and the Shortfall Amount will be deposited and retained in the Escrow Fund for application as set forth in the Thirtieth Series Supplement. The proceeds of the Program Bonds and the Shortfall Amount will be retained in the Escrow Fund until the requirements described in "THE PROGRAM BONDS – Release and Conversion" hereof are satisfied or until applied to the redemption of the Program Bonds. If the Trustee receives a Certificate of Adverse Change, all the proceeds of the

Program Bonds, together with the Shortfall Amount, will be retained in the Escrow Fund until either (i) the written waiver as described in "THE PROGRAM BONDS – Redemption Provisions – Special Redemptions – Pre-Conversion Bonds – Withdrawal of Closing Certificates" is delivered or (ii) the Program Bonds are redeemed as provided in the described provision. The Escrowed Proceeds and the Shortfall Amount held in the Escrow Fund will be pledged exclusively to the repayment of the Program Bonds unless and until there is a default under the Trust Indenture, in which case such funds will be applied as required by the Trust Indenture. While such proceeds are held in the Escrow Fund, such proceeds may only be invested in Permitted Escrow Investments. Upon the satisfaction of the conversion requirements referenced above and to the extent provided therein, the released Escrowed Proceeds will be transferred to such fund or account as the Department may direct the Trustee.

Proceeds of Program Bonds issued as taxable bonds under the Thirtieth Series Supplement may not be released from the Escrow Fund unless and until there is delivered to the Trustee and the GSEs the opinion of Bond Counsel described herein under "THE PROGRAM BONDS – Release and Conversion– Release Requirements."

**Mortgage Loan Fund**

The Trustee is required to apply amounts in the Mortgage Loan Fund to pay the costs of making, acquiring, or refinancing Mortgage Loans, including the acquisition of Mortgage Certificates, including accrued interest thereon, if so directed in a Letter of Instructions from the Department. Any such disbursements are required to be within the certificate purchase period relating to the particular Series of Bonds. The Trustee is required to transfer amounts in the Mortgage Loan Fund relating to an account established for each Series of the Bonds to the Special Redemption Fund at the end of each Mortgage Loan origination period for such Series to pay the redemption price of Bonds of each Series to be redeemed or the purchase price of Bonds to be purchased. To the extent required by the provisions of the Master Indenture summarized below under the subheading "Withdrawals from Funds to Pay Debt Service", amounts in the Mortgage Loan Fund may be applied to the payment of principal or redemption price of and interest on the Bonds.

**Cost of Issuance Fund**

Amounts credited to the Cost of Issuance Fund may be applied to pay Costs of Issuance. If at any time amounts on deposit in the Cost of Issuance Fund are in excess of the amounts reasonably required to pay Costs of Issuance, the Department may transfer such excess to the Mortgage Loan Fund or the Revenue Fund.

**Revenue Fund**

All Revenues are required to be deposited into the Revenue Fund promptly upon receipt by the Department. Prior to the transfer of any other amount from the Revenue Fund, the Department may transfer from the Revenue Fund an amount equal to any rebatable arbitrage to the Rebate Fund. On or before each interest payment date on the Bonds which occurs other than on a January 1 or July 1, the Trustee will transfer from the Revenue Fund to the Interest Fund an amount which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date.

On or before each January 1 and July 1, and each date fixed for the redemption of Bonds, the Trustee is required to transfer amounts on deposit in the Revenue Fund representing Mortgage Loan Principal Payments at the Department's direction or as required by a Series Supplement to either the Principal Fund, the Mortgage Loan Fund, or the Special Redemption Fund. Pursuant to the Master Indenture and the Series Supplements, the Trustee is required to transfer all scheduled Mortgage Loan Principal Payments relating to a

Series of Bonds, to the Principal Account established for such Series of Bonds, and to transfer all Mortgage Loan Principal Prepayments relating to a Series of Bonds to the Special Redemption Account for such Series of Bonds. Notwithstanding the foregoing sentence, the Department may direct the applications of such Mortgage Loan Principal Payments and Mortgage Loan Principal Prepayments otherwise within six months of receipt of such amounts by a Letter of Instructions accompanied by a Cashflow Statement. The Trustee also must transfer from the Revenue Fund the other amounts on deposit therein in the following order of priority:

(a) first, to the Interest Fund, an amount, if any, which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date or redemption date;

(b) second, to the Principal Fund, an amount which, when added to any amounts already on deposit therein, will equal the principal amount of all Bonds maturing on such interest payment date and the redemption price of all Bonds becoming subject to scheduled mandatory redemption on such redemption date;

(c) third, to the Expense Fund, the amount or amounts specified in the Series Supplements applicable to the Bonds then Outstanding as being necessary to pay Department Expenses consisting of amounts to be paid to obtain or maintain Supplemental Mortgage Security;

(d) fourth, to the Expense Fund, the amount then required for the payment of Department Expenses (other than as described in clause (c) above), but not in excess of the maximum amount specified in the applicable Series Supplements applicable to the Bonds then Outstanding;

(e) fifth, to the Special Mortgage Loan Fund, the amount, if any, specified in the most recent Cashflow Statement as required by the Series Supplement to maintain the tax-exempt status of the Bonds; and

(f) finally, to the Residual Revenues Fund, the portion, if any, of the amount remaining in the Revenue Fund on such July 1, January 1, or redemption date after the foregoing transfers, which the Department directs to be so transferred.

**Interest Fund and Principal Fund**

The Trustee is required to pay out of the Interest Fund by each interest payment date or date fixed for redemption of Bonds, the amount required for the interest payment due on such date. The Trustee is required to pay out of the Principal Fund by each date on which Bonds mature or become subject to scheduled mandatory redemption, the amount required for the payment of the principal amount of Bonds maturing and the redemption price of the Bonds subject to scheduled mandatory redemption on such date.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Statement, is required to apply amounts available in the Principal Fund to pay the purchase price of Bonds.

**Special Redemption Fund**

Amounts in the Special Redemption Fund are required to be applied by the Trustee to pay the redemption price of the Bonds becoming subject to redemption (other than by scheduled mandatory redemption) or, at the direction of the Department, may be transferred to the Revenue Fund if notice of redemption has not been given or such amounts have not been committed to the purchase of Bonds.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Statement, is required to apply amounts available in the Special Redemption Fund to pay the purchase price of Bonds.

**Expense Fund**

Amounts in the Expense Fund may be paid out from time to time by the Department for Department Expenses, taxes, insurance, foreclosure fees, including appraisal and legal fees, security, repairs and other expenses incurred by the Department in connection with the protection and enforcement of its rights in any Mortgage Loan and the preservation of the mortgaged property securing such Mortgage Loans. Excess amounts in the Expense Fund may be transferred to the Revenue Fund at the direction of the Department.

**Residual Revenues Fund**

During such time as the Department is not meeting the asset test described in the next paragraph (the "Asset Test"), amounts in the Residual Revenues Fund are required to be retained in the Residual Revenues Fund or transferred to the Mortgage Loan Fund or the the Special Redemption Fund, as directed by a Letter of Instructions from the Department accompanied by a Cashflow Statement or, in the absence of such instructions, as may be required by the applicable Series Supplements.

The Department will be deemed to have met the Asset Test if: (i) the Department has on file with the Trustee a Cashflow Statement giving effect to a transfer and release proposed as described in the next paragraph; and (ii) as of the date of such Cashflow Statement, the sum of the outstanding principal balance of the Mortgage Loans and the Mortgage Certificates, and the money and Investment Securities (valued at their amortized values as required by the Trust Indenture) held in all Funds (other than the Cost of Issuance Fund, the Expense Fund and any mortgage pool self-insurance reserve established by the Department with respect to the Mortgage Loans) is at least equal to 102% of the aggregate principal amount of Bonds then Outstanding.

If at any time the Department meets the Asset Test, the Trustee is required to apply amounts in the Residual Revenues Fund (in excess of those required to be maintained under the Trust Indenture in order to permit the Department to continue to meet the Asset Test) as follows: (i) the Trustee is required to transfer such amounts to the Mortgage Loan Fund or the Special Redemption Fund or remit such amounts to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture, if so directed by a Letter of Instructions from the Department; or (ii) in the absence of such instructions, the Trustee is required to retain such amounts in the Residual Revenues Fund.

**Special Mortgage Loan Fund**

As a result of the issuance of the Series 1998/1999A Bonds, the Tenth Series Supplement established a 1998/1999A Special Mortgage Loan Fund as a separate fund pledged (unless withdrawn to make Special Mortgage Loans) to and available for payment of debt service on the Bonds. In the event of any shortfall in funds available to pay any debt service on the Bonds, the Depository shall, upon the request of the Trustee, transfer to the Trustee from the 1998/1999A Special Mortgage Loan Fund any amount necessary to provide sufficient funds to pay the amount then due and owing. Moneys on deposit in the 1998/1999A Special Mortgage Loan Fund may be withdrawn by the Department for the purpose of acquiring from mortgage lenders Special Mortgage Loans (including participations therein).

**Rebate Fund**

Funds on deposit in the Rebate Fund are required to be withdrawn periodically by the Department and set aside to pay any amounts required to be rebated to the United States under applicable provisions of federal income tax law.

**Withdrawals from Funds to Pay Debt Service**

If on any interest payment date on the Bonds, after giving effect to the transfers from the Revenue Fund described above, the amount in the Interest Fund or the Principal Fund is less than the amount required to make interest and principal payments then due, the Trustee shall transfer from the following Funds in the following order of priority the amount of such deficit and apply such amount to pay interest and principal as necessary: (i) Residual Revenues Fund; (ii) Special Redemption Fund; and (iii) Mortgage Loan Fund.

None of the following are deemed available under the Trust Indenture for the payment of debt service on the Bonds: (i) the moneys in the Special Redemption Fund which are to be used to redeem Bonds as to which notice of redemption has been given or committed to the purchase of Bonds; (ii) moneys in the Mortgage Loan Fund which are to be used to make, acquire, or refinance Mortgage Loans with respect to which the Department has entered into commitments with borrowers, Mortgage Lenders or others; or (iii) Mortgage Loans credited to the Mortgage Loan Fund.

**Investments**

Moneys in the Escrow Fund are required to be invested in Permitted Escrow Investments. Moneys held in the Mortgage Loan Fund, the Revenue Fund, the Capitalized Interest Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, and the Residual Revenues Fund are required to be invested and reinvested by the Trustee or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department and moneys held in the Cost of Issuance Fund and the Expense Fund are required to be invested and reinvested by the Department or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department, to the fullest extent practicable and if permitted by the Act, in Investment Securities the principal of which the Department estimates will be received not later than such times as will be necessary to provide moneys when needed for payments to be made from each such Fund. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY."

Interest earned from investing any moneys in any Fund or profits realized from any investments in any Fund are required to be retained in such Fund until it contains the amount required by the Trust Indenture to be deposited therein; thereafter such earnings and profits, net of any losses (except that which represents a return of accrued interest paid in connection with the purchase by the Department, the Trustee or any Depository of any investment), are required to be transferred to the Revenue Fund.

**Other Department Covenants**

The Department is required to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries must be made of its transactions in accordance with generally accepted accounting principles. The Department is required to file annually, within 180 days after the close of each Bond Year, with the Trustee, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an accountant's certificate, including the following statements in reasonable detail: a statement of financial position as of the end of such Bond Year; and a statement of Revenues and Department Expenses for such Bond Year. The Department at all times is required to appoint, retain and employ competent personnel for the purpose of carrying out its programs and must establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Department must be qualified for their respective positions.

As long as the Program Bonds are Outstanding, the Department is required to submit to the GSEs (i) quarterly and annual financial statements of the Department and for the Trust Indenture, (ii) information and certifications with respect to any default or Event of Default under the Trust Indenture, (iii) disclosure statements released to the general public which disclose such matters as financial statements and mortgage portfolio information relating to the Trust Indenture, (iv) notice of the occurrence of any material event of default by any counterparty to certain documents related to Parity Debt, (v) copies of notices of resignation or removal of the Trustee given by the Department, (vi) copies of amendments to the Trust Indenture, certain documents related to Parity Debt and disclosure documents relative to the Program Bonds, (vii) copies o disclosure documents in connection with the issuance of indebtedness issued under the Trust Indenture, (viii) rating letters, cash flow certificates, annual and material events filings under the Continuing Disclosure Agreement, compliance certificates, (ix) notice of any extraordinary payment or transfer of funds from the Trust Indenture, and (x) such other information required or requested by the GSEs.

**Events of Default**

Each of the following events is an "Event of Default" under the Trust Indenture: (i) default in the due and punctual payment of the principal or redemption price of any Bond when due; (ii) default in the due and punctual payment of any installment of interest on any Bond when due; (iii) default by the Department in the performance or observance of any other of its covenants, agreements, or conditions in the Trust Indenture or in the Bonds, and the continuance of such default for a period of 60 days after written notice thereof to the Department by the Trustee or to the Department and to the Trustee by the owners of not less than 10% in principal amount of the Bonds then Outstanding; or (iv) the commencement of various proceedings involving the Department in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, state or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the Department or for all or a substantial part of its property, and unless commenced by or consented to by the Department, their continuation for 90 days undismissed or undischarged.

**Bondholders' Rights in the Event of Default**

If an Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must, by written notice delivered to the Department, declare the principal of the Bonds then Outstanding and the interest accrued thereon immediately due and payable; subject, however, to the right of the owners of more than 50% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Department and to the Trustee, to annul such declaration and destroy its effect at any time if all Events of Default, other than those arising from nonpayment of principal or interest due solely as a result of such acceleration, have been cured. Such annulment will not extend to nor affect any subsequent Event of Default nor impair or exhaust any right or power consequent thereon.

If any Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must: (i) by mandamus or other suit, action or proceeding at law or in equity require the Department to perform its covenants, representations and duties under the Trust Indenture; (ii) bring suit upon the Bonds; (iii) by action or suit in equity require the Department to account as if it were the trustee of a trust for the owners of the Bonds; (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or (v) take such other steps to protect and enforce its rights and the rights of the owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power granted in the Trust Indenture or for the enforcement of any other appropriate legal or equitable remedy.

If any Event of Default occurs and is continuing, then the Trustee may, and upon written request by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, must, proceed by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee deems most effectual to protect and enforce any of its rights or the rights of the Bondholders under the Trust Indenture.

**Application of Proceeds**

The proceeds received by the Trustee in case of an Event of Default, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, are required to be applied in order, as follows:

(a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee;

(b) to the payment of the interest and principal then due on the Bonds, as follows:

(i) unless the principal of all the Bonds has become or has been declared due and payable, to the payment to the persons entitled thereto of: first, all installments of interest then due, in order of maturity, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and second, the unpaid principal or redemption price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amount or redemption price due on such date, without any discrimination or preference; and

(ii) if the principal of all the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the 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 over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(c) to the payment of the amounts required for reasonable and necessary Department Expenses.

**Trustee**

The Bank of New York Mellon Trust Company, N.A., is currently the Trustee for all Series of Bonds issued under the Trust Indenture.

The Department is required to pay reasonable compensation to the Trustee, any Depositories and any paying agent (other than the GNMA Paying Agent) for all services rendered under the Trust Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and for the performance of their powers and duties under the Trust Indenture.

The Trustee may be removed, with or without cause, if so requested by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. In addition, the Trustee may be removed, with or without cause, at any time (unless an Event of Default has occurred and is continuing) by resolution of the Governing Board of the Department; provided, that all holders of Bonds be given notice of such action and the Department shall not have received, within 60 days after such notice, written objections to such action by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. The Trustee may also resign, upon appropriate notice. In either event, a successor is required to be appointed. Any successor Trustee must be a bank or trust company or national banking association doing business and having its principal office in the State, and having capital stock and surplus aggregating at least $75,000,000, which is willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed on its by the Trust Indenture.

As long as the Program Bonds are Outstanding, no successor Trustee under the Trust Indenture may be appointed under the Trust Indenture without written notice to the Notice Parties and without the prior written consent of the GSEs, which consent will not be unreasonably withheld.

**Depositories**

The Department may appoint one or more depositories to hold all or a designated portion of the moneys and investments subject to the lien and pledge of the Trust Indenture (other than moneys and securities required to be held in the Interest Fund, the Principal Fund and the Special Redemption Fund). Any depository appointed by the Department must be: (i) the Comptroller of Public Accounts, as successor to the State Treasurer of the State of Texas, acting by and through the Texas Treasury Safekeeping Trust Company; or (ii) a bank or trust company organized under the laws of the United States or any state thereof and having capital stock and surplus of at least $50,000,000 which the Department determines to be capable of properly discharging its duties in such capacity and which is acceptable to the Trustee. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY."

All moneys and securities deposited with any Depository under the provisions of the Trust Indenture are required to be held in trust for the Trustee or the Department, as applicable, and the Bondholders, and may not be applied in any manner that is inconsistent with the provisions of the Trust Indenture.

Any Depository may at any time resign and be discharged of its duties and obligations under the Trust Indenture by giving at least 60 days' written notice to the Department and the Trustee. Any Depository may be removed at any time by the Department by resolution of the Governing Board of the Department.

**Supplemental Indentures without Consent of Bondholders**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered by the Department and the Trustee, without the consent of any Bondholders: (i) to authorize Bonds of a Series and to specify the matters relative to such Bonds which are not contrary to or inconsistent with the Trust Indenture; (ii) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Indenture; (iii) to insert such provisions clarifying matters or questions arising under the Trust Indenture as are necessary or desirable and are not contrary to or inconsistent with the Trust Indenture as theretofore in effect; (iv) to grant to or confer upon the Trustee for the benefit of the Bondholder any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Trustee; (v) to close the Trust Indenture against, or provide limitations on, the delivery of Bonds; (vi) to add to the covenants of the Department in the Trust Indenture other covenants which are not inconsistent with the Trust Indenture; (vii) to add to the restrictions in the Trust Indenture other restrictions to be observed by the Department which are not inconsistent with the Trust Indenture; (viii) to surrender any right, power or privilege reserved to or conferred upon the Department by the terms of the Trust Indenture that is not inconsistent with the Trust Indenture; (ix) to confirm the subjection to any lien or pledge created by the Trust Indenture of the Trust Estate or any other moneys; (x) to modify any of the provisions of the Trust Indenture in any other respect, effective only after all Bonds of any Series Outstanding at the date of adoption of such Supplemental Indentures shall cease to be outstanding; (xi) to amend the Trust Indenture to permit its qualification under the Trust Indenture Act of 1939 or any state blue sky law; (xii) to add to the definition of Investment Securities in accordance with the provisions of such definition; or (xiii) to make any other change in the Trust Indenture which does not, in the opinion of the Trustee, materially and adversely affect the rights of the holders of the Bonds.

**Amendment of Trust Indenture with Consent of Bondholders**

The Department and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Trust Indenture, but only with the prior written consent of the holders of at least 2/3 in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 2/3 in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, the consent of the holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Trust Indenture. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture may permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (i) a change in the terms of maturity or redemption of any Bond or of any installment of interest thereon; (ii) a reduction in the principal amount or redemption price of any Bond or in the rate of interest thereon; (iii) the creation of a lien on or a pledge of the Revenues or any part thereof, other than the lien and pledge of the Trust Indenture or as permitted by the Trust Indenture: (iv) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (v) a reduction in the aggregate principal amount or classes of Bonds of which the consent of the holders is required to effect any such modification or amendment. For the purposes of the Trust Indenture, a Series is deemed to be affected by a modification or amendment of the Trust Indenture if the same adversely affects or diminishes the rights of the owners of Bonds of such Series. The Trustee is required to determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series would be affected by any modification or amendment of the Trust Indenture and any such determination will be binding and conclusive on the Department and all holders of Bonds.

As long as the Program Bonds remain Outstanding, the provisions of the Trust Indenture, the Thirtieth Series Supplement or any other Related Document may not be amended without the prior written consent of the GSEs; provided, however, that the consent of the GSEs shall not be required with respect to supplements entered into solely for the purpose of providing for the issuance of a series of Bonds pursuant to the Trust Indenture, except as provided in the Thirtieth Series Supplement. With respect to Trust Indenture amendments, the determination of the GSEs as to the materiality of an amendment shall be controlling.

**Defeasance**

If the Department pays irrevocably or causes to be paid irrevocably, or there otherwise is paid, to the owners of all Bonds the principal amount or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Indenture, then the pledge of the Trust Estate under the Trust Indenture and all covenants, agreements and other obligations of the Department to the Bondholders, will thereupon terminate.

Bonds or interest installments for the payment or redemption of which moneys are held in trust by the Trustee or any paying agent at the maturity or redemption date thereof will be deemed to have been paid within the meaning of the Trust Indenture. In addition, all Outstanding Bonds of any Series will be deemed to have been paid within the meaning of the Trust Indenture if: (i) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Department has given to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date; (ii) there has been deposited with the Trustee or any paying agent either moneys in an amount which are sufficient, or Government Obligations not subject to redemption prior to the maturity thereof, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or any paying agent at the same time, are sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (iii) in the event said Bonds are not to be redeemed within the next succeeding 60 days, the Department has given the Trustee irrevocable instructions to give a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee or paying agent and that said Bonds are deemed to have been paid in accordance with the Trust Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds.

Any moneys held for the payment of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption must, at the written request of the Department, be repaid to the Department, free from trust, and the Bondholders thereafter may look only to the Department for the payment of such Bonds.

## TEXAS TREASURY SAFEKEEPING TRUST COMPANY

The Department has entered into a Depository Agreement relating to the Bonds (the "Depository Agreement"), by and among the Department, the Trustee, and the Treasurer of the State of Texas (now, the Comptroller of Public Accounts of the State of Texas), acting by and through the Texas Treasury Safekeeping Trust Company, a limited purpose corporate trust company organized under the laws of the State (the "Trust Company"). Pursuant to the Depository Agreement, the Trust Company will hold all moneys and securities required to be credited to all Funds (other than the Principal Fund, Interest Fund, Special Redemption Fund, Special Mortgage Loan Fund, Rebate Fund, Cost of Issuance Fund and the Expense Fund). All money and securities required by the Trust Indenture to be credited to such Funds are required to be remitted to the Trust Company from time to time by the Department and the Trustee. The Trust Company is required to remit amounts from the appropriate accounts held by it to the Trustee at such times as are necessary to pay the principal or redemption price of and interest on the Bonds when due. Moneys held in the accounts held by the Trust Company are required to be invested by the Trust Company pursuant to instruction from the Department as described herein under "THE TRUST INDENTURE --Investments." The Trust Company is required to hold all moneys and securities delivered to it under the Depository Agreement in trust for the benefit of the Department, the Trustee and the owners of the Bonds.

The Department has agreed to pay the Trust Company an amount sufficient to reimburse the Trust Company for its actual costs of performing its duties under the Depository Agreement. The Department has the right to remove the Trust Company as Depository under the Depository Agreement at any time by filing a written notice with the Trustee and the Trust Company to that effect. The Trust Company may resign as Depository under the Depository Agreement by giving at least 60 days' written notice to the Department and the Trustee of its determination to resign. Upon any such removal or resignation, the Trust Company is required to deliver all moneys and securities held by it under the Depository Agreement to its successor thereunder, or, if there is no successor, to the Trustee.

## TAX MATTERS

### Taxable Bonds

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("Owners") of the Program Bonds during such time that the interest on the Program Bonds is not excludable from gross income for federal tax purposes under existing law (the "Taxable Bonds"). This discussion is based upon the Code, applicable Treasury Regulations promulgated and proposed thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Owners cannot be assured that the Internal Revenue Service (the "Service") will not challenge one or more of the tax consequences described herein, and neither the Department nor Bond Counsel has obtained, nor does the Department or Bond Counsel intend to obtain, a ruling from the Service with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Taxable Bonds. This summary is limited to Owners who purchase the Taxable Bonds for cash at their "issue price" (which will be the first price at which a substantial portion of the Taxable Bonds is sold for cash to persons other than bondholders, brokers or similar persons or organizations acting in the capacity of underwriter, placement agents, or wholesalers) and who hold the Taxable Bonds as capital assets within section 1221 of the Code (generally property held for investment).

This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, or Owners whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar, or to an Owner that might have purchased the Taxable Bonds in circumstances that would give rise to original interest discount, acquisition premium, market discount or amortizable premium. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Taxable Bonds. Investors who are subject to special provisions of the Code should consult their own tax advisors regarding the tax consequences to them of purchasing, holding, owning and disposing of the Taxable Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Taxable Bonds.

The Code generally defines a "United States person" as (i) an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, and any state thereof or the District of Columbia or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source and (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Taxable Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Any Owner of the Taxable Bond that is a partner of a partnership that will hold Taxable Bonds should consult its tax advisor.

This discussion does not address any tax considerations arising under the laws of any foreign, state, local or other jurisdiction.

### *In General*

Interest on a Taxable Bonds generally will be taxable in each year the Taxable Bond is held by the Owner as ordinary income without regard to the time it otherwise accrues or is received in accordance with such Owner's regular method of accounting for U.S. federal income tax purposes.

### *Payments of Interest*

Stated interest paid on each Taxable Bond will generally be taxable in each tax year held by an Owner as ordinary interest income without regard to the time it otherwise accrues or is received in accordance with the Owner's method of accounting for federal income tax purposes.

### *Disposition or Retirement*

Upon the sale, exchange or certain other dispositions of a Taxable Bond, or upon the retirement of a Taxable Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference, if any, between the Owner's adjusted tax basis in the Taxable Bond and the proceeds the Owner receives, excluding any proceeds attributable to accrued interest, which will be recognized as ordinary interest income to the extent the Owner has not previously included in the accrued interest income.

The proceeds an Owner receives will include the amount of any cash and the fair market value of any other property received for the Taxable Bond. An Owner's tax basis in the Taxable Bond will generally equal the amount the Owner paid for the Taxable Bond. The gain or loss will be long-term capital gain or loss if the Owner held the Taxable Bond for more than one year. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced tax rate. The deductibility of capital losses may be subject to limitation.

### *Information Reporting and Backup Withholding*

Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, the Taxable Bonds held by an Owner, and backup withholding may apply unless such Owner provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the Owner's actual U.S. federal income tax liability and such Owner timely provides the required information or appropriate claim form to the Service.

### *Treasury Circular 230 Disclosure*

THE TAX DISCUSSION SET FORTH ABOVE WAS WRITTEN TO SUPPORT THE SALE OF THE TAXABLE BONDS AND IS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER BY THE INTERNAL REVENUE SERVICE IN RESPECT OF FEDERAL INCOME TAXES. NO LIMITATION HAS BEEN IMPOSED BY BOND COUNSEL ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF THE TAXABLE BONDS. BOND COUNSEL WILL RECEIVE A NON-REFUNDABLE FEE CONTINGENT UPON THE SUCCESSFUL SALE OF THE TAXABLE BONDS, BUT NOT CONTINGENT ON ANY TAXPAYER'S REALIZATION OF TAX BENEFITS FROM THE TAXABLE BONDS. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON SUCH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THIS DISCLOSURE IS PROVIDED TO COMPLY WITH TREASURY CIRCULAR 230.

IN ADDITION, THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE TAXABLE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

**Tax-Exempt Bonds**

The Indenture provides that the Program Bonds may be converted from the Short-Term Rate to the Permanent Rate subject to the terms and conditions set forth in the Indenture and related documents, which conditions include that Bond Counsel deliver an opinion, dated as of the applicable Release Date, that interest payable on the Program Bonds to be converted is excludable from gross income for federal income tax purposes under existing law. **In connection herewith and with the issuance of the Taxable Bonds, Bond Counsel expresses no opinion with respect to its ability to render such an opinion on the applicable Release Date.** If Bond Counsel delivers such an opinion on the Release Date and all or a portion of the Taxable Bonds are reissued as bonds the interest of which is excludable from gross income for federal income tax purposes ("*Tax-Exempt Bonds*"), the provisions of this "TAX MATTERS – Tax-Exempt Bonds" section, subject to any changes of law up to the applicable Release Date, will apply to such Tax-Exempt Bonds as of such Release Date.

***Tax Exemption***

In connection with the conversion of the Program Bonds, assuming all conditions and requirements have been met for such bonds to qualify as tax-exempt, Bond Counsel expects to issue an opinion substantially to the effect that (i) interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Tax-Exempt Bonds is not (A) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (B) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Tax-Exempt Bonds, to be excludable from gross income for federal income tax purposes. These requirements include the various mortgage eligibility, arbitrage, targeted area, recapture, use of proceeds and information reporting requirements discussed more fully below under the caption "Federal Income Tax Requirements."

Bond Counsel's opinion will assume continuing compliance with the procedures, safeguards and covenants of the Master Servicer and the covenants of the Department in the Trust Indenture and the Program documents pertaining to those sections of the Code that affect the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes, and in addition, will rely on representations by the Department, the Master Servicer, and the Mortgage Lenders with respect to matters solely within the knowledge of the Department, the Master Servicer, and the Mortgage Lenders, respectively, which representations Bond Counsel has not independently verified. If the Department, a Mortgage Lender, or the Master Servicer fails to comply with such procedures, safeguards and covenants or if such representations should be determined to be inaccurate or incomplete, interest on the Tax-Exempt Bonds could become includable in gross income from the date of original delivery thereof, regardless of the date on which the event causing such includability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Bonds, received or accrued during the year.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of, the Tax-Exempt Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Tax-Exempt Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Department as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds regardless of the ultimate outcome of the audit.

***Collateral Tax Consequences***

Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Tax-Exempt Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Tax-Exempt Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Bonds, received or accrued during the year.

***Federal Income Tax Requirements***

***General***

Sections 103 and 143 of the Code and applicable regulations thereunder provide that the interest on bonds the proceeds of which are used directly or indirectly to finance owner-occupied residences, will not be excludable from gross income for federal income tax purposes unless such bonds (i) are "qualified mortgage bonds;" (ii) are issued in fully registered form; (iii) are not "federally guaranteed" and (iv) are not "arbitrage bonds" within the meaning of the Code. "Qualified mortgage bonds" are bonds that are part of an issue meeting the following requirements: (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve fund) are to be used to finance owner-occupied residences with mortgages that satisfy certain mortgage eligibility requirements, as set forth more fully below under the subheading "Mortgage Eligibility Requirements;" (ii) a specified portion of the lendable proceeds of such issue must be made available for a minimum period of time for owner financing of residences located within certain targeted areas, as described more fully below under the subheading "Targeted Area Requirement;" (iii) certain arbitrage limitations described more fully below under the subheading "Requirements Related to Arbitrage" must be satisfied; (iv) certain reporting requirement as set forth more fully below under the subheading "Reporting Requirements" must be satisfied; and (v) certain requirements for informing mortgagors regarding the recapture of a portion of the proceeds from the disposition of certain residences as described more fully below under the subheading "Recapture Requirements" must be satisfied.

In addition, to be "qualified mortgage bonds," the costs of issuance financed by an issue of bonds cannot exceed two percent (2%) of the proceeds of such issue. Further, the amount of such an issue of bonds, other than certain refunding bonds, when added to the amount of all other private activity bonds issued within the State during calendar year 2010 must not exceed the unified volume cap for private activity bonds imposed by the Code and applicable regulations. An allocation of the unified volume cap is not required for refunding bonds if the maturity date of the refunding bond is not later than the date 32 years after the date on which the refunded bond was issued (or in the case of a series of refundings, the date on which the original bond was issued) and to the extent that the amount of such refunding bond does not exceed the outstanding amount of the refunded bond.

The Department has covenanted in the Trust Indenture that it will take all actions necessary in order to comply with each of the foregoing requirements.

***Targeted Area Requirement***

The Code requires that either (a) an amount equal to at least twenty percent (20%) of the lendable proceeds of an issue of qualified mortgage bonds or (b) an amount equal to forty percent (40%) of the average annual aggregate principal amount of mortgages executed during the immediately preceding three calendar years for single family owner occupied residences in the targeted area, if such amount is less, must be reserved, for at least one year from the date such proceeds are first made available to purchase mortgage loans, for the purchase of mortgage loans to provide financing for residences located within one or more targeted areas ("Targeted Area Residences"), which consist of (i) census tracts identified by the United States Treasury Department as having a substantial concentration of lower-income persons, (ii) areas of chronic economic distress designated by the State and approved by HUD or (iii) Gulf Opportunity Zones created pursuant to the Gulf Opportunity Zone Act of 2005 until December 31, 2010, unless extended and as effective with respect to the Tax-Exempt Bonds. The State, at the request of the Department, has designated and HUD and the Secretary of the Treasury have approved, certain "areas of chronic economic distress" within the State. In addition, the Department has determined that there are "qualified census tracts" within the State. The Department initially has reserved 20% of the lendable proceeds of the Tax-Exempt Bonds for Targeted Area Residences. Further, the Department has covenanted to attempt with reasonable diligence to place such proceeds in qualified mortgages.

***Mortgage Eligibility Requirements***

The Code contains six basic mortgage eligibility requirements that must be met at the time a mortgage is executed or assumed.

<u>Residence Requirement</u>. The Code requires that each home financed by a mortgage loan be a single-family residence which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided.

<u>First-time Homebuyer Requirement</u>. The Code requires that at least ninety-five percent (95%) of the net proceeds of an issue used to provide owner-financing must be used to finance residences of mortgagors who have not had a present ownership interest in any principal residence during the three-year period prior to

execution of the mortgage loan; provided, however, that the three-year requirement does not apply (i) to loans to finance Targeted Area Residences, (ii) in the case of land possessed under a contract for deed by a mortgagor whose principal residence is located on such land and whose family income is not more than fifty percent (50%) of the area median family income (the "Contract for Deed Exception"), (iii) to loans to certain qualified veterans, or (iv) to loans to refinance a mortgage on a residence that was originally financed by the mortgagor through a qualified subprime loan, as defined in Section 143(k)(12) of the Code ("Qualified Subprime Loans"). For purposes of the Contract for Deed Exception, the term "contract for deed" means a seller-financed contract for the conveyance of land under which legal title does not pass to the purchaser until the consideration under the contract is fully paid to the seller, and the seller's remedy for nonpayment is forfeiture rather than judicial or nonjudicial foreclosure.

New Mortgage Requirement. No part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage. Thus, all of the lendable proceeds of an issue must be used to provide new mortgages to persons who did not have an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for (i) the replacement of construction period loans, bridge loans or other similar temporary initial financing having a term not exceeding 24 months, (ii) certain residences described within the Contract for Deed Exception, and (iii) the refinancing of Qualified Subprime Loans pursuant to Section 143(k)(12) of the Code.

Purchase Price Limitations. The Code requires that the purchase price of the residence may not exceed ninety percent (90%) of the average area purchase price applicable to such residence, or, in the case of residences in certain targeted areas, one-hundred ten percent (110%) of the applicable average area purchase price. The Service has published "safe harbor rules" identifying purchase price limitations in the State that are considered to be in compliance with the requirements of the Code. The Department has determined to rely on the safe harbor figures for purposes of the Tax-Exempt Bonds. For purposes of refinancing Qualified Subprime Loans, the purchase price of the residence is the market value of the residence at the time of such refinancing.

Income Requirements. The Code requires that all the mortgage loans financed with the proceeds of an issue be provided to borrowers whose family income does not exceed 115% (100% in the case of individuals or families of two) of the greater of the statewide median income or the median income of the area in which the residence is located (140% and 120%, respectively, in the case of such loans for Targeted Area Residences).

Requirements as to Assumptions of Mortgages. The Code provides that a mortgage loan may be assumed only if the assuming mortgagor complies with the residence requirement, first-time homebuyer requirement, purchase price limitations and income requirements, as if the loan were being made to the assuming mortgagor for the first time.

***Requirements Related to Arbitrage***

Sections 143 and 148 of the Code provide that: (i) the effective interest rate on the mortgage loans financed with the proceeds of an issue of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125 percentage points; (ii) no more than 10% of the proceeds of a series of bonds may be invested in a reserve fund; (iii) no more than the lesser of 5% of the proceeds of a series of bonds or $100,000 (other than amounts invested for certain temporary periods or in a "reasonably required reserve fund") may be invested at a yield materially higher than the yield on such bonds; and (iv) the amount of funds held in certain accounts (other than amounts held for certain temporary periods) for a series of bonds invested at a yield greater than the yield on such bonds may not exceed 150% of the current year's debt service on such bonds appropriately reduced as mortgage loans are prepaid. In calculating the effective interest rate on the mortgages, all amounts borne by the mortgagor either directly or indirectly must be taken into account.

The Code also requires the issuer to pay to the Treasury certain investment earnings on non-mortgage investments, to the extent that such investment earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the yield on the Tax-Exempt Bonds to which such non-mortgage investments relate.

***Requirements Related to Qualified Subprime Loans***

The proceeds of qualified mortgage bonds used to refinance Qualified Subprime Loans must be so used within twelve months from the date of issue of the bonds.

***Reporting Requirements***

An issuer of qualified mortgage bonds is required to file with the Secretary of the Treasury an informational report containing various data regarding such bonds.

***Redemption Requirements***

The Code contains two redemption requirements that must be satisfied in order for an issue of bonds to be treated as "qualified mortgage bonds."

The Code requires all proceeds of an issue of qualified mortgage bonds in an amount of $250,000 or more that are not expended to finance residences within 42 months of the date of issuance of such bonds must be used within such 42-month period to redeem bonds that are part of such issue of bonds; provided that all proceeds of an issue of qualified mortgage bonds representing private activity bond volume cap made available pursuant to HERA in an amount of $250,000 or more that are not expended to finance residences within 12 months of the date of issuance of such bonds must be used within such 12-month period to redeem bonds.

The Code requires that all amounts of $250,000 or more that are received by the issuer and represent complete repayments of mortgage loans or prepayments of principal of mortgage loans must be used to redeem bonds of the same issue not later than the close of the first semiannual period beginning after the date the prepayment or complete repayment is received.

***Recapture Requirements***

The Code subjects to a tax any mortgagor who disposes of an interest in a residence with respect to which there is or was any federally-subsidized indebtedness (i.e., a mortgage loan) made after December 31, 1990, and the payment for which indebtedness the taxpayer was liable in whole or in part. Specifically, such a mortgagor is subject to the payment of an additional tax reflecting the "recapture amount" with respect to such indebtedness. This recapture amount is determined pursuant to a formula established in the Code based on the "federally-subsidized amount" and certain family income limits applicable to the mortgagor. This recapture provision does not apply to any disposition of an interest in a residence by reason of death or any such disposition which is made more than ten years after the date the mortgage loan is made.

In order to facilitate the collection of the recapture amount from mortgagors, the Code requires that the issuer of any issue of qualified mortgage bonds, at the time of settlement of a mortgage loan, provide a written statement informing the mortgagor of the potential recapture under the Code. Furthermore, the Code requires that the issuer, not later than 90 days after the date each such mortgage is provided, provide a written statement to the mortgagor specifying the federally-subsidized amount with respect to such mortgage loan and the applicable income limits.

The Department, the Mortgage Lenders, and the Master Servicer have covenanted to comply with these information requirements.

***Compliance with Tax Requirements***

The Code provides that the arbitrage and certain other requirements are deemed to be met if the issuer attempts in good faith to meet such requirements and any failure to meet such requirements is due to inadvertent error. With respect to the mortgage eligibility requirements, however, the Code provides that such requirements are deemed to be met only if: (i) the issuer attempts in good faith to meet such requirements by establishing reasonable procedures and making reasonable investigations before the mortgage loans were executed; (ii) at least 95% of the mortgages, by aggregate principal amount, meet all the mortgage eligibility requirements at the time of execution or assumption; and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered. In determining whether or not 95% of the mortgage loans satisfy the mortgage eligibility requirements, the issuer is entitled to rely upon affidavits of the mortgagors and sellers of residences financed with the mortgage loans and upon federal income tax returns of the mortgagors, even if the relevant information in such affidavits and returns ultimately proves to be false, unless the issuer knows or has reason to know that such information is false.

The Department has covenanted in the Trust Indenture and the Mortgage Lenders and the Master Servicer will covenant in the Program documents to comply with the above-described requirements of the Code as applied to the Tax-Exempt Bonds and to establish and follow procedures and safeguards sufficient to ensure compliance with such requirements. Nevertheless, if the Department, a Mortgage Lender, or the Master Servicer should fail to comply with such covenants, interest on the Tax-Exempt Bonds could become includable in gross income for federal income tax purposes from the date of issuance thereof, regardless of the date on which the event causing such includability occurs.

## CONTINUING DISCLOSURE OF INFORMATION

In the Continuing Disclosure Agreement, dated as of December 1, 2009 (the "Disclosure Agreement") between the Trustee and the Department, the Department has made the following agreement for the benefit of the holders and beneficial owners of the Program Bonds. The Department is required to observe the Disclosure Agreement for so long as it remains obligated to advance funds to pay the Program Bonds. Under the Disclosure Agreement, the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

No Eligible Borrower is an "obligated person" (as defined in Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Rule")) for whom financial information or operating data would be presented in the this Official Statement had such Eligible Borrower been known at the time of the offering of the Program Bonds.

### Annual Reports

The Department will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the Department of the general type included in this Official Statement under the headings "APPENDIX D-1 -AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE

FISCAL YEAR ENDED AUGUST 31, 2008" (financial statements for the last completed fiscal year will be unaudited, unless an audit is performed in which event the audited financial statements will be made available), "APPENDIX F-1 --ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES" and "APPENDIX F-2 --OTHER INDEBTEDNESS OF THE DEPARTMENT." The Department will update and provide this information within six months after the end of each Fiscal Year ending in or after 2009. The Department will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB").

The Department may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the Department commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Department will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D-1 or such other accounting principles as the Department may be required to employ from time to time pursuant to state law or regulation.

The Department's current Fiscal Year ends on August 31, 2010. Accordingly, it will provide updated information to the MSRB in the electronic format prescribed by the MSRB, if any, by the last day of February in the year 2011 and will be required to provide updated information to the MSRB by the last day of February in each year thereafter, unless the Department changes its Fiscal Year. If the Department changes its Fiscal Year, it will notify the MSRB of the change.

**Material Event Notices**

The Department will provide timely notices of certain events to certain information vendors. The Department will provide notice of any of the following events with respect to the Program Bonds, if such event is material to a decision to purchase or sell Program Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Program Bonds; (7) modifications to rights of securities holders; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Program Bonds; (11) rating changes; and (12) amendments to the Disclosure Agreement in connection with financial statements or operating data which the Department is required to disclose. In addition, the Department will provide timely notice of any failure by the Department to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Department will provide each notice described in this paragraph to the MSRB.

**Availability of Information from MSRB**

The Department has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Program Bonds only if the holders comply with the procedures and pay any charges that may be established by the MSRB such information vendors or obtain the information through securities brokers who do so.

**Limitations and Amendments**

The Department has agreed to update information and to provide notices of material events only as described above. The Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Program Bonds at any future date. The Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Disclosure Agreement or from any statement made pursuant to its Disclosure Agreement, although holders of Program Bonds may seek a writ of mandamus to compel the Department to comply with its Disclosure Agreement.

The Disclosure Agreement may be amended by the Department and the Trustee from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell any Program Bonds in the primary offering of the Program Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Disclosure Agreement that authorizes such an amendment) of the Outstanding Program Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Program Bonds. If the Department so amends the Disclosure Agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of any change in the type of financial information and operating data so provided. The Department may also amend or repeal the provisions of the Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling any Program Bonds in the primary offering of such Program Bonds.

Notwithstanding the foregoing, under current state law, the Department is required to have an audit performed annually by independent accountants, which audit is available to any person who makes a request to the Department and upon payment of the cost of copying thereof.

### Duties, Immunities and Liabilities of Trustee

The Trust Indenture is made applicable to the Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Trust Indenture. The Trustee shall have only such duties as are specifically set forth in the Disclosure Agreement, and no implied covenants shall be read into the Disclosure Agreement against the Trustee.

### Compliance with Prior Continuing Disclosure Agreements

The Department has not failed to comply with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

## RATINGS

Moody's Investors Service, Inc. ("Moodys") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned ratings to the Program Bonds of "Aaa" and "AAA," respectively. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings do not represent recommendations to buy, sell, or hold the Program Bonds. The ratings reflect only the respective views of such organizations at the time such ratings were assigned and the Department makes no representation as to the appropriateness of the ratings.

There is no assurance that any ratings assigned to the Program Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Program Bonds.

## FINANCIAL ADVISOR

RBC Capital Markets Corporation (the "Financial Advisor") is employed by the Department as an independent financial advisor in connection with the issuance of the Program Bonds and, in such capacity, has responsibility primarily for providing the Department with information on interest rates, reoffering prices and underwriting fees on similar financings being sold under current market conditions. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## FINANCIAL STATEMENTS

The financial statements of the Texas Department of Housing and Community Affairs Revenue Bond Enterprise Fund as of and for the fiscal year ended August 31, 2008 included in Appendix D-1 in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

The financial data as of and for the fiscal year ended August 31, 2009 has been derived from the unaudited internal records of the Department. The Department's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

THE PROGRAM BONDS ARE SECURED ONLY BY THE ASSETS AND REVENUES DESCRIBED UNDER THE CAPTION "SECURITY FOR THE BONDS" AND NOT BY ANY OTHER SOURCE.

## LITIGATION MATTERS

The Department is expected to deliver a certificate upon the closing and delivery of the Program Bonds stating that there is no controversy or litigation of any nature pending or, to its knowledge, threatened to restrain or enjoin the issuance or delivery of the Program Bonds, or in any way contesting or affecting the validity of the Program Bonds, the Trust Indenture, or any proceedings of the Department taken with respect to the issuance or sale of the Program Bonds, or the existence or powers of the Department insofar as they relate to the authorization, sale and issuance of the Program Bonds or such pledge or application of moneys and security.

## LEGALITY FOR INVESTMENT

The Act provides that all obligations issued by the Department are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies of all kinds and types, fiduciaries, trustees, guardians, and the sinking and other public funds of the State, cities, towns, villages, counties, school districts, and other political subdivisions and public agencies of the State.

The Act also provides that all obligations issued by the Department are eligible and lawful security for all deposits of public funds of the State and all public agencies to the extent of the par or market value thereof, whichever is greater.

To the extent that the Program Bonds constitute "collateralized mortgage obligations that have a stated final maturity of greater than 10 years" within the meaning of the Texas Public Funds Investment Act, the Program Bonds are not an "authorized investment" for a state agency, a local government, or other investing entity subject to the provisions of the Public Funds Investment Act.

No representation is made that the Program Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Department has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Program Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Program Bonds for such purposes.

## APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Program Bonds are subject to the approving opinion of Vinson & Elkins L.L.P., Bond Counsel. Certain legal matters incident to the issuance of the Program Bonds are subject to the approving opinion of the Attorney General of Texas. Certain legal matters will be passed upon for the Department by its Acting General Counsel, Jeff Pender, Esq., and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P.

In its capacity as Bond Counsel, Vinson & Elkins L.L.P. has reviewed the information appearing in this Official Statement describing the Program Bonds, the security therefor and the federal income tax status thereof, particularly the information appearing under "THE PROGRAM BONDS" (but excluding the information contained therein under the subheading "DTC and Book-Entry"), "SECURITY FOR THE BONDS" (but excluding the information set forth under the subheadings "Prior Bonds," "Mortgage Loans and Mortgage Certificates" and "Investment of Funds"), "THE PROGRAM, " "THE TRUST INDENTURE," "TEXAS TREASURY SAFEKEEPING TRUST COMPANY," "TAX MATTERS," "LEGALITY FOR INVESTMENT," "APPROVAL OF LEGALITY" and in APPENDIX A and APPENDIX E to this Official Statement, solely to determine whether such information fairly and accurately describes or summarizes the provisions of the Act, the laws of the State, the Trust Indenture, the Thirtieth Series Supplement, the Depository Agreement, the Program Bonds and the federal tax implications with respect to the Program Bonds. Bond Counsel was not requested to participate and did not take part in the preparation of any other information contained herein and did not assume responsibility with respect thereto or undertake independently to verify the accuracy of any of such information. Except as set forth above, Bond Counsel does not pass upon the fairness, accuracy or completeness of this Official Statement, and no person is entitled to rely upon such firm's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

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## ADDITIONAL INFORMATION

Certain provisions of the Act and the Trust Indenture are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive. The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Program Bonds that there has been no change in the affairs of the Department from the date hereof.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. 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 fact. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or owners of any of the Program Bonds.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: /s/ C Kent Conine
Chair and Member
Governing Board

By: /s/ Michael C. Gerber
Executive Director

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## APPENDIX A

## GLOSSARY

Unless otherwise provided in the text of this Official Statement, capitalized terms used in this Official Statement shall have the following definitions:

"Act" shall mean the Chapter 2306, Government Code, as amended from time to time (together with other laws of the State applicable to the Department).

"Administrator" shall mean U.S. Bank National Association, as administrator pursuant to that certain Administration Agreement by and among U.S. Bank National Association, Fannie Mae and Freddie Mac and concerning the administration of the Housing Finance Agency Initiative announced by Treasury on October 19, 2009, together with its successors and assigns in such capacity.

"Agency" shall mean the Texas Housing Agency, all of whose functions and obligations (including Bonds previously issued under the Trust Indenture) along with the functions and obligations of the Texas Department of Community Affairs were transferred to the Department pursuant to the Act, which abolished both the Agency and the Texas Department of Community Affairs.

"Authorized Denominations" shall mean $5,000 and integral multiples thereof and, for purposes of initial issuance and redemption of Program Bonds, $10,000 or any integral multiple of $10,000 in excess thereof.

"Authorized Representative of the Department" shall mean the Executive Director of the Department or any other employee or officer or member of the Governing Board of the Department authorized to perform specific acts or duties by resolution duly adopted by the Governing Board of the Department, a copy of which shall be filed with the Trustee.

"Board" shall mean the Governing Board of the Department.

"Bond Counsel" shall mean nationally recognized bond counsel selected by the Department.

"Bond Rating" shall mean the long term credit rating (without regard to any bond insurance or any other form of credit enhancement on the Bonds) assigned to the Program Bonds or Parity Debt by each Rating Agency then providing its long term rating therefor. If more than one rating agency provides a rating, the "Bond Rating" is the lowest such rating.

"Bond Year" shall mean each twelve-month period that ends on December 31.

"Bonds" shall mean, unless subordinated, any bond or bonds, as the case may be, authenticated and delivered pursuant to the Trust Indenture.

"Business Day" shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State, or the city in which the payment office of the Paying Agent are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

"Cashflow Statement" shall mean a cashflow statement conforming to the requirements of the Trust Indenture.

"Certificate of Adverse Change" shall mean a written notice from or on behalf of the GSEs or the Department stating that one or more of the certificates or opinions required to be delivered by the Department pursuant to the Placement Agreement has been revised or withdrawn prior to the receipt by the Department of proceeds of the Program Bonds on the Settlement Date.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Conversion" or "Converting" or "Converted" shall mean the conversion or the converting of the interest rate on all or a portion of the Pre-Conversion Bonds from a Short-Term Rate to a Permanent Rate as described herein.

"Conversion Date" shall mean, with respect to all or a portion of Pre-Conversion Bonds that are converting to a Permanent Rate, the date two (2) months after the related Release Date; provided that there shall be no more than three (3) Conversion Dates.

"Converted Bonds" shall mean Program Bonds that have been through the process of Conversion.

"Costs of Issuance" shall mean the items of expense payable or reimburseable directly or indirectly by the Department and related to the authorization, sale, issuance and remarketing of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Fiduciaries; bond discounts; underwriting fees and remarketing fees; legal fees and charges; consulting fees and charges; auditing fees and expense; financial advisory fees; credit rating fees; initial amounts paid to obtain Supplemental Mortgage Security or a Credit Facility; fees and charges for execution, transportation and safekeeping of Bonds; and other administrative or other costs of issuing, carrying, repaying, and remarketing Bonds and investing the Bond proceeds and costs incurred in marketing or advertising the Program.

"Credit Facility" shall mean any credit facility securing payment of Bonds described in a Series Supplement.

"Debt" of any Person shall mean at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all debt of others secured by a lien on any asset of such Person, whether or not such debt is assumed by such Person, and (f) all Guarantees by such Person of debt of other Persons.

"Department" shall mean the Texas Department of Housing and Community Affairs and its successors and assigns.

"Department Expenses" shall mean the Department's expenses of carrying out and administering its powers, duties and functions in connection with mortgage loans and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; expenses for data processing, insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Fiduciaries; mortgage loan servicing fees; costs of issuance not paid from proceeds of bonds; payments to pension, retirement, health and hospitalization funds; amounts paid to obtain and maintain Supplemental Mortgage Security; and any other expenses required or permitted to be paid by the Department under the provisions of the Act, the Master Indenture and any Supplemental Indenture.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any bank or trust company appointed pursuant to the Trust Indenture and the Thirtieth Series Supplement to act as depository of certain moneys and investments.

"Escrow Fund" shall mean the Program Bonds Escrowed Proceeds Fund, which is created by the Thirtieth Series Supplement as a separate, noncommingled fund in which the Trustee will hold the Pre-Conversion Bond proceeds until the applicable Release Date or until such Pre-Conversion Bonds are redeemed.

"Escrowed Proceeds" shall mean the portion of the proceeds of the Pre-Conversion Bonds that, together with the Shortfall Amount, must be set aside in the Escrow Fund pending the related Release Date.

"Fannie Mae" shall mean the Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq.

"Fannie Mae Certificate" shall mean a guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security bearing interest at the applicable Pass-Through Rate, issued by Fannie Mae in book-entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Fannie Mae and backed by conventional Mortgage Loans in the related Fannie Mae pool.

"FDIC" shall mean the Federal Deposit Insurance Corporation or any successor agency or instrumentality of the United States of America.

"FHA" shall mean the Federal Housing Administration or its successors.

"Fiduciaries" shall mean the Trustee, the Depository, and any bond depository and any paying agent.

"Four Week T-Bill Rate" shall mean the interest rate for Four Week Treasury Bills (secondary market) as reported by the Federal Reserve on its website at the following internet address - http://www.federalreserve.gov/releases/h15/update/h15upd.htm.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States.

"Freddie Mac Certificate" shall mean a guaranteed mortgage pass-through Freddie Mac Participation Certificate bearing interest at the applicable Pass-Through Rate, issued by Freddie Mac in book-entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Freddie Mac and backed by conventional or government insured or government guaranteed Mortgage Loans in the related Freddie Mac pool.

"Fund" shall mean the Mortgage Loan Fund, the Cost of Issuance Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, the Rebate Fund, the Capitalized Interest Fund, the Expense Fund, and the Residual Revenues Fund established under the Master Indenture and the Special Mortgage Loan Fund.

"GNMA" shall mean the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

"GNMA Certificate" shall mean a fully-modified, mortgage-backed, pass-through security issued by the Master Servicer in accordance with the applicable GNMA Guide bearing interest at the applicable Pass-Through rate and representing the beneficial ownership interest in a GNMA pool, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and regulations promulgated thereunder backed by Mortgage Loans originated by Mortgage Lenders under the Program and packaged by the Master Servicer into a GNMA pool.

"GNMA Guide" shall mean the GNMA II Mortgage-Backed Securities Guide (GNMA 5500.2), as amended and supplemented from time to time.

"GNMA Paying Agent" shall mean The Bank of New York, in its capacity as the central transfer and paying agent pursuant to the GNMA Guide, or its successors or assigns.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by the full faith and credit of, the United States of America.

"GSE" shall mean either Fannie Mae or Freddie Mac or both, collectively, as the context may require.

"Guarantee" by any Person shall mean any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

"Hedge" shall mean any interest rate swap, interest rate cap, interest rate collar or other arrangement, contractual or otherwise, which has the effect of an interest rate swap, interest rate collar or interest rate cap or which otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt, or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

"Interest Payment Date" shall mean, with respect to Pre-Conversion Bonds, each Release Date (but such Release Date shall be an Interest Payment Date only for that portion of Pre-Conversion Bonds with respect to which Escrowed Proceeds are subject to release on such date), each Conversion Date (but such Conversion Date shall be an Interest Payment Date only with respect to those Pre-Conversion Bonds which are to become, as of such date, Converted Bonds), and each redemption date. Interest Payment Dates for each Converted Bond shall be January 1 and July 1 and each date fixed for redemption.

"Investment Securities" shall mean and include any one or more of the following securities, if and to the extent the same are at the time legal for investment of Department funds:

(a) Government Obligations;

(b) FHA debentures;

(c) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States, including, without limitation the following: Fannie Mae (excluding mortgage-backed securities valued at greater than par on the portion of unpaid principal and mortgage-backed securities representing payment of principal only or interest only with respect to the underlying loans); Freddie Mac, GNMA, Student Loan Marketing Association, or other successor agencies;

(d) Obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(e) Debt obligations (excluding obligations that do not have a fixed par value and/or the terms of which do not provide for payment of a fixed dollar amount at maturity or redemption) of any person, but only if such debt obligations are rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency;

(f) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by each Rating Agency in the highest category for short-term obligations.

(g) Certificates of deposit and time deposits which are fully insured as to principal and interest by the FDIC;

(h) Commercial paper having maturities not in excess of one year rated by each Rating Agency in the highest category for short-term obligations;

(i) Money market funds rated by each Rating Agency in the highest category for money market funds;

(j) Repurchase agreements the subject of which are obligations described in clauses (a), (b), (c) or (d) above, with: (i) any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency, or if the term of such repurchase agreement does not exceed on year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations; and (ii) with any member of the Association of Primary Dealers;

(k) Investment agreements secured or unsecured as required by the Department, with any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency or, if the term of such investment agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations; and

(l) Investment securities described in any Supplemental Indenture the inclusion of which in the definition of Investment Securities for purposes of the Trust Indenture will not adversely affect, in and of itself, any rating then assigned to the Bonds by a Rating Agency, as evidenced by a letter from each such Rating Agency.

"Letter of Instructions" shall mean any written directive or authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by an Authorized Representative of the Department.

"Market Bond Ratio Requirement" shall mean the requirement that the Department issue and deliver Market Bonds in conjunction with and as a condition to each Release Date, the principal amount of such Market Bonds being not less than 2/3rds of the principal amount of Pre-Conversion Bonds the proceeds of which are proposed to be released on such Release Date.

"Market Bonds" shall mean serial bonds and/or term bonds sold by the Department to public or private investors in accordance with standard bond underwriting practices and that are issued under the Trust Indenture and the Related Series Supplement in order to satisfy the conditions to the release of proceeds of some or all of the Program Bonds.

"Master Servicer" shall mean servicers for the Mortgage Loans that have been included in Mortgage Certificates. The Department has previously contracted with Bank of America, N.A., Texas Star Mortgage, Amegy Mortgage Company, and CitiMortgage, Inc. to act as the Master Servicer for Mortgage Loans financed with other Bonds issued under the Trust Indenture.

"Master Indenture" shall mean the Agency's Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987, pursuant to which the Bonds of each Series are authorized to be issued.

"MBS" shall mean a mortgage-backed security or securities issued by either GSE or by GNMA.

"Mortgage" shall mean any mortgage or deed of trust securing a Mortgage Loan.

"Mortgage Certificate" shall mean a mortgage-backed security that evidences beneficial ownership of a mortgage pool, that satisfies the requirements of the applicable Series Supplement and that is purchased from amounts identified in the applicable Series Supplement and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"Mortgage Lender" shall mean any bank or trust company, mortgage banker approved by Fannie Mae or Freddie Mac, national banking association, savings bank, savings and loan association, non-profit corporation, mortgage company, the Department, any financial institution or governmental agency and any other entity approved by the Department; provided such mortgage lender is authorized to make mortgage loans satisfying the requirements of the Trust Indenture.

"Mortgage Loan" shall mean (i) any loan, including a 1987A Mortgage Loan, evidenced by a Mortgage Note and secured by a Mortgage which satisfies the requirements of the Trust Indenture, which is made, acquired or refinanced, directly or indirectly, from amounts in the Mortgage Loan Fund or other moneys of the Department (including amounts derived from temporary indebtness incurred in anticipation of the issuance of Bonds), and which is pledged by the Department to the Trustee pursuant to the Trust Indenture; and (ii) any evidence of a participation in a loan described above, including a Mortgage Certificate.

"Mortgage Loan Principal Payment" shall mean, with respect to any Mortgage Loan, all amounts representing (i) scheduled payments of principal thereof and (ii) Mortgage Loan Principal Prepayments other than portions, if any, of Mortgage Loan Principal Prepayments representing any penalty, fee, premium or other additional charge for the prepayment of principal which may be paid pursuant to the terms of a Mortgage Loan.

"Mortgage Loan Principal Prepayment" shall mean any moneys received or recovered by the Department from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan other than the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the borrower, (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof (other than insurance moneys received or recovered and used in accordance with the provisions of the Trust Indenture to repair or reconstruct the mortgaged premises which were the subject of insurance proceeds), (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department, (iv) in the event of a default thereon by the borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or by any other proceedings take by the Department, (v) from any special hazard insurance policy or standard hazard insurance policy covering mortgaged premises, (vi) from any Supplemental Mortgage Security, (vii) from any proceeds received from any private mortgage insurer, the FHA, the VA, the RDA or any other agency or instrumentality of the United States of America in respect of any primary mortgage insurance or guaranty of a Mortgage Loan, or (viii) from any payments on a Mortgage Certificate.

"Mortgage Note" shall mean any note, bond or other instrument evidencing borrower's obligation to repay a Mortgage Loan.

"Mortgage Pool" shall mean, with respect to a Mortgage Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented by such Mortgage Certificate, as described in the schedule of pooled Mortgage Loans pertaining to such Mortgage Certificate.

"1987A Mortgage Loans" shall mean those FHA-insured Mortgage Loans which are owned by the Department and which were acquired with the proceeds of the Series 1987A Bonds.

"Notice Parties" shall mean the Administrator, Fannie Mae, Freddie Mac and Treasury's Financial Agent.

"Official Statement" shall mean an official statement or other offering document of the Department with respect to either the Program Bonds or the Market Bonds.

"Official Statement Supplement" shall mean the supplement or amendment to the official statement of the Department relative to the Conversion of Program Bonds to Converted Bonds.

"Outstanding" shall mean, when used with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Trust Indenture except:

(a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture; and

(c) Bonds deemed to have been paid as provided in the Trust Indenture.

"Parity Debt" shall mean, at any given time, Debt, including the Program Bonds, that is now or hereafter Outstanding under the terms of the Trust Indenture; provided, that such Debt is secured and is otherwise payable on a parity with the Program Bonds pursuant to the Trust Indenture.

"Permanent Rate" shall mean an interest rate per annum certified to the Trustee by the Special Permanent Rate Advisor on or prior to the Release Date, which shall be equal to the sum of (i) 3.21% plus (ii) the Spread.

"Permanent Rate Calculation Date" shall mean the date on which the Permanent Rate is calculated with respect to all or a portion of the Program Bonds, which shall be, with respect to each applicable portion of the Pre-Conversion Bonds, a date acceptable to the GSEs selected by the Department on or prior to

December 31, 2010 on which Market Bonds are priced, provided that a bond purchase agreement must be executed with respect to the Market Bonds on such date for such Permanent Rate to be effective.

"Permitted Escrow Investments" shall mean the investments represented by and provided pursuant to that certain Global Escrow Agreement by and among the GSEs, the Trustee and U.S. Bank National Association, as escrow agent.

"Person" shall mean an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Placement Agreement" shall mean the Placement Agreement among the Department and the GSEs, concerning the acquisition of the Program Bonds from the Department.

"Pre-Conversion Bonds" shall mean Program Bonds for which the interest rate has not been the subject of a Conversion.

"Program" shall mean the several programs established by the Department pursuant to which the Department makes, acquires or refinances, directly or indirectly, Mortgage Loans or Mortgage Certificates.

"Program Bonds" shall mean the Department's Residential Mortgage Revenue Bonds, Series 2009 C, and includes Pre-Conversion Bonds and Converted Bonds.

"Rating Agency" shall mean, as of any particular date, any nationally-recognized credit rating agency whose rating is then in effect with respect to the Bonds.

"RDA" shall mean the Rural Development Agency of the United States Department of Agriculture or its successors.

"Rebate Fund" shall mean, collectively, the Rebate Funds established pursuant to the Series Supplements into which amounts to be paid to the United States of America will be deposited until disbursed.

"Related Documents" shall mean the Thirtieth Series Supplement including the Appendix thereto, the Program Bonds, the Trust Indenture, any investment agreement or repurchase agreement relating to security for Parity Debt, any surety bond or other credit or liquidity support relative to Parity Debt, and any Hedge entered into with respect to Parity Debt and payable on a parity therewith, as the same may be amended or modified from time to time in accordance with their respective terms.

"Release Date" shall mean such date or dates (not to exceed three (3) dates) on or prior to December 31, 2010 and which dates are acceptable to the GSEs, on which dates the proceeds of the related Market Bonds are delivered to the Trustee and the other requirements of the Thirtieth Series Supplement are satisfied, including, without limitation, delivery of the Market Bond Ratio Requirement Compliance Certificate attached to the Thirtieth Series Supplement.

"Related Series Supplement" shall mean the applicable Supplemental Residential Mortgage Revenue Bond Trust Indenture, together with any amendments thereto, identified in a Letter of Instructions, and relating to a series of Market Bonds.

"Series" shall mean all Bonds designated as a Series in a Series Supplement and which are authenticated and delivered on original issuance in a simultaneous transaction, and all Bonds delivered in exchange for or in lieu of such Bonds.

"Series 1987A Bonds" shall mean the Agency's Residential Mortgage Revenue Bonds, Series 1987A.

"Servicer" shall have the meaning ascribed to such term in the Related Series Supplement.

"Servicing Agreement" shall have the meaning ascribed to such term in the Related Series Supplement.

"Shortfall Amount" shall mean the difference, as of the Settlement Date, between the proceeds of the Program Bonds to be received on such Settlement Date and the initial principal amount of such Program Bonds.

"Settlement Date" shall mean December 23, 2009.

"Series Supplement" shall mean the Supplemental Indenture providing for the issuance of a Series of Bonds, as the same may be amended from time to time.

"Short-Term Rate" shall mean, (i) for the period from the Settlement Date to the applicable Release Date, the interest rate which produces an interest payment on such Release Date relative to the Program Bonds with respect to which Escrowed Proceeds are subject to release on such Release Date equal to Investment Earnings and (ii) from the Release Date to the Conversion Date, an interest rate equal to the sum of the Spread plus the lesser of (A) the Four Week T-Bill Rate as of the Business Day prior to the Release Date or (B) the Permanent Rate less the Spread ; provided, however, that the Short-Term Rate for the Program Bonds shall not exceed the maximum net effective interest rate permitted by applicable law, as provided by Texas Government Code Section 1204.006, as amended. For purposes of this provision, "Investment Earnings" shall mean total investment earnings on the portion of the Escrow Fund related to Program Bonds with respect to which a Release Date is occurring.

"Special Mortgage Loan Fund" shall mean the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement.

"Special Permanent Rate Advisor" shall mean State Street Bank and Trust Company, and any successor or assign designated by Treasury.

"Spread" shall mean additional per annum interest on the Program Bonds based upon the lowest Bond Rating effective as of the Permanent Rate Calculation Date to the Program Bonds under the Trust Indenture by the rating agencies rating the Program Bonds, as follows:

| **Rating** | **Additional Spread** |
|---|---|
| 'Aaa'/'AAA' | 60 bps |
| 'Aa'/'AA' | 75 bps |
| 'A' | 110 bps |
| 'Baa'/'BBB' | 225 bps |

"State" shall mean the State of Texas.

"Supplemental Indenture" shall mean any trust indenture supplemental to or amendatory of the Trust Indenture, executed and delivered by the Agency or the Department and the Trustee in accordance with the Master Indenture.

"Supplemental Mortgage Security" shall mean (a) a mortgage pool insurance policy or any other form of credit enhancement with respect to all or any portion of the Mortgage Loans (including any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans), other than insurance from the FHA, a guaranty from the VA, or private mortgage insurance on the portion of the principal balance of a Mortgage Loan which exceeds 80% of the lesser of the purchase price or appraised value of the mortgaged property or (b) any other form of credit enhancement, collateral or cashflow test specified as the Supplemental Mortgage Security for each Series in the respective Series Supplement authorizing such Series.

"Tenth Series Supplement" shall mean the Tenth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1988 between the Department and the Trustee.

"Thirtieth Series Supplement" shall mean the Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of December 1, 2009, by and between the Department and the Trustee, including the Appendix attached thereto, together with any amendments.

"Treasury" shall mean the United States Department of the Treasury.

"Treasury's Financial Agent" shall mean JPMorgan Chase Bank, N.A., as Treasury's financial agent, or such other party as Treasury may appoint for such purpose from time to time.

"VA" shall mean the United States Department of Veterans Administration or its successors.

# APPENDIX B

## SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS

### Introduction

The United States Department of Housing and Urban Development ("HUD"), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various Federal programs authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. The Department of Veterans Affairs (formerly the Veterans Administration) ("VA") administers the mortgage guaranty program authorized under the Servicemen's Readjustment Act of 1944, as amended. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees. Subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of certain of these Federal programs and private mortgage insurance programs as they affect insurance on Mortgage Loans acquired by the Department from proceeds of the Bonds. This summary does not purport to summarize or describe all of the provisions of these programs. For a more detailed description regarding these programs, reference is made to specific provisions of the master insurance contracts and such other such information relating to the various mortgage insurers.

### FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contains five or more dwelling units or less than five such units. Insurance benefits are payable only upon foreclosure (or other acquisition or possession) and conveyance of the premises to HUD or upon assignment of the defaulted loan to HUD. Assignment is allowed only with HUD approval if the premises contains less than five dwelling units. Assignment is at the option of the lender if the premises contains five or more dwelling units, but HUD may decrease the insurance payment by an amount equal to 1% of the unpaid principal amount of the loan if the mortgage lender chooses to assign such a loan.

With respect to the assignment of defaulted loans to HUD, the insured must first make a determination as to whether or not the default is caused by a circumstance or set of circumstances beyond the borrower's control which temporarily renders the family financially unable to cure the delinquency within a reasonable time or make full payments. If a determination is made that the default is caused by such circumstances, HUD must be requested to accept assignment, and must have rejected the request in order for the insured to initiate foreclosure proceedings.

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash unless the insured specifically requests payment in debentures issued by HUD. Under others, HUD has the option at its discretion to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on mortgages covering less than five dwelling units in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the loan, whichever rate is higher.

When entitlement to insurance benefit results from foreclosure (or other acquisition or possession) and conveyance, the insurance payment is computed as of the date of default by the borrower, as defined in HUD regulations, and the insured generally is not compensated for interest accrued and unpaid prior to that date.

When entitlement to insurance benefits results from assignment of the loan to HUD, the insurance payment is computed as of the date of the assignment and includes full compensation of interest accrued and unpaid to the assignment date. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default or, where applicable, assignment, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property conveyed to HUD or securing a loan which is to be assigned to HUD has been damaged by fire, earthquake, flood, or tornado, it is generally required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance or assignment.

**Department of Veterans Affairs Mortgage Guaranty Program**

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms limited by the estimated economic life of the property, up to approximately thirty (30) years.

The VA uses a three-tier guaranty system. The maximum VA guaranty for mortgage loans of $45,000 or less is a guaranty of fifty percent (50%) of the loan. The maximum VA guaranty for mortgage loans of more than $45,000 to $56,250 is $22,500. The maximum VA guaranty for mortgage loans of more than $56,250 is a guaranty of forty percent (40%) of the loan or $36,000, whichever is less. Under the Program, a VA Mortgage Loan would be guaranteed in an amount which, together with the down payment by or on behalf of the mortgagor, will at least equal twenty-five percent (25%) of the lesser of the sales price or the appraised value of the single-family dwelling. The actual guaranty may be less than the maximum guaranty as described above in the event a veteran's guaranty entitlement previously used for a guaranteed loan has not been restored by the VA.

The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of the mortgaged premises is greater than the original guaranty, as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgagee of unsatisfied indebtedness on a mortgage upon its assignment to the VA. Under certain circumstances, a mortgagee is required to accept partial payments on a loan that is more than thirty (30) days overdue.

When a VA loan is foreclosed, the VA must decide whether to (i) acquire the property and pay off the debt or (ii) not acquire the property through the "no bid" process. Under option (ii), the VA gives instructions to the mortgagee to make "no bid" at the foreclosure sale and pays the guaranty amount to the mortgagee, leaving the mortgagee responsible for the disposition of the property. Mortgagees may also "buy down" the veteran's indebtedness at the time of the foreclosure sale to convert a no bid into a VA acquisition. No bids are more likely if the property has significantly declined in value, because the cost to the VA to pay the guaranty amount may be less than their expected cost to acquire, manage and dispose of the property.

**United States Department of Agriculture, Rural Development**
**Guaranteed Rural Housing Loan Program**

The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of the RDA Guaranteed Rural Housing Loan Program. Households with annual incomes at or below one hundred fifteen percent (115%) of median area income are eligible for these loans, subject to the geographic restrictions described below. Households with annual incomes at or below eighty percent (80%) of the area median income may be eligible for interest assistance, in addition to the loan guaranty. The interest assistance paid monthly by RDA to the loan servicer reduces the borrower's effective interest rate. The amount of interest rate reduction is dependent upon the households' annual income, which is re-certified by the loan servicer annually. No funds currently are available for interest assistance.

The RDA Guaranteed Rural Housing Loan program is limited to only certain rural areas of the State. Any city, place, town or village classified as rural prior to October 1, 1990, with a population exceeding 10,000 but not in excess of 25,000, which is rural in character, was considered rural until the year 2000. Any city, place, town or village with a population in excess of 10,000 and determined to be urban prior to August 2, 1991 was not considered an eligible rural area.

The RDA guaranty covers the lesser of (a) any loss equal to ninety percent (90%) of the original principal amount of the loan or (b) any loss in full up to thirty-five percent (35%) of the original principal amount of the loan plus any additional loss on the remaining sixty-five percent (65%) to be shared approximately eight-five percent (85%) by RDA and approximately fifteen percent (15%) by the mortgagee.

RDA does not accept conveyance of the property, but rather pays the lender's claim upon foreclosure. The claim payment includes certain actual costs incurred by the lender prior to foreclosure, including interest expense, and an allowance for the costs associated with liquidating the property. The claim payment amount is based on the net sales proceeds if the property is sold within six (6) months, or if no sale occurs within six (6) months, the claim payment amount is determined according to a formula based upon an appraisal of the property performed by RDA. The lender's actual disposition costs may be higher than the RDA claim payment.

**Private Mortgage Insurance Programs**

The Department requires that each private mortgage insurer approved for insuring Mortgage Loans (i) shall be approved to issue policies of private mortgage insurance by the Board of Insurance of the State, (ii) be approved to insure mortgages purchased by Fannie Mae or Freddie Mac, and (iii) shall assure the Department in writing that foreclosure of a Mortgage Loan solely on the basis of non-compliance of such Mortgage Loan with provisions of Section 103A of the Tax Code of 1954 and its successor provisions will be an insured event under the terms of its policy of private mortgage insurance. The Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that not more than 10% of the insurers' mortgage insurance risk may be represented by mortgage insurance covering property other than real property.

The maximum amounts insurable by private insurers must conform to applicable Federal and State regulations. Such amounts are often further limited by whether the home is to be owner-occupied. The maximum amounts insurable for owner-occupied dwellings range from 90% to 95% of the appraised value or selling price, whichever is lower. Requirements of borrower equity vary according to the percentage of the mortgage to be insured. Certain companies will credit toward a specified percentage of this amount the value of the land to be improved, trade-in property or work equity, if at least a minimum cash equity is met and the home is to be owner-occupied. Although there may be variations among companies, available coverage by private mortgage insurers is generally limited to first mortgage loans or contracts on improved real estate, with amortization over the term of the contract in substantially equal monthly payments, including accruals for taxes and insurance.

Under the various policies, delinquencies must be reported to the insurer within four months of default, and proceedings to recover title are required to be commenced within nine months of default. It is common practice for private mortgage insurers to require that mortgage lenders, prior to presenting a claim under the mortgage insurance, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor. When such a claim is presented, the private mortgage insurer will normally have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim and allowing the insured mortgage lender to retain title to the property.

The amount of loss payable generally includes the principal balance due under the mortgage agreement, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced and expenses incurred in the recovery proceedings.

**Mortgage Pool Insurance**

In lieu of establishing a mortgage pool self-insurance reserve with respect to any Bonds issued pursuant to the Master Indenture which are not secured by Mortgage Certificates, the Department may provide a mortgage pool insurance policy. The following is a general description of some of the pertinent provisions of the more common mortgage pool insurance now available. This description is only a brief outline and does not purport to summarize or describe all of the provisions of such policies.

In general, the mortgage pool insurance policies provide insurance coverage on the full amount of any loss which is covered by each policy and realized as a result of a default by a mortgagor on a Mortgage Loan insured thereunder. Payment will be made after foreclosure, payment under the primary mortgage insurance policy insuring the Mortgage Loan, if any, and sale of the foreclosed property approved by the insurer, subject to a limitation on aggregate claims of the applicable aggregate initial principal amount of all Mortgage Loans insured under the policy.

As a condition precedent to the payment of any loss under a mortgage pool insurance policy, mortgage insurance approved by the Department and acceptable to the insurer must generally be maintained by or on behalf of the Department on each Mortgage Loan that has a loan-to-value ratio in excess of the applicable percentage at the time of origination of the Mortgage Loan. Such mortgage insurance, at a minimum, must provide coverage on the amount of the Mortgage Loan in excess of 80% of original fair market value of the property, defined as the lesser of either the sale price or the appraised value at the time of origination. Such mortgage insurance must remain in force until the unpaid principal balance of the Mortgage Loan is reduced to the applicable percentage of the original fair market value.

Each mortgage pool insurance policy usually requires, as a condition to payment of a claim, that (i) all hazard insurance premiums, real estate taxes, property protection and preservation expenses, property sale expenses and foreclosure costs (including court costs and reasonable attorneys' fees) have been advanced by or on behalf of the Department, as approved by the insurer, (ii) the Department must have acquired good and merchantable title to the property, free and clear of all encumbrances, except permitted encumbrances, including any right of redemption by the mortgagor, and (iii) the Department must have sold the property with the approval of the insurer. In the event of default by the mortgagor, if there is any physical loss or damage to the property from any cause, whether by accidental means or otherwise, it is usually a condition to payment that the insured restore the property to its condition at the time of the issuance of the policy, except for reasonable wear and tear. The mortgage pool insurance policies generally will not insure against a loss sustained by reason of a default arising from or involving certain matters including (i) fraud or negligence in origination or servicing of the Mortgage Loans, including misrepresentation by the Mortgage Lender, borrower or other persons involved in the origination or servicing of the Mortgage Loans; (ii) failure to construct a property subject to a Mortgage Loan in accordance with specified plans; or (iii) physical damage to a property.

The insurer generally has the option either to pay (i) an amount equal to the unpaid principal balance of the defaulted Mortgage Loan at the time of the approved sale, as provided in the applicable policy, plus accrued and delinquent interest at the mortgage rate to the date of payment of the claim plus advances required to be made by or on behalf of the Department as set forth above, conditioned upon the insurer's being provided good and merchantable title to the mortgaged property (unless the property has been conveyed pursuant to the terms of the applicable primary mortgage insurance policy), or (ii) the amount by which the sum of the unpaid principal balance of the defaulted Mortgage Loan at the time of the approved sale, as provided in the policy, plus accrued and delinquent interest at the mortgage rate to the date of payment of the claim plus advances requiring to be made by or on behalf of the Department as set forth above, exceeds the net proceeds received from a sale of the property which the insurer approved. Under either option, the amount of any payment is reduced by the amount of the loss paid under any private mortgage insurance.

A claim under the applicable mortgage pool insurance policy (except for a claim under the advance claims coverage endorsement, described below) must generally be filed (i) in the case when a private mortgage insurance policy is in force, within a specified period after the claim for loss has been settled or paid or within such time after a sale approved by the insurer, whichever is later, or (ii) in the case when a private mortgage insurance policy is not in force, within a specified period after the Department has conveyed title to the property pursuant to an approved sale.

Premiums on any mortgage pool insurance policies will be paid by the Department. Failure to pay a premium will terminate any such policy. If the aggregate recoveries under a policy reach the applicable pool limit of the aggregate initial principal amount of Mortgage Loans insured, coverage under the policy will be exhausted and further losses due to the foreclosure will be borne by the Department.

The amount of coverage under any mortgage pool insurance policy will be reduced over the life of the Bonds covered by such policy by the dollar amount of claims paid less amounts realized by the insurer upon disposition of mortgaged properties. The amount of claims paid generally includes certain expenses incurred by the Department as well as accrued interest on delinquent Mortgage Loans insured under each policy including interest accrued through completion of foreclosure proceedings (excluding applicable charges and penalty interest). See "Foreclosure Laws" herein. Accordingly, if aggregate recoveries under a mortgage pool insurance policy reach the policy limit, coverage under such mortgage pool insurance policy will be exhausted and any further losses will be borne by Bondholders to the extent remaining moneys held under the Master Indenture are inadequate to pay principal of and interest on the Bonds. Subject to the payment of the applicable premium, an insurer is generally obligated to provide coverage under a mortgage pool insurance policy so long as the Bonds covered by the policy are outstanding.

Some insurers have delivered endorsements to certain mortgage pool insurance policies which provide that they will make advance claims payments in amounts equal to delinquent regular monthly payments of principal of and interest on each Mortgage Loan that is delinquent in three or more monthly payments after receipt of ten days prior written notice thereof. Such advance claims payments will generally be made only if the Mortgage Loan servicer has initiated foreclosure proceedings as required by the mortgage pool insurance policy and diligently pursues such proceedings. The insurer will continue to make such advance claims payments until the insured files, or should have filed, a claim with respect to the Mortgage Loan for which such payments have been made. Advance claims payments must be repaid after payments on the Mortgage Loan have been received (either from the mortgagor, FHA, VA, RDA, private mortgage insurance or through foreclosure) for which advances were previously made or if a claim under the policy is not filed. Claim settlements under a mortgage pool insurance policy will usually be reduced by the sum of unreimbursed claims advances.

The coverage available under the advance claims payment procedure usually equals the limit of coverage provided under the mortgage pool insurance policy. Advance claims payments for which the insurer is ultimately reimbursed are not charged against the limit of coverage under the mortgage pool insurance policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to reimburse the insurer for all claims advances made under the advance claims payment procedure, aggregate remaining coverage under the mortgage pool insurance policy will be reduced. Upon reaching the applicable aggregate loss limitation under the mortgage pool insurance policy, whether through payments of advances under the advance claims payment procedure or payments as a result of foreclosure losses with respect to Mortgage Loans, coverage under the advance claims procedure also will be exhausted.

**Standard Hazard Insurance Policies**

Each Mortgage Lender acting as a servicer will cause to be maintained by the mortgagor for each Mortgage Loan fire insurance with extended coverage on the mortgaged property (a "Standard Hazard Insurance Policy") in an amount which is not less than the maximum insurable value of the property or the principal balance owing on the Mortgage Loan, whichever is less. Subject to the laws of the State, any amounts collected by a Mortgage Lender under any such policy will be deposited in a custodial account subject to reimbursement. Such insurance shall be with insurers approved by Fannie Mae or Freddie Mac.

In general, a Standard Hazard Insurance Policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike or civil commotion, subject to the conditions and exclusions particularized in each policy. If a residence is located in a designated flood area, flood insurance shall be required to be maintained, and if not covered by other insurance, insurance shall be required to be maintained for wind damage on each residence to the extent deemed advisable by the supervising agent from time to time.

Although policies relating to different Mortgage Loans may be issued by different insurance companies and, therefore, may have minor differences in coverage, the basic terms are dictated by State law. Policies typically exclude physical damage resulting from the following: war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides and mudflows), nuclear hazard and, in certain cases, vandalism.

In lieu of a Standard Hazard Insurance Policy, each Mortgage Lender acting as a servicer may maintain and keep a "Mortgagee Single Interest Hazard Insurance Policy" throughout the term of the applicable servicing agreement. The Mortgagee Single Interest Insurance Policy provides insurance against losses sustained by a Mortgage Lender or other insured in the event the mortgagor fails to maintain a Standard Hazard Insurance Policy and physical damage occurs. Each Mortgage Lender agrees to pay the premium for the Mortgagee Single Interest Hazard Insurance Policy on the basis prescribed by the policy. Any amounts collected by the Mortgage Lender under such policy relating to the Mortgage Loans will be deposited in a custodial account maintained by the Mortgage Lender subject to withdrawal by the Trustee.

**Foreclosure Laws**

If a mortgagor defaults on a Mortgage Loan and foreclosure or other recovery proceedings are instituted there will probably be time delays in collection. The following is intended to be a general description of foreclosure laws in the State of Texas and is not intended to be a legal opinion with respect to such laws.

Mortgage instruments utilized in the State generally and the Mortgages to be used in the Department's programs take the form of deeds of trust containing the power of out-of-court foreclosures and sale. Nonjudicial foreclosure proceedings are governed by Chapter 51, Texas Property Code, which authorizes sales under deeds of trust or other contractual liens if such instruments so provide and sets the minimum standards of notice and procedure for the conduct of non-judicial foreclosure sales. Sales under such Chapter may only be made in the event of a default under the note or deed of trust and acceleration of the debt which is secured, must be conducted by the trustee appointed in the deed of trust or other lien instrument or his successor, and may be conducted only after posting written notice at least 21 days preceding the date of the sale at the courthouse door(s) of the county or counties in which the property to be sold is located. Additionally, the holder of the debt to which the power of sales relates must serve written notice of the proposed sale by certified mail on each debtor obligated to pay the debt, according to the most recent records of such holder, at least 21 days preceding the date of the sale (the "Twenty-One Day Notice"). In addition, if the mortgagor resides on the mortgaged property, twenty (20) days notice of intent to accelerate the Mortgage Loan must be given to the mortgagor prior to the Twenty-One Day Notice. The sale may be conducted only between certain hours on the first Tuesday of the month, as designated in the posted notice of sale. After the foreclosure sale has properly been held in accordance with both the provisions of Chapter 51, Texas Property Code and the provisions of the deed of trust or other lien instrument by which a power of sale is granted, any right to reinstate the debt and all rights of redemption, except rights of the United States, if any, under federal tax lien laws, are extinguished. A nonjudicial foreclosure sale which has not been conducted in accordance with Chapter 51, Texas Property Code and the provisions of the lien instrument granting the power of sale is invalid.

State courts have in the past strictly construed the power of sale created by deeds of trust or other lien instruments and, where both contractual and statutory provisions for nonjudicial foreclosure have not been precisely followed, have declared nonjudicial foreclosure sales to be invalid. In addition, although the State statute providing standards for nonjudicial foreclosures has previously survived challenges that it is unconstitutional, there can be no assurance that such a challenge in the future will not be successful. A foreclosure sale of property on which the United States claims a lien for federal income tax collection, will be made subject to and without disturbing the federal tax lien unless notice of the foreclosure sale is given to the Internal Revenue Service at least 25 days before the sale. Without this prior notice, the sale is made subject to the federal tax lien. Even when such notice is properly given, the United States may redeem such property within 120 days from the date of the sale, upon payment of the amount paid or credited at the sale, and interest from the date of the sale, and any cost in owning property in excess of the derived income. The remedy of nonjudicial foreclosure may be limited, restricted or denied, not only by bankruptcy or other debtor relief proceedings, but also by the death of a mortgagor either without leaving a will or with probate proceedings that are not independent of the probate court or by the appointment of a receiver by the court in a divorce action involving mortgages to which the spouses in such divorce proceedings are parties. The remedies afforded the holder of the mortgage debt in the events set forth in the preceding sentence require judicial action either as a prerequisite to the valid exercise of nonjudicial foreclosure or in the nature of a judicial foreclosure proceeding or sale through the legal representative involved with the sanction of the court.

Under State law, foreclosure of mortgage liens on real property also may be accomplished by judicial proceedings. In foreclosure pursuant to judicial proceedings, a right to make full payment exists prior to the sale of the property, and, except for federal tax liens as discussed above, the redemption rights of all parties are extinguished by a properly conducted foreclosure sale.

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## APPENDIX C-1

## GNMA AND THE GNMA CERTIFICATES

*This summary of the GNMA Mortgage Backed Securities Program, the GNMA Certificates and the documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage Backed Securities Guide published by GNMA and to said documents for full and complete statement of their provisions. The following summary is of the GNMA I Program and the GNMA II Program.*

Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C.

To issue GNMA Certificates, the Master Servicer must first apply to and receive from GNMA the Commitment to Guarantee Mortgage Backed Securities (the "MBS Agreement"). The MBS Agreement authorizes the Master Servicer to apply to GNMA for the issuance of Mortgage-Backed Securities to be eligible for guaranty by GNMA up to a stated date and issue GNMA Certificates up to a stated amount during a one-year period following the date of the MBS Agreement. Each MBS Agreement is valid for a 12-month period from the date of commitment.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount of $250,000 (or such lesser amount as may be approved by GNMA). Each GNMA I Certificate will be a "mortgage loan pass-through" certificate which will require the Master Servicer to pass through to the paying and transfer agent therefor (the "GNMA Paying Agent") by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Master Servicer in the previous month. Each GNMA II Certificate will require the Master Servicer to pass through to the GNMA Paying Agent for the GNMA II Program, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer received such payments, plus any prepayments on the Mortgage Loan received by the Master Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Master Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool of mortgage loans insured by FHA under the Housing Act, or guaranteed by RDA under Title V of the Housing Act of 1949, or guaranteed by VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. Section 306(g) further provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated October 12, 1969, of an Assistant Attorney General of the United States, states that such guarantees under Section 306(g) of mortgage backed certificates of the type being delivered to the Trustee on behalf of the Department are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

GNMA, upon execution of the GNMA Guaranty appended to the GNMA Certificate and upon delivery of the GNMA Certificate to the Master Servicer, will have guaranteed to the Trustee as holder of the GNMA Certificate the timely payment of principal of and interest on the GNMA Certificate. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(g) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Certificate. The Treasury is authorized to purchase any obligation so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA is required to warrant to the Trustee as the holder of the GNMA Certificate, that, in the event it is called upon at any time to make payment on its guaranty of the principal of and interest on the GNMA Certificate, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

The Master Servicer will be responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Mortgage Backed Securities Guide (the "Guide").

The monthly remuneration for the Master Servicer for its servicing and administrative functions, and the Guaranty Fee charged by GNMA are based on the total aggregate unpaid principal balance of Mortgage Loans outstanding. The GNMA Certificates carry an interest rate that is fixed at .50% (subject to adjustment) below the interest rate on the Mortgage Loans; the Master Servicer's servicing fee and the GNMA Guaranty Fee are deducted from payments on the Mortgage Loans before payments are passed through to the holder of the GNMA Certificates.

It is expected that interest and principal payments on the Mortgage Loans received by the Master Servicer will be the source of payments on the GNMA Certificates. If such payments are less than what is due the Master Servicer is obligated to advance its own funds to ensure timely payment of all amounts coming due on the GNMA Certificates. GNMA guarantees such timely payment in the event of the failure of the Master Servicer to pay an amount equal to the scheduled payments (whether or not made).

The Master Servicer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the third business day following the twentieth day of each month. If, however, such payments are not received as scheduled, the Trustee has recourse directly to GNMA.

The GNMA Guaranty Agreement to be entered into by GNMA and the Master Servicer upon issuance of the GNMA Certificates (the "GNMA Guaranty Agreement") will provide that, in the event of a default by the Master Servicer, GNMA will have the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the Mortgage Loans, and the Mortgage Loans are to thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Certificate. In such event, the GNMA Guaranty Agreement will provide that GNMA will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

Payment of principal and interest on the GNMA Certificate is required to be made in monthly installments on or before the third business day following the twentieth of each month commencing the month following the date of issue of the GNMA Certificate.

Each installment on the GNMA Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Certificate. The amount of principal due on the GNMA Certificate is to be in an amount at least equal to the scheduled principal amortization currently due on the Mortgage Loans subject to adjustment by reason of unscheduled recoveries of principal on the Mortgage

Loans. In any event, the Master Servicer is required to pay to the Trustee, as holder of the GNMA Certificate, monthly installments of not less than the interest due on the GNMA Certificate at the rate specified in the GNMA Certificate, together with any scheduled installments of principal, whether or not such interest or principal is collected from the Mortgagor, and any prepayments or early recovery of principal. Final payment is to be made upon surrender of the outstanding GNMA Certificate.

The Office of Inspector General (OIG) is required to conduct an annual audit of GNMA under the provisions of the Chief Financial Officers (CFO) Act of 1990 ("CFO Act"). The complete OIG report is included in the separate management report of GNMA prepared pursuant to the CFO Act which is available upon request from GNMA at Government National Mortgage Association, 451 Seventh Street, SW, Washington, D.C. 20410-9000.

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## APPENDIX C-2

## FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES

### General

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. Section 1451-1459. Freddie Mac's statutory purposes are to provide stability in the secondary market for residential mortgages, to respond appropriately to the private capital market, to provide ongoing assistance to the secondary market for residential mortgages (including mortgages on housing for low- and moderate-income families), and to promote access to mortgage credit throughout the United States by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. To fulfill these statutory purposes Freddie Mac purchases residential mortgages and mortgage-related securities from mortgage lenders, other mortgage sellers and securities dealers and finances these purchases with debt and equity securities. In addition Freddie Mac guarantees the timely payment of principal and interest on single-class and multiclass securities representing an undivided interest in mortgages and/or mortgage-related securities.

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. The current Information Statement, current prospectuses, any supplements to each of the foregoing and any quarterly report prepared and made available by Freddie Mac can be obtained by writing to Freddie Mac B Investor Inquiry, 8200 Jones Branch Drive, McLean, Virginia 22102 or accessing Freddie Mac's internet website at www.freddiemac.com.

Each Freddie Mac Certificate will represent undivided interests in a pool of fixed-rate, first-lien conventional Mortgage Loans or FHA and VA Loans, or participations interests therein. Freddie Mac guarantees to each holder of a Freddie Mac Certificate the timely payment of interest at the applicable coupon on the Freddie Mac Certificate and the timely payment of scheduled principal, whether or not Freddie Mac receives these payments on the underlying mortgages. Full and final payment of principal on the Freddie Mac Certificates will be made no later than the payment date occurring in the month of the Final Payment date for each Freddie Mac Certificate. Principal and interest payments on the Freddie Mac Certificates are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac. Payments on Freddie Mac Certificates are made on the 15th day of each month or, if the 15th is not a business day, the next business day.

Freddie Mac receives monthly mortgage payments from it mortgage servicers during a Monthly Reporting Period that begins on the 16th of a month and ends on the 15th of the following month. For any month, a payment on a Freddie Mac Certificate will reflect monthly mortgage payments reported by servicers in the previous Monthly Reporting Period and prepayments reported by servicers in the calendar month prior to the payment up through the date Freddie Mac calculates its payment factors. Freddie Mac publishes its payment factors on or about the 5th day of each month.

The summary of the Freddie Mac Certificates does not purport to be comprehensive and is qualified in its entirety by reference to the Freddie Mac prospectuses and other documents relating to the offer and sale of Freddie Mac Certificates described herein.

**Treasury and Federal Housing Finance Agency Action**

The Housing and Economic Recovery Act of 2008 ("HERA") established on July 30, 2008 the Federal Housing Finance Agency ("FHFA"), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac are subject to the supervision and regulation of FHFA to the extent provided in HERA, and the Director of FHFA has general regulatory authority over Fannie Mae and Freddie Mac to ensure that the purposes of HERA, the authorizing statutes and any other applicable laws are carried out.

On September 7, 2008, the U.S. Treasury released a statement (the "Statement") by the Secretary of the Unites States Treasury (the "Treasury") entitled "Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers." According to the Statement, Fannie Mae and Freddie Mac were both placed into conservatorship by the FHFA, and certain other actions were taken by the Treasury and FHFA. The Department cannot predict the long term consequences of the conservatorship of these entities and the corresponding impact on the participants and the Department's various bond programs. For the full text of the Statement and related documents, see www.treas.gov. The Statement, as it existed on the Treasury website on September 7, 2008, is incorporated into this Official Statement by reference, but the Department assumes no responsibility for maintaining the Statement, or for any other content of the website and assumes no responsibility for the accuracy of statements made therein.

## APPENDIX C-3

## FANNIE MAE AND THE FANNIE MAE CERTIFICATES

### General

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 that included government-sponsored enterprises ("GSE") regulatory reform legislation. The legislation established the Federal Housing Finance Agency ("FHFA") as Fannie Mae’s new safety, soundness and mission regulator, replacing the Office of Federal Housing Enterprise Oversight and the U.S. Department of Housing and Urban Development for this purpose. In general, the legislation strengthened the existing safety and soundness oversight of the GSEs, providing FHFA with safety and soundness authority that was comparable to and in some respects broader than that of the federal bank regulatory agencies.

In addition, the legislation included provisions that (i) authorized the U.S. Treasury to buy Fannie Mae’s debt, equity and other securities, subject to Fannie Mae’s agreement; and (ii) gave the Chairman of the Board of Governors of the Federal Reserve System a consultative role in FHFA’s process for setting capital requirements and other safety and soundness standards. Both of the foregoing provisions lapse at the end of 2009.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC’s website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s web site at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this Official Statement the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of this Reoffering Circular, so you should read this Reoffering Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in this Official Statement and any applicable supplement, and you should rely only on the most current information.

Fannie Mae incorporates by reference the following documents Fannie Mae has filed, or may file with the SEC:

- Fannie Mae's Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 27, 2008;

- Fannie Mae's Form 10-Qs for the quarterly periods ended March 31, 2008 and June 30, 2008, filed with the SEC on May 6, 2008 and August 8, 2008, respectively; and

- Fannie Mae's Definitive Proxy Statement filed with the SEC on April 4, 2008; and

- all other proxy statements that Fannie Mae files with the SEC, and all documents Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Official Statement and prior to the termination of the offering of securities under the Reoffering Circular, excluding any information "furnished" to the SEC on Form 8-K.

Fannie Mae makes no representation as to the contents of this Reoffering Circular, the suitability of the Bonds for any investor, the feasibility of performance of any program, or compliance with any securities, tax or other laws or regulations.

**Treasury and Federal Housing Finance Agency Action**

On September 7, 2008, the U.S. Treasury released a statement (the "Statement") by the Secretary of the Unites States Treasury (the "Treasury") entitled "Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers." According to the Statement, Fannie Mae and Freddie Mac were both placed into conservatorship by the FHFA, and certain other actions were taken by the Treasury and FHFA. The Department cannot predict the long term consequences of the conservatorship of these entities and the corresponding impact on the participants and the Department's various bond programs. For the full text of the Statement and related documents, see www.treas.gov. The Statement, as it existed on the Treasury website on September 7, 2008, is incorporated into this Official Statement by reference, but the Department assumes no responsibility for maintaining the Statement, or for any other content of the website and assumes no responsibility for the accuracy of statements made therein.

**Mortgage-backed Securities Program**

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transferred into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae. Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency or instrumentality thereof is obligated to finance Fannie Mae's obligations or assist Fannie Mae in any manner.

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities (the "Fannie Mae Certificates") backed by pools of mortgage loans (the "MBS Program"). The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides") published by Fannie Mae, as modified by the Pool Purchase Contract (as hereinafter described), and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Fannie Mae Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool.

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

**Pool Purchase Contract**

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Servicer will be permitted to deliver, and Fannie Mae will agree to purchase mortgage loans in exchange for Fannie Mae Certificates. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

Under the Pool Purchase Contract, Fannie Mae will purchase both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Department's Bond Program No. 76 which conform to the conditions set forth in the Pool Purchase Contract. See "THE PROGRAM."

The Pool Purchase Contract obligates the Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

**Fannie Mae Certificates**

Each Fannie Mae Certificate will represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Certificates, would be affected by delinquent payments and defaults on such Mortgage Loans.

**Payments on Mortgage Loans; Distributions on Fannie Mae Certificates**

Payments on a Fannie Mae Certificate will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or, if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loans in the related mortgage pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate on its issue date).

For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

**APPENDIX D-1**

**AUDITED FINANCIAL STATEMENTS**

**OF THE**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**REVENUE BOND PROGRAM**

**FOR THE FISCAL YEAR ENDED**

**AUGUST 31, 2008**

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# Texas Department of Housing and Community Affairs — Revenue Bond Program

Financial Statements as of and for the
Year Ended August 31, 2008, and
Independent Auditors' Report

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

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Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To The Honorable Rick Perry, Governor, and the Governing Board
Texas Department of Housing and Community Affairs:

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund (the "Fund") as of August 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended and supporting schedules 3 through 7. These financial statements and supporting schedules are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and supporting schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Revenue Bond Enterprise Fund of the Texas Department of Housing and Community Affairs (the "Department") and are not intended to present fairly the financial position of the Department or the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund at August 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, supporting schedules 3 through 7 present fairly, in all material respects, the information set forth therein in accordance with guidelines issued by the Texas Comptroller of Public Accounts.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. These schedules are also the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules.  However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

December 18, 2008

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – REVENUE BOND PROGRAM MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2008

This section of the Texas Department of Housing and Community Affairs-Revenue Bond Program ("Bond Program") annual financial report presents management's discussion and analysis of the financial performance of the Bond Program of the Texas Department of Housing and Community Affairs ("Department") during the fiscal year that ended on August 31, 2008. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Bond Program's net assets increased by $4.8 million. This was primarily because of the change in fair value of investments as explained below.

- The Bond Program had a higher Operating Income of $8.5 million, an improvement of $20 million over the prior year. The change in operating income was a result of the following factors. The change in fair value of investments increased from an unrealized loss of $7.3 million in fiscal year 2007 to an unrealized gain of $6.5 million in fiscal year 2008, or $13.8 million, which accounted for the majority of the increase in operating results. In addition, interest and investment income increased by $4.6 million.

- The Bond Program's debt outstanding of $2.7 billion as of August 31, 2008, increased $86.7 million. Debt issuances and debt retirements totaled $213 million and $126.3 million, respectively.

- Loan originations for the year totaled $56.8 million in the Bond Program.

- The Department currently has five outstanding swaps with three different counterparties at combined notional amount of $359.9 million and a fair value of ($13.9 million) as of August 31, 2008.

- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to increased foreclosures causing uncertainty in the housing market. According to Standard and Poor's, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves, and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC).

### FINANCIAL STATEMENTS

The financial statements provide information about the Bond Program's funds. The Bond Program has only one type of fund, the proprietary fund, which is as follows:

- ***Proprietary Fund*** — The Bond Program's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund 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 or debt service.

## FINANCIAL ANALYSIS OF THE REVENUE BOND PROGRAM

**Bond Program — Condensed Schedule of Net Assets**

| | Bond Program | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2008 | 2007 | Amount | Percentage |
| ASSETS: | | | | |
| Cash and investments | $ 1,684,002,058 | $ 1,604,601,447 | $ 79,400,611 | 4.95 % |
| Loans, contracts, and notes receivable | 1,262,313,072 | 1,258,715,642 | 3,597,430 | 0.29 % |
| Interest receivable | 14,900,890 | 20,024,161 | (5,123,271) | (25.59)% |
| Capital assets | | 89,062 | (89,062) | (100.00)% |
| Real estate owned | 341,169 | 294,919 | 46,250 | 15.68 % |
| Deferred issuance cost | 11,991,756 | 11,655,758 | 335,998 | 2.88 % |
| Other assets | 283,629 | 438,349 | (154,720) | (35.30)% |
| Total assets | 2,973,832,574 | 2,895,819,338 | 78,013,236 | 2.69 % |
| LIABILITIES: | | | | |
| Bonds/notes payable | 2,742,521,154 | 2,615,242,505 | 127,278,649 | 4.87 % |
| Interest payable | 38,307,372 | 40,093,198 | (1,785,826) | (4.45)% |
| Deferred revenue | 8,541,937 | 4,631,000 | 3,910,937 | 84.45 % |
| Other liabilities | 148,794,858 | 205,015,216 | (56,220,358) | (27.42)% |
| Total liabilities | 2,938,165,321 | 2,864,981,919 | 73,183,402 | 2.55 % |
| NET ASSETS: | | | | |
| Invested in capital assets | | 89,062 | (89,062) | (100.00)% |
| Restricted | 17,304,914 | 11,349,640 | 5,955,274 | 52.47 % |
| Unrestricted | 18,362,339 | 19,398,717 | (1,036,378) | (5.34)% |
| Total net assets | $ 35,667,253 | $ 30,837,419 | $ 4,829,834 | 15.66 % |

Net assets of the Bond Program increased $4.8 million, or 15.7%, to $35.7 million. The net increase primarily resulted from an increase in fair value of the Bond Program's investments, an increase in interest and investment income,  and a transfer of certain general and administrative expenses now accounted for in the Department's Administrative Program and not reflected in the Operating Fund of Bond Program beginning in fiscal year 2008. Restricted net assets of the Bond Program increased $6 million, or 52.5%. Unrestricted net assets decreased $1 million, or 5.3%.

Cash and investments increased $79.4 million, or 5%, to $1.7 billion, due to the investments of new bond proceeds from single family and multifamily bond issues. The Bond Program loans receivable (current and non-current) increased $3.6 million, or 0.3%, to $1.3 billion, due primarily to $56 million worth of mortgage loans originated and $48.3 million paid down under the Multi-Family Program. Total bonds and notes payable (current and non-current) increased $127.3 million, or 4.9%, due to new debt issuances associated with the Bond Program's Single Family and Multi-Family Programs.

A comparison between 2008 and 2007 for the Schedule of Revenues, Expenses, and Changes in Net Assets is as follows:

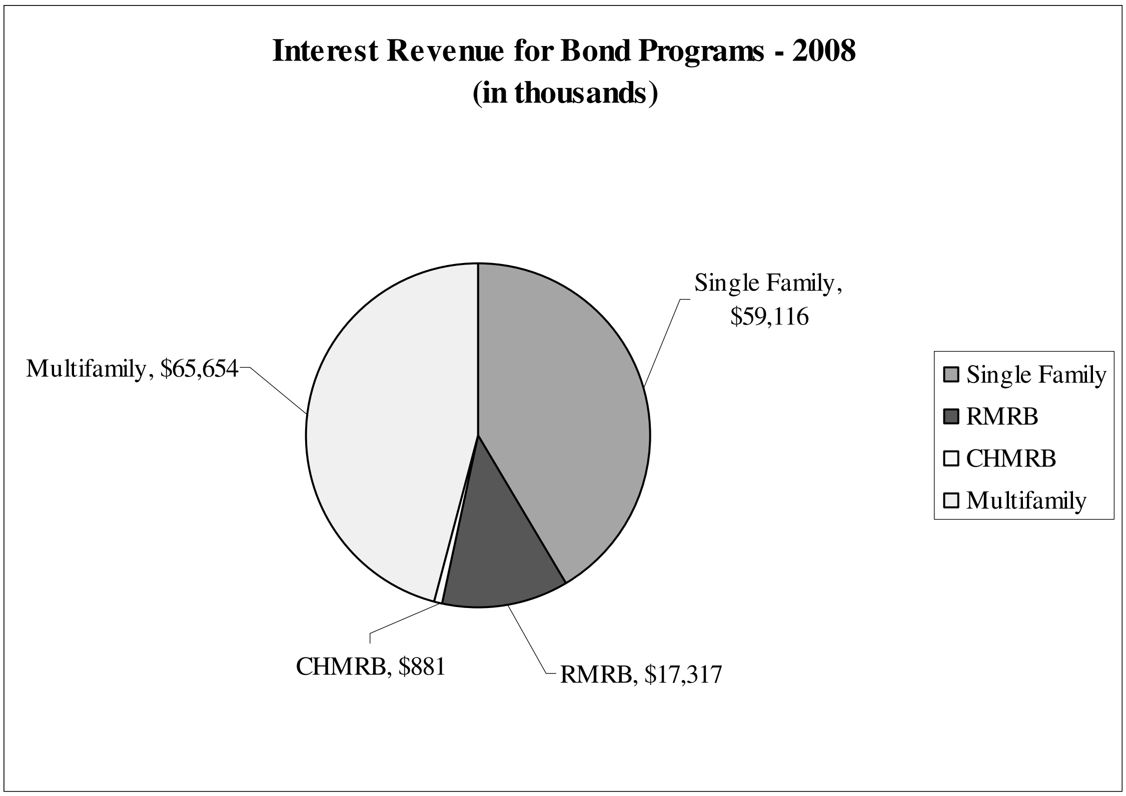
**Bond Program - Schedule of Revenues, Expenses, and Changes in Net Assets**

| | 2008 | 2007 | Increase (Decrease) Amount | Percentage |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Interest and investment income | $144,584,681 | $ 140,011,272 | $ 4,573,409 | 3.27 % |
| Net (decrease) in fair value | 6,488,245 | (7,271,532) | 13,759,777 | (189.23)% |
| Other operating revenues | 2,597,291 | 4,204,419 | (1,607,128) | (38.22)% |
| Total operating revenues | 153,670,217 | 136,944,159 | 16,726,058 | 12.21 % |
| OPERATING EXPENSES: | | | | |
| Salaries and wages | | 3,878,630 | (3,878,630) | (100.00)% |
| Payroll-related costs | | 852,761 | (852,761) | (100.00)% |
| Professional fees and services | 1,133,870 | 684,758 | 449,112 | 65.59 % |
| Travel | | 81,612 | (81,612) | (100.00)% |
| Materials and supplies | | 136,373 | (136,373) | (100.00)% |
| Communications and utilities | | 69,016 | (69,016) | (100.00)% |
| Repairs and maintenance | | 115,797 | (115,797) | (100.00)% |
| Rentals and leases | | 33,175 | (33,175) | (100.00)% |
| Printing and reproduction | | 7,575 | (7,575) | (100.00)% |
| Depreciation expense | 882,289 | 943,856 | (61,567) | (6.52)% |
| Interest | 136,892,908 | 131,807,514 | 5,085,394 | 3.86 % |
| Bad Debt Expense | 116,512 | 249,370 | (132,858) | (53.28)% |
| Down Payment Assistance | 5,144,249 | 8,555,264 | (3,411,015) | (39.87)% |
| Other operating expenses | 1,009,871 | 1,097,974 | (88,103) | (8.02)% |
| Total operating expenses | 145,179,699 | 148,513,675 | (3,333,976) | (2.24)% |
| OPERATING INCOME (LOSS) | 8,490,518 | (11,569,516) | 20,060,034 | (173.39)% |
| NONOPERATING REVENUES (EXPENSES) | (3,660,684) | 2,142,374 | (5,803,058) | (270.87)% |
| CHANGE IN NET ASSETS | 4,829,834 | (9,427,142) | 14,256,976 | (151.23)% |
| BEGINNING NET ASSETS | 30,837,419 | 40,264,561 | (9,427,142) | (23.41)% |
| ENDING NET ASSETS | $ 35,667,253 | $ 30,837,419 | $ 4,829,834 | 15.66 % |

The Bond Program's general and administrative expenses are now accounted for in the Department's Administrative Program, which resulted in a decrease in operating expenses of $5.2 million from 2007. Net assets of the Bond Program increased from the August 31, 2008 amount by $4.8 million, or 15.7%, to $35.7 million.

Earnings within the Bond Program's various bond indentures were $153.7 million, of which $151.6 million is classified as restricted and $2.1 million, as unrestricted. Restricted earnings are composed of $144.1 million in interest and investment income, $6.5 million increase in fair value of investments, and $1 million in other revenue. Interest and investment income is restricted per bond covenants for debt service, fair value in investments is an unrealized gain due to the fact that the Bond Program holds investments until maturity, and other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time. Unrestricted earnings are composed of $0.5 million in interest and investment income and $1.6 million in other operating revenue.

The graph below will illustrate the composition of interest revenue for the various bond indentures that make up the Bond Program:




Interest earned on program loans decreased by $2.6 million, or 3.8%, due primarily to a decrease of $2.1 million, or 3.1%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year and a decrease in the Single Family Program due to decreasing loan balances.

Investment income increased $7.3 million, or 10.4%, and reflected higher investment yields. The primary changes in investment income were within the Single Family Bond Program funds, which increased $8.9 million, or 18.4%, and the Residential Mortgage Revenue Bond Program funds, which decreased $1.8 million, or 9.6%.

Expenses of the Bond Program consist primarily of interest expense of $136.9 million, which increased $5.1 million, or 3.9%, on the Bond Program's debt incurred to fund its various lending programs.

The Bond Program also generated $.5 million of unrestricted investment income, which was used primarily to partially offset its administrative costs.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2008 and 2007 are as follows:

**Changes in Net Assets by Fund Groups, Year Ended August 31,**
**(Amounts in thousands)**

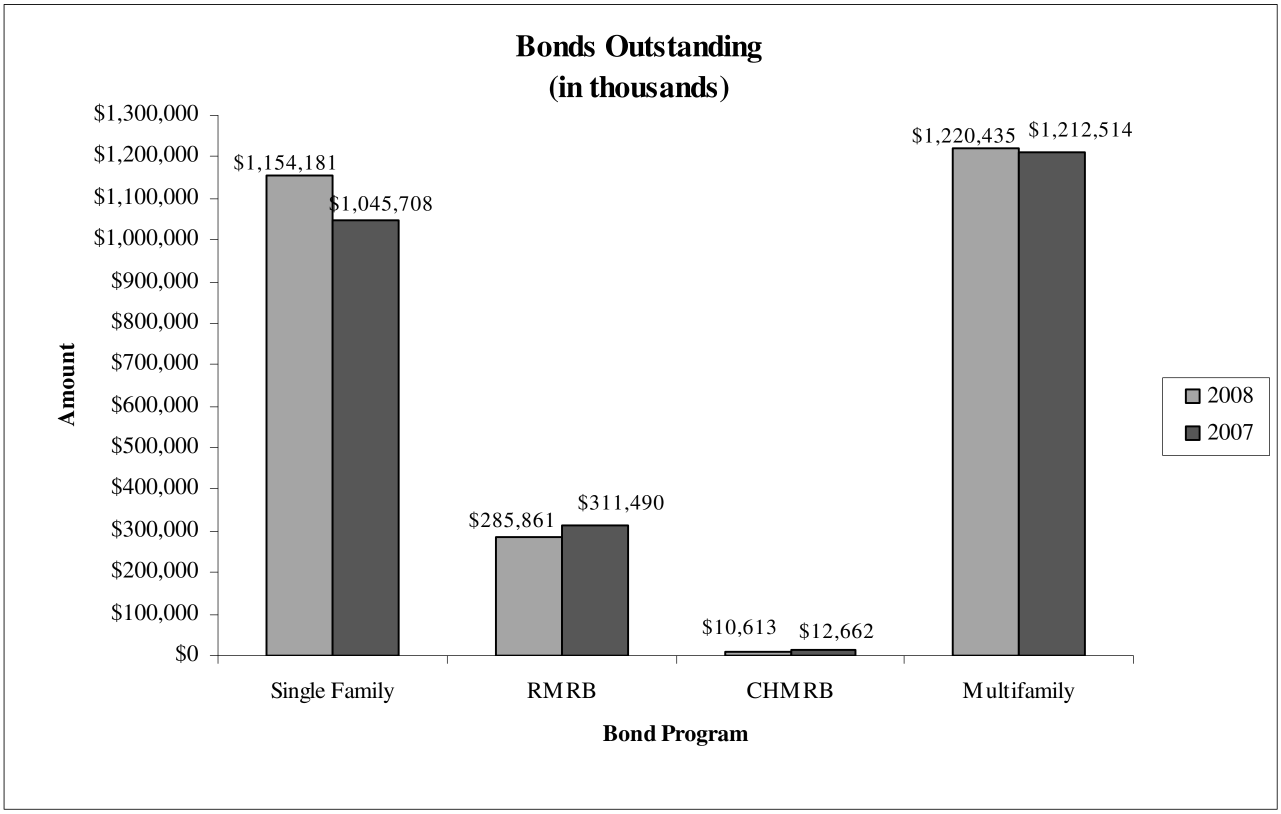
| | | | Increase (Decrease) | |
|---|---|---|---|---|
| **Fund** | **2008** | **2007** | **Amount** | **Percentage** |
| Single Family | $ 5,693 | $ 4,616 | $ 1,077 | 23.3 % |
| RMRB | 9,800 | 5,253 | 4,547 | 86.6 % |
| CHMRB | 1,915 | 1,587 | 328 | 20.7 % |
| Multifamily | (135) | (158) | 23 | (14.6)% |
| Commercial paper | 32 | 51 | (19) | (37.3)% |
| General funds | 18,362 | 19,488 | (1,126) | (5.8)% |
| Total | $35,667 | $30,837 | $ 4,830 | 15.7 % |

Net assets of the Single Family Bond Programs increased by $1.1 million, or 23.3%, primarily due to an increase of $9.5 million to the fair value of investments and an increase in interest expense of $8.6 million. Net assets of the RMRB Bond Programs increased $4.5 million or 86.6% primarily due to an increase of $4.1 million to the fair value of investments.

## BOND PROGRAM DEBT

The Bond Program's new debt issuances excluding commercial paper during fiscal year 2008 totaled $213.1 million. The Single Family Program issued $157.1 million in bonds, and the Multi-Family Bond Program issued $56 million. The Bond Program also had $126 million in debt retirement during the year primarily due to consumer refinancing and paying off original loans. The net result was an increase in bonds payable of $86.7 million to $2.7 billion of which $41.3 million is due within one year. For additional information, see Note 8, Bonds Payable, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2008 and 2007 per bond program:




**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' Bond Program operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

## STATEMENT OF NET ASSETS
## AS OF AUGUST 31, 2008

| | |
|---|---|
| ASSETS: | |
| Current assets: | |
| Cash and cash equivalents: | |
| Cash in bank | $ 61,200 |
| Cash equivalents | 14,455,869 |
| Restricted assets: | |
| Cash and cash equivalents: | |
| Cash in bank | 547,555 |
| Cash equivalents | 163,068,583 |
| Short-term investments | 159,097,490 |
| Loans and contracts | 12,655,872 |
| Interest receivable | 14,898,360 |
| Receivables: | |
| Interest receivable | 2,530 |
| Accounts receivable | 181,728 |
| Loans and contracts | 137,665 |
| Other current assets | 101,900 |
| Total current assets | 365,208,752 |
| Noncurrent assets: | |
| Loans and contracts | 3,410,973 |
| Restricted assets: | |
| Investments | 1,346,771,361 |
| Loans and contracts | 1,246,108,562 |
| Other noncurrent assets: | |
| Deferred bond issuance cost — net | 11,991,756 |
| Real estate owned — net | 341,170 |
| Total noncurrent assets | 2,608,623,822 |
| Total assets | 2,973,832,574 |

See notes to financial statements. (Continued)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

### STATEMENT OF NET ASSETS
### AS OF AUGUST 31, 2008

| | |
|---|---|
| LIABILITIES: | |
| Current liabilities: | |
| Payables: | |
| Accounts payable | $ 7,637 |
| Accrued bond interest payable | 38,307,372 |
| Deferred revenues | 8,541,937 |
| Revenue bonds payable | 41,276,426 |
| Other current liabilities | 9,009,373 |
| Total current liabilities | 97,142,745 |
| Noncurrent liabilities: | |
| Notes payable | 71,431,000 |
| Revenue bonds payable | 2,629,813,728 |
| Other noncurrent liabilities | 139,777,848 |
| Total noncurrent liabilities | 2,841,022,576 |
| Total liabilities | 2,938,165,321 |
| NET ASSETS: | |
| Restricted | 17,304,914 |
| Unrestricted | 18,362,339 |
| TOTAL NET ASSETS | $ 35,667,253 |

See notes to financial statements. (Concluded)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2008

| | |
|---|---|
| OPERATING REVENUES: | |
| Interest and investment income | $144,584,681 |
| Net increase in fair value of investments | 6,488,245 |
| Other operating revenues | 2,597,291 |
| Total operating revenues | 153,670,217 |
| OPERATING EXPENSES: | |
| Professional fees and services | 1,133,870 |
| Depreciation and amortization | 882,289 |
| Interest | 136,892,908 |
| Bad debt expense | 116,512 |
| Down payment assistance | 5,144,249 |
| Other operating expenses | 1,009,871 |
| Total operating expenses | 145,179,699 |
| OPERATING INCOME | 8,490,518 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers to General Fund | (3,660,684) |
| CHANGE IN NET ASSETS | 4,829,834 |
| NET ASSETS — September 1, 2007 | 30,837,419 |
| NET ASSETS — August 31, 2008 | $ 35,667,253 |

See notes to financial statements.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED AUGUST 31, 2008

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Proceeds from loan programs | $ 66,536,955 |
| Proceeds from other revenues | 2,486,263 |
| Payments to suppliers for goods/services | (4,161,454) |
| Payments for loans provided | (56,795,337) |
| Net cash provided by operating activities | 8,066,427 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Proceeds from debt issuance | 254,674,363 |
| Payments to other costs of debt | (1,646,137) |
| Payments to Other Funds | (4,405,572) |
| Payments of principal on debt | (126,342,397) |
| Payments of interest | (139,304,200) |
| Net cash used for noncapital financing activities | (17,023,943) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Proceeds from sales and maturities of investments | 620,189,369 |
| Proceeds from interest and investment income | 82,549,745 |
| Payments to acquire investments | (654,572,613) |
| Net cash provided by investing activities | 48,166,501 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 39,208,985 |
| CASH AND CASH EQUIVALENTS — Beginning of year | 138,924,222 |
| CASH AND CASH EQUIVALENTS — End of year | $ 178,133,207 |

See notes to financial statements. (Continued)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED AUGUST 31, 2008

| | |
|---|---|
| RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING LOSS: | |
| Operating Income | $ 8,490,518 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Amortization and depreciation | 882,289 |
| Provision for estimated losses | 116,512 |
| Operating income and cash flow categories — classification differences | 51,578,535 |
| Changes in assets and liabilities: | |
| Decrease in accrued interest receivable | 5,123,271 |
| Increase in loans | (3,597,430) |
| Increase in property owned | (46,251) |
| Increase in mortgage loan acquisition costs | (335,998) |
| Increase in deferred revenues | 3,910,937 |
| Decrease in other assets and liabilities | (56,270,130) |
| Decrease in accrued interest payable | (1,785,826) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 8,066,427 |
| NONCASH TRANSACTIONS — Net Change in Fair Value of Investments | $ 6,488,246 |

See notes to financial statements.

(Concluded)

### 1. GENERAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

**General Statement** — The Texas Department of Housing and Community Affairs (the "Department"), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program (the "Program"), which is included in the enterprise fund of the Department, and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Board composed of seven members, all of whom are appointed by the Governor with advice and consent of the Senate. The Board then appoints the Executive Director with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Program operates several bond programs under separate trust indentures, as follows:

- *Single-Family Bond Program ("Single-Family")* — These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

- *Residential Mortgage Revenue Bond Program (RMRB)* — Eleven series (three of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and 10 separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

- *Collateralized Home Mortgage Revenue Bond Program (CHMRB)* — The Department issued six series of bonds pursuant to the CHMRB Trust Indenture with separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

- *Multifamily Housing Revenue Bond Programs ("Multifamily")* — These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

- *Collateralized Home Mortgage Revenue Bond Program — Series 1994 and 1995 (COBs)* — On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994, in the amount of $84,140,000. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association (FNMA). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured, VA-guaranteed, FMHA-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.

- *Commercial Paper Notes* — By resolution adopted November 10, 1994, the Department's Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (collectively, the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

- *Housing Trust Fund* — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The Housing Trust Fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The Housing Trust Fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

**Continuance Subject to Review** — Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless it is continued in existence as provided in the Texas Sunset Act. If abolished, the Department may continue in existence until September 1, 2012, to close out its operations.

**Significant Accounting Policies** — The significant accounting policies of the Program are as follows:

*Fund Accounting* — The Program's financial statements have been prepared on the basis of the governmental proprietary fund concept as set forth by the Governmental Accounting Standards Board (GASB). The governmental proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

*Investments* — The Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the balance sheet. The Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates. Fair value of the Program's securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue's trustee using a pricing service.

The Program has reported all investment securities at fair value as of August 31, 2008, with the exception of certain money market investments and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 3).

In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments.

*Loans Receivable* — Loans receivable are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses and deferred commitment fees. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the single-family loans and the contractual lives, adjusted for actual repayments, of the multifamily loans.

*Real Estate Owned* — Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs.

Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

*Allowance for Estimated Losses on Loans and Foreclosed Properties* — The allowance for estimated losses on loans is available for future chargeoffs on single-family and multifamily loans. The allowance for estimated losses on real estate owned is available for future chargeoffs on foreclosed single-family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

*Commitment Fees* — Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated life of the related loans and mortgage-backed securities, or if the commitment expires unexercised, it is credited to income upon expiration of the commitment.

*Deferred Issuance Costs* — Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

*Discounts and Premiums on Debt* — Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

*General and Administrative Expenses* — Beginning in 2008, certain General and Administrative expenses are accounted for in the Department's Administrative Program and are no longer reflected in the Operating Fund section of the Bond Program.

*Restricted Net Assets* — The net assets of the Program are restricted for various purposes of the bond trust indentures.

*Cash Flows* — For purposes of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid and are readily exchanged for cash at amounts equal to their stated value.

*Interfund Transactions* — The Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

*Gain/Loss on Refundings of Debt* — Any gain/loss on refunding of bonds is deferred and amortized as a component of interest expense using the interest method.

*Loss on Early Extinguishment of Debt* — Any loss on extinguishment of debt prior to its stated maturity is recorded in the period the debt is retired.

*Estimates* — In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned and in determination of the assumptions with respect to prepayments on loans and mortgage-backed securities in the recognition of deferred commitment fees to income.

## 2. CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2008, is presented below:

| Program Activities | Balance September 1, 2007 | Additions | Transfer to Other Fund | Balance August 31, 2008 |
|---|---|---|---|---|
| Depreciable assets: | | | | |
| Furniture and equipment | $ 1,246,514 | $ | $ (1,246,514) | $ |
| Other capital assets | 62,954 | | (62,954) | |
| Less accumulated depreciation: | | | | |
| Furniture and equipment | (1,197,579) | | 1,197,579 | |
| Other capital assets | (22,827) | | 22,827 | |
| Depreciable assets — net * | $ 89,062 | $ | $ (89,062) | $ |

* Capital Assets are not reported in the Operating Funds beginning in fiscal year 2008.

## 3. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank** — As of August 31, 2008, the carrying amount of deposits was $609 (in thousands).

| | |
|---|---|
| Program funds — current assets — cash in bank: | |
| Texas Treasury Safekeeping Trust (TTSTC) | $ 61 |
| Demand deposits | |
| Program funds — current assets — restricted cash in bank: | |
| Texas Treasury Safekeeping Trust | 243 |
| Demand deposits | 305 |
| Cash in bank | $ 609 |

**Investments** — The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. government; obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; commercial paper; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2008, the fair values of investments as of the balance sheet date (including both short term and long term) are shown below (in thousands).

| **Program Activities** | **Carrying Value** | **Fair Value** |
|---|---|---|
| U.S. government Treasury securities | $ 939 | $ 1,014 |
| U.S. government agency obligations | 1,332,487 | 1,308,774 |
| Repurchase agreements (TTSTC) | 106,305 | 106,305 |
| Fixed income money markets | 71,219 | 71,219 |
| Miscellaneous (investment agreements/guaranteed investment contracts) | 196,081 | 196,081 |
| Total | $ 1,707,031 | $ 1,683,393 |

**Credit Risk** — Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by:

- Limiting investments to the safest types of securities.
- Prequalifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2008, the Program's credit quality distribution for securities with credit risk exposure was as follows (in thousands):

*Standard & Poor's*

| **Investment Type** | **Not Rated** | **AAA** | **Aa** | **A** |
|---|---|---|---|---|
| U.S. government agency obligations | $ - | $ 231,004 | $ - | $ - |
| Repurchase agreements (TTSTC) | 106,305 | | | |
| Miscellaneous (investment agreements/ GICs) | 196,081 | | | |
| | **Not Rated** | **AAA-M** | **AA-M** | **A-M** |
| Fixed income money markets | $ - | $ 71,219 | $ - | $ - |

A total of $1,078,784 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. government, which is composed of $1,014 in U.S. Treasury securities and $1,077,770 in U.S. government agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2008, the Department's concentration of credit risk is as follows.

| **Issuer** | **Carrying Value (In thousands)** | **% of Total Portfolio** |
|---|---|---|
| Paribas Corporation | $ 106,305 | 6.22 % |
| Transamerican Life | 88,071 | 5.16 |

**Interest Rate Risk** — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. Longer maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Program's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Program's investments by maturity (in thousands):

| Program Activities | Fair Value | 12 months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
|---|---|---|---|---|---|
| U.S. Treasury securities | $ 1,014 | $ | $ | $ | $ 1,014 |
| U.S. government agency obligations | 1,308,774 | 11,317 | | 12,086 | 1,285,371 |
| Repurchase agreements (TTSTC) | 106,305 | 106,305 | | | |
| Fixed income money markets | 71,219 | 71,219 | | | |
| Miscellaneous (investment agreements/GICs | 196,081 | 147,780 | 19,385 | | 28,916 |
| Total | $1,683,393 | $336,621 | $19,385 | $ 12,086 | $1,315,301 |

**Highly Sensitive Investments** — U.S. government agency obligations held in the form of mortgage-backed securities: These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. The fair value of these investments is inversely affected by national mortgage interest rates. In an environment of rising interest rates, the Department would recognize an unrealized loss in fair market value and vice versa. Since the end of the 2008 fiscal year, the national mortgage rates have begun to decrease; as such, the Department does not believe that the value of these assets has been impaired. As of August 31, 2008, the Department holds $1,308,774 in mortgage-backed securities.

## 4. SUMMARY OF LONG-TERM LIABILITIES

**Commercial Paper Notes Payable** — The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

**Other Noncurrent Liabilities** — Other noncurrent liabilities totaling $139,777,848 primarily account for funds due to developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the developer for the purpose of Multifamily developments and are held by the trustee. Due to the variables related to the balance, the current portion cannot be reasonably estimated.

## 5. RESTRICTED ASSETS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable, and investments (which include mortgage-backed securities) totaling $2.9 billion are restricted by the trust indentures of the related bonds and collateralized mortgage obligations. The trust indentures of the Department also require the establishing of accounts for the segregation of assets and restricting the use of bond proceeds, and other funds in connection with each bond program. Such restricted assets, primarily investments, at August 31, 2008, are as follows (in thousands):

| Program | Mortgage and Debt Service Reserve | Unspent Bond Proceeds | Revenue Account | Self-Insurance | Rebate Account |
|---|---|---|---|---|---|
| Single-family | $ 1,066 | $ 92,600 | $ 61,065 | $ 1,606 | $ 635 |
| RMRB | | | 11,942 | 401 | 323 |
| CHMRB | | | 649 | | |
| Multifamily | 1,282 | 90,164 | 4,903 | | |
| Commercial paper | | | | | 227 |
| Total | $ 2,348 | $ 182,764 | $ 78,559 | $ 2,007 | $ 1,185 |

Additionally, deferred issuance costs and real estate owned totaling $12 million and $341,000, respectively, are also restricted.

## 6. LOANS RECEIVABLE

Loans receivable as of August 31, 2008, consisted of the following (in thousands):

| | |
|---|---|
| Single-family loans | $ 40,094 |
| Multifamily loans | 1,220,784 |
| RMRB (1987 Series A) single-family loans | 1,036 |
| Miscellaneous loans | 3,875 |
| Total loans | 1,265,789 |
| Deferred commitment fees — net of accumulated amortization of $ 39,509 in 2008 | (888) |
| Allowance for estimated loan losses | (2,588) |
| Total | $ 1,262,313 |

All of the loans made directly by the Department are secured by real estate properties located in the state.

Single-family loans are collateralized by first-lien mortgages on the applicable real estate and (i) are federally insured or guaranteed or (ii) are insured by a private mortgage insurer approved by the Department for the amount by which the loan exceeds 80% of the original appraised value.

Certain properties acquired through foreclosure are covered by mortgage pool insurance. The mortgage pool insurance covers the unpaid principal balance of the loan at the ultimate date of sale, delinquent interest up to the claim settlement date, and certain other expenses.

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-Insurance Fund Agreements ("Agreements") with the trustee. The funding requirements of these Agreements have been met as of August 31, 2008.

Multifamily mortgage and lender loans are collateralized by first-lien mortgages on the applicable housing developments, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The activity in the allowance for estimated loan losses is as follows (in thousands):

| | |
|---|---|
| Balance — beginning of year | $ 2,595 |
| Provision for estimated losses on loans | (7) |
| Balance — end of year | $ 2,588 |

## 7. REAL ESTATE OWNED

Real estate owned for the Program was as follows (in thousands):

| | |
|---|---|
| Real estate owned | $ 872 |
| Allowance for estimated losses | (531) |
| Real estate owned — net | $ 341 |

The activity in the allowance for estimated losses was as follows (in thousands):

| | |
|---|---|
| Balance — beginning of year | $ (514) |
| Amounts charged off | (17) |
| Balance — end of year | $ (531) |

## 8. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2008, consisted of the following (in thousands):

| | Original Face Amount | Balance September 1, 2007 | Additions/ Accretions | Maturities/ Prepayments | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| Single-family: | | | | | | | |
| 2002 Series A — 7.01% | $10,000 | $ 5,400 | | $ 1,260 | $ 4,140 | 2026 | |
| 2002 Series A — 5.45% to 5.55% | 38,750 | 37,485 | | 950 | 36,535 | 2034 | |
| 2002 Series B — 5.35% to 5.55% | 52,695 | 39,135 | | 5,690 | 33,445 | 2033 | $ 20 |
| 2002 Series C — 2.80% to 5.20% | 12,950 | 11,180 | | 765 | 10,415 | 2017 | 497 |
| 2002 Series D — 2.0% to 4.5% | 13,605 | 5,740 | | 1,110 | 4,630 | 2012 | 839 |
| 2004 Series A — 2.0% to 4.7% | 123,610 | 116,865 | | 12,835 | 104,030 | 2035 | 3,832 |
| 2004 Series B — variable rate | 53,000 | 53,000 | | | 53,000 | 2034 | |
| 2004 Series A — variable rate | 4,140 | 4,140 | | 285 | 3,855 | 2036 | |
| 2004 Series C — 4.3% to 4.8% | 41,245 | 36,805 | | 5,020 | 31,785 | 2036 | 342 |
| 2004 Series D — variable rate | 35,000 | 35,000 | | | 35,000 | 2035 | |
| 2004 Series E — 2.45% to 4.3% | 10,825 | 9,195 | | 1,270 | 7,925 | 2013 | 1,039 |
| 2005 Series A — variable rate | 100,000 | 98,145 | | 3,285 | 94,860 | 2036 | |
| 2005 Series B — 4.38% | 25,495 | 20,705 | | 3,270 | 17,435 | 2026 | 573 |
| 2005 Series C — 4.31% to 5.39% | 8,970 | 8,010 | | 795 | 7,215 | 2017 | |
| 2005 Series D — 5.0% | 3,730 | 3,225 | | 185 | 3,040 | 2035 | |
| 2006 Series A — 5.0% | 59,555 | 59,105 | | 1,275 | 57,830 | 2037 | 517 |
| 2006 Series B — 5.0% | 70,485 | 69,950 | | 1,960 | 67,990 | 2034 | 1,524 |
| 2006 Series C — 5.13% | 105,410 | 104,610 | | 2,600 | 102,010 | 2037 | 1,791 |
| 2006 Series D — 4.50% | 29,685 | 27,630 | | 3,510 | 24,120 | 2028 | (65) |
| 2006 Series E — 4.06% | 17,295 | 16,560 | | 1,285 | 15,275 | 2017 | 1,181 |
| 2006 Series F — 4.65% to 5.75% | 81,195 | 81,195 | | 695 | 80,500 | 2038 | 648 |
| 2006 Series G — 3.75% to 4.60% | 15,000 | 15,000 | | 735 | 14,265 | 2019 | 1,110 |
| 2006 Series H — variable rate | 36,000 | 36,000 | | | 36,000 | 2037 | 2,571 |
| 2007 Series A — variable rate | 143,005 | 143,005 | | 1,935 | 141,070 | 2038 | 10,014 |
| 2007 Series B — 3.90% to 5.63% | 157,060 | | $ 157,060 | 5 | 157,055 | 2039 | 148 |
| Total principal amount | | 1,037,085 | $157,060 | $ 50,720 | 1,143,425 | | $26,581 |
| Unamortized premium | | 12,649 | | | 14,121 | | |
| Unamortized discount and losses on refundings | | (4,026) | | | (3,365) | | |
| Total single-family | | $1,045,708 | | | $1,154,181 | | |

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| RMRB: | | | | | | | |
| 1998 Series A — 4.05% to 5.35% | $102,055 | $ 40,105 | $ | $ 3,815 | $ 36,290 | 2031 | $ 1,115 |
| 1998 Series B — 5.30% | 14,300 | 7,125 | | 775 | 6,350 | 2022 | |
| 1999 Series A — 4.80% to 5.50% | 25,615 | 5,865 | | 980 | 4,885 | 2021 | (11) |
| 1999 Series B-1 — 6.32% to 5.50% | 52,260 | 22,415 | | 1,590 | 20,825 | 2032 | 14 |
| 1999 Series C — 5.05% to 6.25% | 12,150 | 3,500 | | 15 | 3,485 | 2024 | (1) |
| 2000 Series A — 5.10% to 6.30% | 50,000 | 16,330 | | 1,025 | 15,305 | 2031 | 237 |
| 2000 Series B — 5.70% | 82,975 | 48,165 | | 3,830 | 44,335 | 2033 | 9 |
| 2000 Series C — 5.85% to 5.82% | 13,675 | 8,530 | | | 8,530 | 2025 | |
| 2000 Series D — 4.55% to 5.85% | 18,265 | 6,695 | | 555 | 6,140 | 2020 | 595 |
| 2001 Series A — 3.15% to 5.70% | 52,715 | 33,500 | | 2,820 | 30,680 | 2033 | 602 |
| 2001 Series B — 5.0% to 5.25% | 15,585 | 12,300 | | 120 | 12,180 | 2022 | |
| 2001 Series C — 2.55% to 4.63% | 32,225 | 9,690 | | 1,945 | 7,745 | 2015 | 976 |
| 2001 Series D — 5.35% | 300 | 235 | | 5 | 230 | 2033 | 10 |
| 2002 Series A — 2.25% to 5.35% | 42,310 | 31,470 | | 2,305 | 29,165 | 2034 | 536 |
| 2003 Series A — 1.70% to 5.00% | 73,630 | 64,765 | | 5,480 | 59,285 | 2034 | 954 |
| Total principal amount | | 310,690 | $ | $ 25,260 | 285,430 | | $ 5,036 |
| Unamortized premium | | 2,000 | | | 1,423 | | |
| Unamortized discount and loss on refundings | | (1,200) | | | (992) | | |
| Total RMRB | | $311,490 | | | $285,861 | | |
| CHMRB: | | | | | | | |
| 1992 Series C — linked rate averaging 6.90% | $ 72,700 | $ 12,400 | $ | 2,000 | $ 10,400 | 2024 | $ 8 |
| Total principal | | 12,400 | $ | $ 2,000 | 10,400 | | $ 8 |
| Plus unamortized premium | | 262 | | | 213 | | |
| Total CHMRB | | $ 12,662 | | | $ 10,613 | | |

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| Multifamily: | | | | | | | |
| 1987 Series (South Texas Rental Housing) — 9.5% | $ 1,400 | $ 612 | $ | $ 93 | $ 519 | 2012 | $ 102 |
| 1996 Series A and B (Brighton's Mark) — 6.13% | 10,174 | 8,075 | | | 8,075 | 2026 | |
| 1996 Series A and B (Marks of Las Colinas) — 5.56% | 15,469 | 12,670 | | 12,670 | | 2026 | |
| 1996 Series A and B (Braxton's Mark) — 5.81% | 14,867 | 14,274 | | | 14,274 | 2026 | |
| 1998 Series (Pebble Brook) — 4.95% to 5.60% | 10,900 | 9,895 | | 225 | 9,670 | 2030 | 205 |
| 1998 Series A, B, and C (Residence Oaks) — 5.98% to 7.18% | 8,200 | 7,408 | | 151 | 7,257 | 2030 | 159 |
| 1998 Series (Greens) — 5.2% to 6.03% | 13,500 | 12,325 | | 240 | 12,085 | 2030 | 250 |
| 1999 Series (Mayfield) — 5.7% to 7.25% | 11,445 | 10,406 | | 209 | 10,197 | 2031 | 222 |
| 1999 Series (Woodglen Village) — 7.38% to 8.25% | 10,660 | 10,505 | | 10,505 | | 2039 | |
| 2000 Series (Timber Point) — variable rate | 8,100 | 7,670 | | 100 | 7,570 | 2032 | |
| 2000 Series (Oaks @ Hampton) — 7.20% to 9.00% | 10,060 | 9,754 | | 75 | 9,679 | 2040 | 82 |
| 2000 Series (Deerwood) — 5.25% to 6.40% | 6,435 | 6,075 | | 95 | 5,980 | 2032 | 95 |
| 2000 Series (Creek Point) — variable rate | 7,200 | 6,585 | | 115 | 6,470 | 2032 | |
| 2000 Series A/B (Parks @ Westmoreland — 7.20% to 9.00% | 9,990 | 9,704 | | 73 | 9,631 | 2040 | 80 |
| 2000 MF Series A-C (Highland Meadow Apts) — 6.75% to 8% | 13,500 | 8,565 | | 121 | 8,444 | 2033 | 130 |
| 2000 MF Series A/B (Greenbridge) — 7.4% to 10% | 20,085 | 19,735 | | 178 | 19,557 | 2040 | 113 |
| 2000 MF Series A-C (Collingham Park) — 6.72% to 7.72% | 13,500 | 12,943 | | 182 | 12,761 | 2033 | 208 |
| 2000 MF Series A/B (Williams Run) — 7.65% to 9.25% | 12,850 | 12,566 | | 149 | 12,417 | 2040 | 204 |
| 2001 MF Series (Bluffview Senior Apts) — 7.65% | 10,700 | 10,489 | | 59 | 10,430 | 2041 | 64 |
| 2001 MF Series (Knollwood Villas Apts) — 7.65% | 13,750 | 13,478 | | 76 | 13,402 | 2041 | 82 |
| 2001 MF Series (Skyway Villas) — 6.0% to 6.5% | 13,250 | 8,185 | | 745 | 7,440 | 2034 | 120 |

(Continued)

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2001 MF Series A/B (Cobb Park) — 6.77% | $ 7,785 | $ 7,649 | $ | $ 42 | $ 7,607 | 2041 | $ 46 |
| 2001 MF Series A (Greens Road Apts) — 5.3% to 5.4% | 8,375 | 8,060 | | 120 | 7,940 | 2034 | 130 |
| 2001 MF Series A (Meridian Apts) — 5.45% to 6.85% | 14,310 | 13,885 | | 185 | 13,700 | 2034 | 200 |
| 2001 MF Series A (Wildwood Apts) — 5.45% to 6.75% | 14,365 | 13,940 | | 190 | 13,750 | 2034 | 205 |
| 2001 MF Series A-C (Fallbrook Apts) — 6.06% to 6.78% | 14,700 | 14,241 | | 206 | 14,035 | 2034 | 220 |
| 2001 MF Series A (Oak Hollow Apts) — 7.0% to 7.9% | 8,625 | 6,381 | | 40 | 6,341 | 2041 | 43 |
| 2001 MF Series A/B (Hillside Apts) — 7.0% to 9.25% | 12,900 | 12,599 | | 43 | 12,556 | 2041 | 47 |
| 2002 MF Series A (Millstone Apts) — 5.35% to 5.86% | 12,700 | 10,575 | | 165 | 10,410 | 2035 | 175 |
| 2002 MF Series A (Sugar Creek Apts) — 6.0% | 11,950 | 11,750 | | 115 | 11,635 | 2042 | 76 |
| 2002 MF Series A (West Oaks Apts) — 7.15% to 7.5% | 10,150 | 9,573 | | 57 | 9,516 | 2042 | 62 |
| 2002 MF Series A (Park Meadows Apts) — 6.53% | 4,600 | 4,335 | | 60 | 4,275 | 2034 | 70 |
| 2002 MF Series A (Clarkridge Villas Apts) — 7.0% | 14,600 | 13,790 | | 81 | 13,709 | 2042 | 87 |
| 2002 MF Series A (Hickory Trace Apts) — 7.0% | 11,920 | 11,401 | | 67 | 11,334 | 2042 | 71 |
| 2002 MF Series A (Green Crest Apts) — 7.0% | 12,500 | 11,428 | | 143 | 11,285 | 2042 | 71 |
| 2002 MF Series A/B (Ironwood Crossing) — 5.5% to 8.75% | 16,970 | 16,852 | | 73 | 16,779 | 2042 | 79 |
| 2002 MF Series A/B (Woodway Village Apts) — 4.9% to 5.2% | 9,100 | 7,645 | | 110 | 7,535 | 2023 | 115 |
| 2003 MF Series A/B (Reading Road Apts) — Variable not to exceed 12% | 12,200 | 12,180 | | 220 | 11,960 | 2036 | 20 |
| 2003 MF Series A/B (North Vista Apts) — 4.1% to 5.41% | 14,000 | 13,800 | | 1,090 | 12,710 | 2036 | 210 |
| 2003 MF Series A/B (West Virginia Apts) — 4.15% to 5.41% | 9,450 | 9,315 | | 145 | 9,170 | 2036 | 150 |
| 2003 MF Series A/B (Sphinx @ Murdeaux) — 3.55% to 5.0% | 15,085 | 14,715 | | 165 | 14,550 | 2042 | 170 |
| 2003 MF Series A/B (Primrose Houston School) — 5.5% to 8.0% | 16,900 | 16,551 | | 79 | 16,472 | 2036 | 85 |
| 2003 MF Series A/B (Timber Oaks Apts) — 6.75 to 8.75% | 13,200 | 13,098 | | 56 | 13,042 | 2043 | 61 |
| 2003 MF Series A/B (Ash Creek Apts) — 5.6% to 15.0% | 16,375 | 16,278 | | 80 | 16,198 | 2036 | 86 |
| 2003 MF Series A/B (Peninsula Apts) — 4.25 to 5.3% | 12,400 | 12,130 | | 165 | 11,965 | 2024 | 160 |
| 2003 MF Series A/B (Evergreen @ Mesquite) — 6.6% to 8.0% | 11,000 | 10,856 | | 110 | 10,746 | 2043 | 117 |
| 2003 MF Series A/B (Arlington Villas Apts) — Variable rate | 17,100 | 17,054 | | 74 | 16,980 | 2036 | 80 |
| 2003 MF Series A/B (Parkview Twnhms Apts) — 6.6% to 8.5% | 16,600 | 16,482 | | 79 | 16,403 | 2043 | 86 |
| 2003 MF Series A (NHP-Asmara Apts) Refunding — Variable rate | 31,500 | 21,290 | | 360 | 20,930 | 2033 | 371 |

(Continued)

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2004 MF Series A/B (Timber Ridge Apts) — 5.75% to 8.0% | $ 7,500 | $ 6,668 | $ | $ 34 | $ 6,634 | 2037 | $ 37 |
| 2004 MF Series A/B (Century Park Apts) — Variable rate | 13,000 | 12,920 | | 465 | 12,455 | 2037 | 170 |
| 2004 MF Series A (Addison Park Apts) — Variable rate | 14,000 | 14,000 | | 14,000 | | 2044 | |
| 2004 MF Series A/B (Veterans Memorial Apts) — 6.6% to 8.5% | 16,300 | 16,193 | | 79 | 16,114 | 2044 | 86 |
| 2004 MF Series A (Rush Creek Apts) — 5.38% to 6.7% | 10,000 | 9,944 | | 1,173 | 8,771 | 2044 | 52 |
| 2004 MF Series A (Humble Park Apts) — 5.38% to 6.7% | 11,700 | 11,610 | | 100 | 11,510 | 2041 | 110 |
| 2004 MF Series A (Chisholm Trail Apts) — Variable rate | 12,000 | 12,000 | | 100 | 11,900 | 2037 | |
| 2004 MF Series A (Evergreen @ Plano Apts) — 5.25% to 6.55% | 14,750 | 14,737 | | 80 | 14,657 | 2044 | 85 |
| 2004 MF Series A (Montgomery Pines Apts) — Variable rate | 12,300 | 12,300 | | | 12,300 | 2037 | |
| 2004 MF Series A (Bristol Apts) — Variable rate | 12,625 | 12,625 | | 325 | 12,300 | 2037 | |
| 2004 MF Series A (Pinnacle Apts) — Variable rate | 14,500 | 14,500 | | 235 | 14,265 | 2044 | |
| 2004 MF Series A (Tranquility Bay Apts) — Variable rate | 14,350 | 14,253 | | 84 | 14,169 | 2044 | 90 |
| 2004 MF Series A (Sphinx @ Delafield Apts) — 5.05% to 5.35% | 11,380 | 11,236 | | 100 | 11,136 | 2044 | 110 |
| 2004 MF Series A (Churchill @ Pinnacle Apts) — 5.25% to 6.55% | 10,750 | 10,095 | | 67 | 10,028 | 2044 | 72 |
| 2004 MF Series A/B (Post Oak East Apts) — Variable rate | 13,600 | 13,600 | | | 13,600 | 2037 | |
| 2004 MF A Series (Village Fair Apts) — 5.0% to 6.5% | 14,100 | 14,050 | | 80 | 13,970 | 2044 | 85 |
| 2005 MF A Series (Pecan Grove Apts) — 5.0% to 6.5% | 14,030 | 13,986 | | 79 | 13,907 | 2045 | 84 |
| 2005 MF Series A (Prairie Oaks Apts) — 4.75% to 6.5% | 11,050 | 11,016 | | 62 | 10,954 | 2045 | 66 |
| 2005 MF Series A (Port Royal Apts) — 5.0% to 6.5% | 12,200 | 12,168 | | 68 | 12,100 | 2045 | 73 |
| 2005 MF Series A (Del Rio Apts) — 5.0% to 6.5% | 11,490 | 11,459 | | 64 | 11,395 | 2045 | 69 |
| 2005 MF Series A (Atascocita Pines Apts) — Variable rate | 11,900 | 11,900 | | | 11,900 | 2037 | 143 |
| 2005 MF Series A (Tower Ridge Apts) — Variable rate | 15,000 | 15,000 | | | 15,000 | 2038 | 100 |
| 2005 MF Series A (Alta Cullen Apts) — 5.89% to 6.6% | 14,000 | 14,000 | | | 14,000 | 2045 | |
| 2005 MF Series A (Prairie Ranch Apts) — 4.85% | 12,200 | 12,195 | | 145 | 12,050 | 2045 | 115 |
| 2005 MF Series A (St. Augustine Apts) — Variable rate | 7,650 | 7,650 | | | 7,650 | 2038 | 47 |
| 2005 MF Series A (Park Manor Apts) — 5.0% to 6.4% | 10,400 | 10,400 | | | 10,400 | 2045 | 58 |

(Continued)

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2005 MF Series A (Mockingbird Apts) — 6.4% | $14,360 | $ 14,360 | $ | $ 80 | $ 14,280 | 2045 | $ 85 |
| 2005 MF Series A (Chase Oaks Apts) — 5.05% | 14,250 | 14,250 | | 137 | 14,113 | 2035 | 215 |
| 2006 MF Series A (Canal Place Apts) — Variable rate | 16,100 | 16,100 | | | 16,100 | 2039 | |
| 2006 MF Series A (Coral Hills) — 5.05% | 5,320 | 5,320 | | 250 | 5,070 | 2038 | 75 |
| 2006 MF Series A (Harris Branch) — Variable rate | 15,000 | 15,000 | | | 15,000 | 2039 | |
| 2006 MF Series A (Bella Vista) — 6.15% | 6,800 | 6,800 | | 15 | 6,785 | 2046 | 45 |
| 2006 MF Series A (Village Park) — 4.75% to 5.13% | 13,660 | 13,660 | | | 13,660 | 2026 | 105 |
| 2006 MF Series A (Oakmoor) — 5.50% to 6.00% | 14,635 | 14,635 | | | 14,635 | 2046 | 75 |
| 2006 MF Series A (Sunset Pointe) — Variable rate | 15,000 | 15,000 | | | 15,000 | 2039 | |
| 2006 MF Series A (Hillcrest) — -5.25% | 12,435 | 12,435 | | | 12,435 | 2039 | |
| 2006 MF Series A (Pleasant Village) — -6.00% | 6,000 | 6,000 | | 29 | 5,971 | 2023 | 74 |
| 2006 MF Series A (Grove Village) — -6.00% | 6,180 | 6,180 | | 30 | 6,150 | 2023 | 77 |
| 2006 MF Series A (Red Hills Villas) — Variable rate | 5,015 | 5,015 | | | 5,015 | 2023 | |
| 2006 MF Series A (Champion Crossing) — Variable rate | 5,125 | 5,125 | | 100 | 5,025 | 2036 | |
| 2006 MF Series A (Stonehaven) — -5.80% | 11,300 | 11,300 | | | 11,300 | 2026 | 60 |
| 2006 MF Series A (Center Ridge) — -5.00% | 8,325 | 8,325 | | | 8,325 | 2039 | |
| 2006 MF Series A (Meadowlands) — -6.00% | 13,500 | 13,500 | | | 13,500 | 2046 | 1,780 |
| 2006 MF Series A (East Tex Pines) — -4.95% | 13,500 | 13,500 | | | 13,500 | 2046 | |
| 2006 MF Series A (Villas at Henderson) — Variable rate | 7,200 | 7,200 | | | 7,200 | 2039 | |
| 2006 MF Series A (Aspen Park Apts) — -5.00% | 9,800 | 9,800 | | | 9,800 | 2039 | |
| 2006 MF Series A (Idlewilde Apts) — Variable rate | 14,250 | 14,250 | | | 14,250 | 2040 | |
| 2007 MF Series A (Lancaster Apts) — Variable rate | 14,250 | 14,250 | | | 14,250 | 2040 | |
| 2007 MF Series A (Park Place) — -5.80% | 15,000 | 15,000 | | | 15,000 | 2047 | |
| 2007 MF Series A (Terrace at at Cibolo) — Variable rate | 8,000 | 8,000 | | | 8,000 | 2040 | |
| 2007 MF Series A (Santora Villas) — Variable rate | 13,072 | 13,072 | | | 13,072 | 2047 | |
| 2007 MF Series A (Villas @ Mesquite Creek) — 5.00 - 5.81% | 16,860 | 16,860 | | | 16,860 | 2047 | |

(Continued)

| | Original Face Amount | Balance September 1, 2007 | Additions Accretions | Maturities/ Prepayment | Balance August 31, 2008 | Final Maturity Date | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| 2007 MF Series A (Summit Point) — 4.80 - 5.25% | 11,700 | 11,700 | | | 11,700 | 2047 | |
| 2007 MF Series A (Costa Rialto) — -5.35% | 12,385 | 12,385 | | | 12,385 | 2047 | |
| 2007 MF Series A (Windshire) — Variable rate | 14,000 | 14,000 | | | 14,000 | 2041 | |
| 2007 MF Series A (Residences at Onion Creek) — Variable rate | 15,000 | | 15,000 | | 15,000 | 2040 | |
| 2007 MF Series A (West Oaks) — Variable rate | 13,125 | | 13,125 | | 13,125 | 2041 | |
| 2007 MF Series A (Costa Ibiza) — Variable rate | 13,900 | | 13,900 | | 13,900 | 2041 | |
| 2007 MF Series A (Addision Park) — Variable rate | 14,000 | | 14,000 | | 14,000 | 2044 | |
| Total principal amount | | 1,213,299 | $ 56,025 | $48,362 | $1,220,962 | | $ 9,652 |
| Net deferred amount on refunding | | (239) | | | | | |
| Unamortized discount | | (546) | | | (527) | | |
| Total multifamily | | 1,212,514 | | | 1,220,435 | | |
| Total | | $2,582,374 | | | $2,671,090 | | |

(Concluded)

Proceeds from the issuance of bonds under the single-family and RMRB Series 1987A programs were used to acquire loans. Proceeds from the issuance of bonds under CHMRB and remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Pass-through certificates were purchased with proceeds from the multifamily 1985 Series G. Proceeds from the remaining multifamily bond issues were used to finance mortgage loans. Interest on bonds is payable periodically.

The single-family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily single-family mortgage loans, mortgage-backed securities, and investments. The multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department’s single-family mortgage revenue bonds (the “Refunded Bonds”), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

The trust indentures contain positive and negative covenants. Events of default include failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes that it is in compliance with the covenants of the indentures.

Bond contractual maturities (principal only) at August 31, 2008, are as follows (in thousands):

| Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 to 2018 | 2019 to 2023 |
|---|---|---|---|---|---|---|---|
| Single-family | $ 26,192 | $ 41,721 | $ 43,706 | $ 44,581 | $ 46,301 | $ 187,389 | $ 137,505 |
| RMRB | 5,005 | 4,935 | 4,185 | 4,375 | 4,655 | 28,725 | 45,125 |
| CHMRB | | | | | | | |
| Multifamily | 9,671 | 9,706 | 10,612 | 11,305 | 11,909 | 70,354 | 111,240 |
| Total | $ 40,868 | $ 56,362 | $ 58,503 | $ 60,261 | $ 62,865 | $ 286,468 | $ 293,870 |

| Description | 2024 to 2028 | 2029 to 2033 | 2034 to 2038 | 2039 to 2043 | 2044 to 2048 | Total |
|---|---|---|---|---|---|---|
| Single-family | $ 186,890 | $ 213,065 | $ 201,160 | $ 14,915 | $ - | $ 1,143,425 |
| RMRB | 52,875 | 130,505 | 5,045 | | | 285,430 |
| CHMRB | 10,400 | | | | | 10,400 |
| Multifamily | 174,733 | 178,799 | 262,873 | 270,700 | 99,060 | 1,220,962 |
| Total | $ 424,898 | $ 522,369 | $ 469,078 | $ 285,615 | $ 99,060 | $ 2,660,217 |

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

Bond maturities (principal and interest) at August 31, 2008, are as follows (in thousands):

| Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 to 2018 | 2019 to 2023 |
|---|---|---|---|---|---|---|---|
| Single-family | $ 70,435 | $ 86,737 | $ 87,455 | $ 87,018 | $ 87,338 | $ 371,718 | $ 292,802 |
| RMRB | 20,398 | 20,103 | 19,141 | 19,132 | 19,211 | 98,218 | 103,538 |
| CHMRB | 718 | 718 | 718 | 720 | 718 | 3,592 | 3,592 |
| Multifamily | 75,476 | 74,540 | 74,877 | 74,964 | 74,909 | 368,720 | 384,264 |
| Total | $ 167,027 | $ 182,098 | $ 182,191 | $ 181,834 | $ 182,176 | $ 842,248 | $ 784,196 |

| Description | 2024 to 2028 | 2029 to 2033 | 2034 to 2038 | 2039 to 2043 | 2044 to 2048 | Total |
|---|---|---|---|---|---|---|
| Single-family | $ 304,538 | $ 288,446 | $ 222,352 | $ 15,313 | $ - | $ 1,914,152 |
| RMRB | 97,279 | 154,095 | 5,184 | | | 556,299 |
| CHMRB | 10,991 | | | | | 21,767 |
| Multifamily | 406,958 | 362,847 | 392,247 | 330,415 | 107,529 | 2,727,746 |
| Total | $ 819,766 | $ 805,388 | $ 619,783 | $ 345,728 | $ 107,529 | $ 5,219,964 |

Deferred issuance costs at August 31, 2008, consist of the following (in thousands):

| | |
|---|---|
| Deferred issuance costs | $ 41,273 |
| Less accumulated amortization | (29,281) |
| | $ 11,992 |

## 9. EMPLOYEE BENEFITS

**Plan Description** — The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

**Funding Policy** — Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ending August 31, 2008, 2007, and 2006, were $1,002,741, $947,383, and $874,775, respectively, equal to the required contributions for each year.

## 10. SEGMENT FINANCIAL DATA

Segment financial data of the Program's direct-debt activities at August 31, 2008, and for the year then ended are as follows (in thousands):

| | Single-Family Program Funds | Residential Mortgage Revenue Bond Funds | Collateralized Home Mortgage Revenue Funds |
|---|---|---|---|
| Condensed statement of net assets: | | | |
| Restricted assets: | | | |
| Current assets | $ 167,908 | $ 8,137 | $ 790 |
| Other assets | 1,032,469 | 293,541 | 12,117 |
| Total assets | 1,200,377 | 301,678 | 12,907 |
| Liabilities: | | | |
| Current liabilities | 67,054 | 11,053 | 387 |
| Long-term liabilities | 1,127,630 | 280,825 | 10,605 |
| Total liabilities | 1,194,684 | 291,878 | 10,992 |
| Net assets — restricted net assets | $ 5,693 | $ 9,800 | $ 1,915 |
| Condensed statement of revenues, expenses, and changes in net assets: | | | |
| Operating revenues: | | | |
| Interest and investment income | $ 59,116 | $ 17,317 | $ 881 |
| Net increase in fair value | 2,746 | 3,574 | 168 |
| Other operating revenues | 547 | 384 | 45 |
| Operating expenses | 59,972 | 16,279 | 768 |
| Depreciation and amortization | 685 | 180 | 3 |
| Operating income (loss) | 1,752 | 4,816 | 323 |
| Non-operating revenues (expenses) — other non-operating revenues (expenses): | | | |
| Special and extraordinary items | | | |
| Transfers out | (675) | (269) | 5 |
| Change in net assets | 1,077 | 4,547 | 328 |
| Net assets — September 1, 2007 | 4,616 | 5,253 | 1,587 |
| Net assets — August 31, 2008 | $ 5,693 | $ 9,800 | $ 1,915 |
| Condensed statement of cash flows: | | | |
| Net cash provided by (used in): | | | |
| Operating activities | $ 769 | $ 276 | $ (8) |
| Noncapital financing activities | 57,435 | (41,953) | (2,761) |
| Investing activities | (36,350) | 40,437 | 2,697 |
| Cash and cash equivalents — September 1, 2007 | 62,334 | 7,417 | 792 |
| Cash and cash equivalents — August 31, 2008 | $ 84,188 | $ 6,177 | $ 720 |

## 11. BONDED INDEBTEDNESS

The Department has 125 bond issues outstanding at August 31, 2008. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3–7.)

Proceeds from the issuance of bonds under the Single Family and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

The Single Family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities, and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

**Changes in Bonds Payable (amounts in thousands)**

| Description | Bonds Outstanding September 1, 2007 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding August 31, 2008 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Single family | $1,037,085 | $157,060 | $ 10,550 | $ 40,170 | $ 1,143,425 | $ 26,581 |
| RMRB | 310,690 | | 5,205 | 20,055 | 285,430 | 5,036 |
| CHMRB | 12,400 | | | 2,000 | 10,400 | 8 |
| Multifamily | 1,213,299 | 56,025 | 6,780 | 41,582 | 1,220,962 | 9,652 |
| Total principal | 2,573,474 | $213,085 | $ 22,535 | $103,807 | 2,660,217 | $ 41,277 |
| Net deferred amount — due to refunding | (239) | | | | | |
| Unamortized premium | 14,365 | | | | 15,230 | |
| Unamortized refunding (loss) | (5,226) | | | | (4,357) | |
| Total | $2,582,374 | | | | $ 2,671,090 | |

### Variable to Fixed Interest Rate Swap

*Objective* — In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

**Terms and Fair Value** — The terms, including the fair value of the outstanding swaps as of August 31, 2008, are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

| Counterparty | Notional Amount | Fair Value | Effective Date | Fixed Rate | Variable Rate | Swap Termination Date |
|---|---|---|---|---|---|---|
| UBS AG | $ 53,000,000 | $ (2,510,824) | September 1, 2004 | 3.84 % | 63% of LIBOR + .30% | 9/1/2034 (a) |
| Goldman Sachs Capital Markets, LP | 35,000,000 | (1,343,868) | January 1, 2005 | 3.61 | Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR | 3/1/2035 (b) |
| Bear Stearns Financial Products, Inc. | 94,860,000 | (3,327,212) | August 1, 2005 | 3.99 | Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR | 9/1/2036 ( c ) |
| UBS AG | 36,000,000 | (1,829,278) | November 15, 2006 | 3.86 | 63% of LIBOR + .30% | 9/1/2025 (d) |
| Bear Stearns Financial Products, Inc. (e) | 141,070,000 | (4,926,319) | June 5, 2007 | 4.01 | Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR | 9/1/2038 ( c ) |
| Total | $ 359,930,000 | $ (13,937,501) | | | | |

a. Swap agreement has an optional early termination date of March 1, 2014, and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
b. Swap agreement has an optional early termination date of September 1, 2014, and every March and September thereafter.
c. Swap agreement is subject to an early termination date at any time with a 10 business day notice.
d. Swap agreement has an optional early termination date of March 1, 2016, and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.
e. Bear Stearns Financial Products, Inc. was formerly a subsidiary of The Bear Stearns Companies, Inc. As a result of Bear Stearns' acquisition by JP Morgan Chase & Co. on 3/16/2008, Bear Stearns Financial Products, Inc. operates as a subsidiary of JP Morgan Chase & Co.

**Credit Risk** — As of August 31, 2008, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows:

| Counterparty | Standard & Poor's | Moody's | Fitch |
|---|---|---|---|
| UBS AG | AA - | Aa2 | AA+ |
| Goldman Sachs Capital Markets, LP | A | Not Rated | AA- |
| Bear Stearns Financial Products, Inc. | AAA | Aaa | Not Rated |

**Basis Risk** — The Department's variable-rate bond coupon payments are equivalent to the Bond Market Association Municipal Swap Index (BMA) rate. The swap agreements designate a function of London InterBank Offered Rate (LIBOR) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and BMA converge. The swap agreements provide an option to terminate as stated above.

**Basis Risk** — Rollover is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk. The Department has retained optional termination rights which are listed below. They are intended to allow the Department to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

| Associated Debt Issuance | Debt Maturity Date | Swap Termination Date |
|---|---|---|
| 2004B Single Family | September 2034 | May be terminated as early as March 2014 |
| 2004D Single Family | March 2035 | May be terminated as early as September 2014 |
| 2005A Single Family | September 2036 | May be terminated at anytime giving 10-day notice |
| 2006H Single Family | September 2037 | May be terminated as early as March 2016 |
| 2007A Single Family | Septebmer 2038 | May be terminated at anytime giving 10-day notice |

**Swap Payments and Associated Debt** — Using rates as of August 31, 2008, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

| Fiscal Years Ending August 31 | Variable-Rate Bonds Principal | Variable-Rate Bonds Interest | Interest Rate Swaps — Net | Total |
|---|---|---|---|---|
| 2009 | $ 515,000 | $ 7,485,423 | $ 7,408,843 | $ 15,409,266 |
| 2010 | 4,000,000 | 7,457,227 | 7,379,018 | 18,836,245 |
| 2011 | 4,755,000 | 7,366,041 | 7,284,980 | 19,406,021 |
| 2012 | 4,990,000 | 7,264,207 | 7,180,317 | 19,434,524 |
| 2013 | 5,220,000 | 7,157,443 | 7,070,539 | 19,447,982 |
| 2014–2018 | 43,800,000 | 33,573,795 | 33,133,761 | 110,507,556 |
| 2019–2023 | 62,505,000 | 27,882,390 | 27,544,377 | 117,931,767 |
| 2024–2028 | 77,485,000 | 20,560,946 | 20,344,511 | 118,390,457 |
| 2029–2033 | 86,070,000 | 11,843,341 | 11,762,883 | 109,676,224 |
| 2034–2038 | 69,990,000 | 3,154,100 | 3,229,756 | 76,373,856 |
| 2039–2042 | 600,000 | 6,090 | 6,554 | 612,644 |
| Total | $ 359,930,000 | $ 133,751,003 | $ 132,345,539 | $ 626,026,542 |

## Demand Bonds

The Department currently holds seven single family bond series in the amount $371,000,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

| Demand Bonds - Standby Purchase Agreements | | | | | |
|---|---|---|---|---|---|
| **Single Family Bond Series** | **Liquidity Provider** | **Commitment Fee Rate** | **Outstanding Variable Rate Demand Bonds as of 8/31/08** | **Bank Bonds Remaining with Liquidity Provider as of 11/14/08** | **Liquidity Facility Expiration Date** |
| 2007A | DEPFA Bank plc | 0.09% | $ 141,070,000 | $ 139,380,000 | 06/5/2012 |
| 2006H | DEPFA Bank plc | 0.09% | 36,000,000 | 36,000,000 | 11/15/2009 |
| *Total DEPFA Bank plc* | | | *$ 177,070,000* | *$ 175,380,000* | |
| 2005A | Dexia Credit Local | 0.275% | $ 94,860,000 | $ 15,000,000 | 04/28/2011 |
| 2004D | Dexia Credit Local | 0.275% | 35,000,000 | 22,000,000 | 04/28/2011 |
| 2004B | Dexia Credit Local | 0.275% | 53,000,000 | 52,900,000 | 04/28/2011 |
| 2005C | Dexia Credit Local | 0.1225% | 7,215,000 | 4,515,000 | 12/15/2015 |
| 2004A Jr. Lien | Dexia Credit Local | 0.315% | 3,855,000 | 600,000 | 04/28/2011 |
| *Total Dexia Credit Local* | | | *$ 193,930,000* | *$ 95,015,000* | |
| **Total Demand Bonds** | | | **$ 371,000,000** | **$ 270,395,000** | |

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). If bonds purchased by the liquidity facility are not remarketed according to the terms of the liquidity agreement, the Department will be subject to term out provisions with the corresponding liquidity provider to convert the bonds to an installment loan payable over seven years.

The 2007A series in the amount of $139,380,000 and 2006H series in the amount of $36,000,000 are subject to term out provisions effective within six months of the purchase of the bonds by DEPFA, currently April 2009. If these bonds are not remarketed by April 2009, the Department will be subject to 14 semi-annual payments over 7 years. The Department could potentially pay in principal and interest a total of $160,287,000 and $82,800,000 related to the 2007A and 2006H Series, respectively. Interest was computed using the prime lending rate of 4.00% effective during November 2008 (See Note 14 for related information).

The 2004A Jr. Lien, 2004B, 2004D, 2005A and 2005C variable rate demand bonds currently owned by DEXIA are not subject to term out provisions until six months following the expiration of the liquidity agreement.

**Refunding Bonds**

On August 22, 2008, the Department issued $14,000,000 in variable rate debt (Series 2008 Addison Park Apartments Multifamily) with a maximum rate of 12% to refund $14,000,000 of outstanding 2004 Multifamily (Addison Park Apartments) bonds. The purpose of the refunding was to establish a new financing structure establishing Freddie Mac as the credit enhancer which would guarantee payments to the bondholders and make the bonds AAA rated. In addition, the refunding transaction would establish a new letter of credit which would satisfy the expiring letter of credit under the original bond issue. The refunding transaction resulted in a cash flow loss of $247,989, and an economic loss of $153,684. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2008 which is 2.05%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional $49,470,502 in debt service payments and an economic loss of $11,482,294 on the refunding.

**Pledged and Other Sources** (amounts in thousands)

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 2-D.

| | Pledged and Other Sources and Related Expenditures for FY 2008 | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| **Description of Issue** | **Total Pledged and Other Sources** | **Operating Expenses/Expenditures and Capital Outlay** | **Principal** | **Interest** |
| Total Single Family Bonds | $ 96,251 | $ 6,695 | $ 10,550 | $ 53,660 |
| Total Residential Mtg Revenue Bonds | 37,764 | 388 | 5,205 | 16,165 |
| Total 1992 CHMRB | 2,909 | 11 | | 787 |
| Total Multifamily Bonds | 107,246 | 9 | 6,780 | 65,369 |
| **Total** | **$ 244,170** | **$ 7,103** | **$ 22,535** | **$ 135,981** |

## 12. COMMITMENTS AND CONTINGENCIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the financial statements.

## 13. RISK FINANCING AND RELATED INSURANCE ISSUES

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $500,000, errors and omissions insurance of $300,000 related to loan servicing for others and a $350,000 Public Employee Fidelity Bond.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal years 2007 and 2008 related to these policies.

## 14. SUBSEQUENT EVENTS

The recent credit and liquidity crisis precipitated by the failure of Wall Street investment bank Lehman Brothers among others began a cascading effect of rating downgrades. The current crisis affected counterparties which ultimately impacted the Department in various ways as listed below.

On September 8, 2008 the Federal Housing Finance Agency (FHFA) placed FNMA and FHLMC into conservatorship. In addition, the U.S. Department of the Treasury agreed to provide up to $100 billion of capital as needed to FNMA and established a Preferred Stock Purchase Agreement with FHLMC to ensure they can continue to provide stability and liquidity to the U.S. mortgage market. As of August 31, 2008, the Department carried $217,235,754 and $13,768,065 in mortgage backed securities guaranteed by FNMA and FHLMC, respectively. Upon the conservatorship, these mortgage backed securities acquired the explicit guarantee of the U.S. Government.

On September 15, 2008, American Insurance Group, Inc. was downgraded by all credit rating agencies. Upon the downgrade, the Department decided to opt out of the investment agreements and on October 10, 2008 the standing agreements were terminated. As of August 31, 2008, the Department carried three investment agreements of $3,323,523 for the 2001 A-E RMRB bond issue, $1,220,015 for the 2003A RMRB bond issue and $3,161,147 for the 2000 BCDE RMRB bond issue. Upon the termination, the Department will invest repayments into overnight repurchase agreement held by Texas Treasury Safekeeping Trust Company.

On September 29, 2008, DEPFA Bank was downgraded to a BBB rating by the rating agencies. DEPFA Bank is the liquidity provider for the 2006H Single Family and 2007A Single Family variable rate demand bonds. On October 2, 2008, these bonds were downgraded from A-1 to A-2 by Standard & Poor's rating agency due to DEPFA's downgrade. Upon the downgrade these bonds were no longer eligible investments in tax-exempt money market funds, therefore, the Department began to receive tender notices on these bonds. Once the remarketing of the bonds was unsuccessful, DEPFA Bank acquired temporary ownership of the "bank bonds" until the Department is able to get a new liquidity provider and subsequently have the bonds upgraded in rating.

* * * * * *

## SUPPLEMENTAL SCHEDULES

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 1**

## SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) AS OF AUGUST 31, 2008

| ASSETS | Single-Family Program | RMRB Program | CHMRB Program | Multifamily Program | Commercial Paper Program | Operating Fund | Total |
|---|---|---|---|---|---|---|---|
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents: | | | | | | | |
| Cash in bank | $ | $ | $ | $ | $ | $ 61,200 | $ 61,200 |
| Cash equivalents | | | | | | 14,455,869 | 14,455,869 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents: | | | | | | | |
| Cash in bank | 228,536 | | | 319,019 | | | 547,555 |
| Cash equivalents | 83,959,062 | 6,177,047 | 719,617 | 71,985,736 | 227,121 | | 163,068,583 |
| Short-term investments | 76,345,895 | | | 11,320,595 | 71,431,000 | | 159,097,490 |
| Loans and contracts | 2,892,465 | 92,407 | | 9,671,000 | | | 12,655,872 |
| Interest receivable | 4,445,106 | 1,867,700 | 70,282 | 8,422,354 | 92,918 | | 14,898,360 |
| Receivable: | | | | | | | |
| Interest receivable | | | | | | 2,530 | 2,530 |
| Accounts receivable | | | | | | 181,728 | 181,728 |
| Loans and Contracts | | | | | | 137,665 | 137,665 |
| Other current assets | 37,130 | | | | | 64,770 | 101,900 |
| Total current assets | 167,908,194 | 8,137,154 | 789,899 | 101,718,704 | 71,751,039 | 14,903,762 | 365,208,752 |
| NONCURRENT ASSETS: | | | | | | | |
| Loans and Contracts | | | | | | 3,410,973 | 3,410,973 |
| Restricted assets: | | | | | | | |
| Investments | 988,477,057 | 290,261,558 | 12,043,174 | 55,989,572 | | | 1,346,771,361 |
| Loans, contracts, and notes receivable | 34,647,741 | 916,149 | | 1,210,544,672 | | | 1,246,108,562 |
| Other noncurrent assets: | | | | | | | |
| Deferred issuance cost — net | 9,075,003 | 2,365,563 | 74,129 | 477,061 | | | 11,991,756 |
| Real estate owned — net | 269,277 | (2,206) | | | | 74,099 | 341,170 |
| Total noncurrent assets | 1,032,469,078 | 293,541,064 | 12,117,303 | 1,267,011,305 | | 3,485,072 | 2,608,623,822 |
| TOTAL ASSETS | $ 1,200,377,272 | $ 301,678,218 | $ 12,907,202 | $ 1,368,730,009 | $ 71,751,039 | $ 18,388,834 | $ 2,973,832,574 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 1**

## SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) AS OF AUGUST 31, 2008

| LIABILITIES | Single-Family Program | RMRB Program | CHMRB Program | Multifamily Program | Commercial Paper Program | Operating Fund | Total |
|---|---|---|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | | | | |
| Payables: | | | | | | | |
| Accounts payable | $ 6,633 | $ 1,004 | $ | $ | $ | $ | $ 7,637 |
| Accrued bond interest payable | 26,932,419 | 2,583,878 | 49,143 | 8,680,866 | 61,066 | | 38,307,372 |
| Deferred revenues | 5,086,014 | 3,125,107 | 330,816 | | | | 8,541,937 |
| Revenue bonds payable | 26,580,871 | 5,035,774 | 7,607 | 9,652,174 | | | 41,276,426 |
| Other current liabilities | 8,448,669 | 307,088 | | | 227,121 | 26,495 | 9,009,373 |
| Total current liabilities | 67,054,606 | 11,052,851 | 387,566 | 18,333,040 | 288,187 | 26,495 | 97,142,745 |
| NONCURRENT LIABILITIES: | | | | | | | |
| Notes and Loans Payable | | | | | 71,431,000 | | 71,431,000 |
| Revenue bonds payable | 1,127,600,617 | 280,825,334 | 10,604,935 | 1,210,782,842 | | | 2,629,813,728 |
| Other noncurrent liabilities | 28,937 | | | 139,748,911 | | | 139,777,848 |
| Total noncurrent liabilities | 1,127,629,554 | 280,825,334 | 10,604,935 | 1,350,531,753 | 71,431,000 | | 2,841,022,576 |
| TOTAL LIABILITIES | $ 1,194,684,160 | $ 291,878,185 | $ 10,992,501 | $ 1,368,864,793 | $ 71,719,187 | $ 26,495 | $ 2,938,165,321 |
| **NET ASSETS** | | | | | | | |
| RESTRICTED | $ 5,693,112 | $ 9,800,033 | $ 1,914,701 | $ (134,784) | $ 31,852 | $ | $ 17,304,914 |
| UNRESTRICTED | | | | | | 18,362,339 | 18,362,339 |
| TOTAL NET ASSETS | $ 5,693,112 | $ 9,800,033 | $ 1,914,701 | $ (134,784) | $ 31,852 | $ 18,362,339 | $ 35,667,253 |

(Concluded)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 2**

## SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2008

| | Single-Family Program | RMRB Program | CHMRB Program | Multifamily Program | Commercial Paper Program | Operating Fund | Total |
|---|---|---|---|---|---|---|---|
| OPERATING REVENUES: | | | | | | | |
| Interest and investment income | $ 59,116,300 | $ 17,317,425 | $ 880,910 | $ 65,653,720 | $ 1,130,357 | $ 485,969 | $ 144,584,681 |
| Net increase in fair value | 2,745,879 | 3,574,123 | 168,243 | | | | 6,488,245 |
| Other operating revenues | 547,837 | 400,518 | 44,471 | 11,212 | | 1,593,253 | 2,597,291 |
| Total operating revenues | 62,410,016 | 21,292,066 | 1,093,624 | 65,664,932 | 1,130,357 | 2,079,222 | 153,670,217 |
| OPERATING EXPENSES: | | | | | | | |
| Professional fees and services | 722,274 | 144,926 | 2,000 | | | 264,670 | 1,133,870 |
| Depreciation and amortization | 685,346 | 179,739 | 2,812 | 14,392 | | | 882,289 |
| Interest | 53,342,715 | 16,012,678 | 759,761 | 65,626,886 | 1,150,868 | | 136,892,908 |
| Bad debt expense | 27,176 | (900) | | | | 90,236 | 116,512 |
| Down Payment Assistance | 5,144,249 | | | | | | 5,144,249 |
| Other operating expenses | 735,976 | 139,762 | 6,612 | 300 | 9,115 | 118,106 | 1,009,871 |
| Total operating expenses | 60,657,736 | 16,476,205 | 771,185 | 65,641,578 | 1,159,983 | 473,012 | 145,179,699 |
| INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS | 1,752,280 | 4,815,861 | 322,439 | 23,354 | (29,626) | 1,606,210 | 8,490,518 |
| OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — | | | | | | | |
| Transfers in (out) | (674,722) | (268,968) | 5,242 | 300 | 9,114 | (2,731,650) | (3,660,684) |
| CHANGE IN NET ASSETS | 1,077,558 | 4,546,893 | 327,681 | 23,654 | (20,512) | (1,125,440) | 4,829,834 |
| NET ASSETS — September 1, 2007 | 4,615,554 | 5,253,140 | 1,587,020 | (158,438) | 52,364 | 19,487,779 | 30,837,419 |
| NET ASSETS — August 31, 2008 | $ 5,693,112 | $ 9,800,033 | $ 1,914,701 | $ (134,784) | $ 31,852 | $ 18,362,339 | $ 35,667,253 |

# SUPPORTING SCHEDULES

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 3**

## MISCELLANEOUS BOND INFORMATION
## AS OF AUGUST 31, 2008
## (Amounts in thousands)

| Description of Issue | Original Principal Bonds Issued to Date | Range of Interest Rates | | Schedule Maturities First Year | Last Year | First Call Date |
|---|---|---|---|---|---|---|
| 1995 Single Family Series A | $ 85,760 | 4.15% | 6.15% | 1997 | 2027 | 09/01/2005 |
| 1995 Single Family Series C | 71,760 | 6.44% | 7.76% | 2006 | 2017 | 09/01/2005 |
| 1996 Single Family Series A | 15,000 | 4.50% | 6.30% | 2001 | 2028 | 09/01/2006 |
| 1996 Single Family Series D | 70,760 | 5.45% | 6.25% | 2021 | 2028 | 09/01/2006 |
| 1996 Single Family Series E | 98,730 | 3.90% | 6.00% | 1997 | 2017 | 09/01/2006 |
| 1997 Single Family Series A | 44,465 | 5.25% | 5.80% | 2013 | 2029 | 09/01/2007 |
| 1997 Single Family Series B | 9,510 | 5.45% | 5.45% | 2019 | 2019 | 09/01/2007 |
| 1997 Single Family Series D | 44,795 | 5.65% | 5.70% | 2029 | 2029 | 09/01/2007 |
| 1997 Single Family Series F | 20,000 | 6.77% | 6.77% | 2029 | 2029 | 09/01/2007 |
| 2002 Single Family Series A (Jr. Lien) | 10,000 | 7.01% | 7.01% | 2025 | 2026 | 09/01/2012 |
| 2002 Single Family Series A | 38,750 | 5.45% | 5.55% | 2023 | 2034 | 03/01/2012 |
| 2002 Single Family Series B | 52,695 | 5.35% | 5.55% | 2033 | 2033 | 03/01/2012 |
| 2002 Single Family Series C | 12,950 | 2.80% | 5.20% | 2004 | 2017 | 03/01/2012 |
| 2002 Single Family Series D | 13,605 | 2.00% | 4.50% | 2003 | 2012 | 03/01/2012 |
| 2004 Single Family Series A | 123,610 | 2.00% | 4.70% | 2006 | 2035 | 03/01/2013 |
| 2004 Single Family Series B | 53,000 | VAR - Weekly | | 2015 | 2034 | 03/01/2015 (f) |
| 2004 Single Family Series A (Jr. Lien) | 4,140 | VAR - Weekly | | 2036 | 2036 | 09/01/2036 (f) |
| 2004 Single Family Series C | 41,245 | 4.30% | 4.80% | 2019 | 2036 | 09/01/2014 |
| 2004 Single Family Series D | 35,000 | VAR - Weekly | | 2035 | 2035 | (g) |
| 2004 Single Family Series E | 10,825 | 2.45% | 4.30% | 2006 | 2013 | 09/01/2014 |
| 2005 Single Family Series A | 100,000 | VAR - Weekly | | 2007 | 2036 | 03/01/2006 |
| 2005 Single Family Series B | 25,495 | 4.38% | 4.38% | 2006 | 2026 | 03/01/2006 |
| 2005 Single Family Series C | 8,970 | VAR - Weekly | | 2017 | 2017 | 03/01/2006 |
| 2005 Single Family Series D | 3,730 | 5.00% | 5.00% | 2025 | 2035 | 03/01/2006 |
| 2006 Single Family Series A | 59,555 | 5.00% | 5.00% | 2008 | 2037 | 09/01/2006 |
| 2006 Single Family Series B | 70,485 | 5.00% | 5.00% | 2008 | 2034 | 09/02/2006 |
| 2006 Single Family Series C | 105,410 | 5.13% | 5.13% | 2008 | 2037 | 09/03/2006 |
| 2006 Single Family Series D | 29,685 | 4.50% | 4.50% | 2018 | 2028 | 09/04/2006 |
| 2006 Single Family Series E | 17,295 | 4.06% | 4.06% | 2007 | 2017 | 09/05/2006 |
| 2006 Single Family Series F | 81,195 | 4.65% | 5.75% | 2008 | 2038 | 03/01/2016 |
| 2006 Single Family Series G | 15,000 | 3.75% | 4.60% | 2012 | 2019 | 03/01/2016 |
| 2006 Single Family Series H | 36,000 | VAR - Weekly | | 2016 | 2037 | 03/01/2016 (f) |
| 2007 Single Family Series A | 143,005 | VAR - Weekly | | 2008 | 2038 | 03/01/2008 (f) |
| 2007 Single Family Series B | 157,060 | 3.90% | 5.63% | 2008 | 2039 | 03/01/2008 |
| 1998 RMRB Series A | 102,055 | 4.05% | 5.35% | 2002 | 2031 | 01/01/2009 |
| 1998 RMRB Series B | 14,300 | 5.30% | 5.30% | 2022 | 2022 | 01/01/2009 |
| 1999 RMRB Series A | 25,615 | 4.80% | 5.50% | 2018 | 2021 | 01/01/2009 |
| 1999 RMRB Series B-1 | 52,260 | 6.32% | 7.10% | 2021 | 2032 | 07/01/2009 |
| 1999 RMRB Series C | 12,150 | 5..05% | 6.25% | 2003 | 2024 | 07/01/2009 |
| 2000 RMRB Series A | 50,000 | 5.10% | 6.30% | 2003 | 2031 | 07/01/2010 |
| 2000 RMRB Series B | 82,975 | 5.70% | 5.70% | 2005 | 2033 | 07/01/2010 |
| 2000 RMRB Series C | 13,675 | 5.82% | 5.85% | 2011 | 2025 | 07/01/2010 |
| 2000 RMRB Series D | 18,265 | 4.55% | 5.85% | 2003 | 2020 | 07/01/2010 |
| 2001 RMRB Series A | 52,715 | 3.15% | 5.70% | 2004 | 2033 | 07/01/2011 |
| 2001 RMRB Series B | 15,585 | 5.00% | 5.25% | 2011 | 2022 | 07/01/2011 |
| 2001 RMRB Series C | 32,225 | 2.55% | 4.63% | 2003 | 2015 | 07/01/2011 |
| 2001 RMRB Series D | 300 | 5.35% | 5.35% | 2008 | 2033 | 07/01/2011 |
| 2002 RMRB Series A | 42,310 | 2.25% | 5.35% | 2004 | 2034 | 07/01/2012 |
| 2003 RMRB Series A | 73,630 | 1.70% | 5.00% | 2005 | 2034 | 01/01/2013 |
| 1992 Coll Home Mtg Rev Bonds, Series C | 72,700 | 3.48% | 10.27% | 2024 | 2024 | 05/04/1995 |
| 1994 SF MRB CHMRB Series C | 15,360 | 6.25% | 6.25% | 2026 | 2026 | 06/27/2005 |
| TOTAL SINGLE FAMILY & RMRB BONDS | $ 2,385,605 | | | | | |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 3**

## MISCELLANEOUS BOND INFORMATION
## AS OF AUGUST 31, 2008
## (Amounts in thousands)

| Description of Issue | Original Principal Bonds Issued to Date | Range of Interest Rates | | Schedule Maturities First Year | Schedule Maturities Last Year | First Call Date | |
|---|---|---|---|---|---|---|---|
| 1987 MF Series (South Texas Rental Housing) | $ 1,400 | 9.50% | 9.50% | 1988 | 2012 | 02/01/1988 | |
| 1993 MF Series A/B (RemHill/HighPt) | 26,370 | VAR - Weekly | | 2023 | 2023 | 02/01/2000 | |
| 1996 MF Series A/B (Brighton's Mark) | 10,174 | 6.13% | 6.13% | 2026 | 2026 | 01/01/2003 | |
| 1996 MF Series A/B (Las Colinas) | 15,469 | 5.65% | 5.65% | 2026 | 2026 | 01/01/2003 | |
| 1996 MF Series A/B (Braxton's Mark) | 14,867 | 5.81% | 5.81% | 2026 | 2026 | 01/01/2003 | |
| 1998 MF Series A (Pebble Brook) | 10,900 | 4.95% | 5.60% | 2001 | 2030 | 06/01/2001 | |
| 1998 MF Series A-C (Residence Oaks) | 8,200 | 5.98% | 7.18% | 2001 | 2030 | 05/01/2001 | |
| 1998 MF Series A (Volente Project) | 10,850 | 5.00% | 5.63% | 2001 | 2031 | 07/01/2001 | |
| 1998 MF Series A (Dallas Oxford Refndg) | 10,300 | 7.25% | 7.25% | 2018 | 2018 | 01/01/2004 | |
| 1998 MF Series A/B (Greens of Hickory Trial) | 13,500 | 5.20% | 6.03% | 2001 | 2030 | 09/01/2008 | |
| 1999 MF Series A-C (Mayfield) | 11,445 | 5.70% | 7.25% | 2001 | 2031 | 05/01/2002 | |
| 1999 MF Series A (Woodglen Village) | 10,660 | 7.38% | 8.25% | 2002 | 2039 | 12/01/2016 | |
| 2000 MF Series A (Timber Point Apts) | 8,100 | VAR - Weekly | | 2003 | 2032 | 07/01/2000 | (a) |
| 2000 MF Series A/B (Oaks at Hampton) | 10,060 | 7.20% | 9.00% | 2002 | 2040 | 03/01/2017 | (a) |
| 2000 MF Series A (Deerwood Apts) | 6,435 | 5.25% | 6.40% | 2003 | 2032 | 06/01/2010 | |
| 2000 MF Series A (Creek Point Apts) | 7,200 | VAR - Weekly | | 2004 | 2032 | 07/01/2000 | (a) |
| 2000 MF Series A/B (Parks @ Westmoreland) | 9,990 | 7.20% | 9.00% | 2002 | 2040 | 07/01/2017 | (a) |
| 2000 MF Series A (Honeycreek) | 20,485 | 7.63% | 8.15% | 2004 | 2035 | 06/30/2007 | |
| 2000 MF Series A-C (Highland Meadow Apts) | 13,500 | 6.75% | 8.00% | 2004 | 2033 | 05/01/2019 | |
| 2000 MF Series A/B (Greenbridge) | 20,085 | 7.40% | 10.00% | 2003 | 2040 | 03/01/2014 | |
| 2000 MF Series A-C (Collingham Park) | 13,500 | 6.72% | 7.72% | 2004 | 2033 | 05/01/2019 | |
| 2000 MF Series A/B (Williams Run) | 12,850 | 7.65% | 9.25% | 2002 | 2040 | 01/01/2011 | |
| 2000 MF Series A/B (Red Hills Villas) | 10,300 | 8.40% | 9.50% | 2003 | 2040 | 12/01/2017 | |
| 2001 MF Series A (Bluffview Senior Apts) | 10,700 | 7.65% | 7.65% | 2003 | 2041 | 05/01/2018 | |
| 2001 MF Series A (Knollwood Villas Apts) | 13,750 | 7.65% | 7.65% | 2003 | 2041 | 05/01/2018 | |
| 2001 MF Series A (Skyway Villas) | 13,250 | 6.00% | 6.50% | 2005 | 2034 | 12/01/2011 | |
| 2001 MF Series A/B (Cobb Park) | 7,785 | 6.77% | 6.77% | 2003 | 2041 | 07/01/2018 | |
| 2001 MF Series A (Greens Road Apts.) | 8,375 | 5.30% | 5.40% | 2004 | 2034 | 12/01/2011 | |
| 2001 MF Series A/B (Meridian Apts.) | 14,310 | 5.45% | 6.85% | 2004 | 2034 | 12/01/2011 | |
| 2001 MF Series A/B (Wildwood Apts.) | 14,365 | 5.45% | 6.75% | 2004 | 2034 | 12/01/2011 | |
| 2001 MF Series A-C (Fallbrook Apts.) | 14,700 | 6.06% | 6.78% | 2005 | 2034 | 01/01/2012 | |
| 2001 MF Series A (Oak Hollow Apts.) | 8,625 | 7.00% | 7.90% | 2003 | 2041 | 11/01/2018 | |
| 2001 MF Series A/B (Hillside Apts.) | 12,900 | 7.00% | 9.25% | 2003 | 2041 | 11/01/2018 | |
| 2002 MF Series A (Millstone Apts.) | 12,700 | 5.35% | 5.86% | 2005 | 2035 | 06/01/2012 | |
| 2002 MF Series A (Sugar Creek Apts.) | 11,950 | 6.00% | 6.00% | 2004 | 2042 | 01/01/2016 | |
| 2002 MF Series A (West Oaks Apts.) | 10,150 | 7.15% | 7.50% | 2004 | 2042 | 12/01/2018 | |
| 2002 MF Series A (Park Meadows Apts) | 4,600 | 6.53% | 6.53% | 2004 | 2034 | 05/01/2012 | |
| 2002 MF Series A (Clarkridge Villas Apts) | 14,600 | 7.00% | 7.00% | 2004 | 2042 | 08/01/2019 | |
| 2002 MF Series A (Hickory Trace Apts) | 11,920 | 7.00% | 7.00% | 2004 | 2042 | 12/01/2019 | |
| 2002 MF Series A (Green Crest Apts) | 12,500 | 7.00% | 7.00% | 2004 | 2042 | 11/01/2019 | |
| 2002 MF Series A/B (Ironwood Crossing) | 16,970 | 5.50% | 8.75% | 2005 | 2042 | 10/01/2027 | |
| 2002 MF Series A (Woodway Village Apts) | 9,100 | 4.95% | 5.20% | 2006 | 2023 | 01/01/2013 | |
| 2003 MF Series A/B (Reading Road) | 12,200 | VAR-Weekly | | 2007 | 2036 | 01/01/2004 | (a) |
| 2003 MF Series A/B (North Vista Apts) | 14,000 | 4.10% | 5.41% | 2006 | 2036 | 06/01/2013 | |
| 2003 MF Series A/B (West Virginia Apts) | 9,450 | 4.15% | 5.41% | 2006 | 2036 | 06/01/2013 | |
| 2003 MF Series A/B (Sphinx @ Murdeaux) | 15,085 | 3.55% | 5.00% | 2005 | 2042 | 06/20/2013 | |
| 2003 MF Series A/B (Primrose Houston School) | 16,900 | 5.50% | 8.00% | 2006 | 2036 | 07/01/2003 | (a) |
| 2003 MF Series A/B (Timber Oaks Apts) | 13,200 | 6.75% | 8.75% | 2005 | 2043 | 06/01/2020 | |
| 2003 MF Series A/B (Ash Creek Apts) | 16,375 | 5.60% | 15.00% | 2006 | 2036 | 10/01/2003 | (a) |
| 2003 MF Series A/B (Peninsula Apts) | 12,400 | 4.25% | 5.30% | 2007 | 2024 | 10/01/2013 | |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 3**

## MISCELLANEOUS BOND INFORMATION
## AS OF AUGUST 31, 2008
## (Amounts in thousands)

| Description of Issue | Original Principal Bonds Issued to Date | Range of Interest Rates | | Schedule Maturities First Year | Schedule Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| 2003 MF Series A (Evergreen @ Mesquite) | $ 11,000 | 6.60% | 8.00% | 2006 | 2043 | 09/01/2020 |
| 2003 MF Series A/B (Arlington Villas) | 17,100 | 6.75% | 8.00% | 2007 | 2036 | 01/01/2007 (a) |
| 2003 MF Series A/B (Parkview Twnhms) | 16,600 | 6.60% | 8.50% | 2006 | 2043 | 12/01/2020 |
| 2003 MF Series A (NHP-Asmara) Refunding | 31,500 | VAR - Weekly | | 2007 | 2033 | 07/01/2007 (a) |
| 2004 MF Series A/B (Timber Ridge) | 7,500 | 5.75% | 8.00% | 2007 | 2037 | 03/01/2007 (a) |
| 2004 MF Series A/B (Century Park) | 13,000 | 5.75% | 5.75% | 2007 | 2037 | 05/01/2007 (a) |
| 2004 MF Series A (Addison Park) | 14,000 | VAR - Weekly (c) | | 2007 | 2044 | 01/01/2007 (a) |
| 2004 MF Series A/B (Veterans Memorial) | 16,300 | 6.60% | 8.50% | 2006 | 2044 | 03/01/2006 (a) |
| 2004 MF Series A (Rush Creek) | 10,000 | 5.38% | 6.70% | 2006 | 2044 | 03/01/2021 |
| 2004 MF Series A (Humble Park) | 11,700 | 6.60% | 6.60% | 2007 | 2041 | 07/01/2021 |
| 2004 MF Series A (Chisholm Trail) | 12,000 | VAR - Weekly (b) | | 2006 | 2037 | 10/15/2006 (a) |
| 2004 MF Series A (Evergreen @ Plano) | 14,750 | 5.25% | 6.55% | 2007 | 2044 | 06/01/2021 |
| 2004 MF Series A (Montgomery Pines) | 12,300 | VAR - Weekly | | 2006 | 2037 | 12/15/2006 (a) |
| 2004 MF Series A (Bristol) | 12,625 | VAR - Weekly | | 2007 | 2037 | 06/15/2007 (a) |
| 2004 MF Series A (Pinnacle) | 14,500 | VAR - Weekly (c) | | 2007 | 2044 | 09/01/2007 (a) |
| 2004 MF Series A (Tranquility Bay) | 14,350 | VAR - Weekly (c) | | 2007 | 2044 | 06/01/2021 (e) |
| 2004 MF Series A (Sphinx @ Delafield) | 11,380 | 5.05% | 5.35% | 2006 | 2044 | 07/20/2014 |
| 2004 MF Series A (Churchill @ Pinnacle) | 10,750 | 5.25% | 6.55% | 2007 | 2044 | 09/01/2021 (e) |
| 2004 MF Series A/B (Post Oak East) | 13,600 | VAR - Weekly | | (d) | 2037 | (d) |
| 2004 MF Series A (Village Fair) | 14,100 | 5.00% | 6.50% | 2007 | 2044 | 12/01/2021 |
| 2005 MF Series A (Pecan Grove) | 14,030 | 5.00% | 6.50% | 2007 | 2045 | 01/01/2022 |
| 2005 MF Series A (Prairie Oaks) | 11,050 | 4.75% | 6.50% | 2007 | 2045 | 01/01/2022 |
| 2005 MF Series A (Port Royal) | 12,200 | 5.00% | 6.50% | 2007 | 2045 | 02/01/2022 |
| 2005 MF Series A (Del Rio) | 11,490 | 5.00% | 6.50% | 2007 | 2045 | 02/01/2022 |
| 2005 MF Series A (Atascocita Pines) | 11,900 | VAR - Weekly (c) | | 2007 | 2037 | (f) |
| 2005 MF Series A (Tower Ridge) | 15,000 | VAR - Weekly (b) | | 2009 | 2038 | (f) |
| 2005 MF Series A (Alta Cullen) | 14,000 | 5.89% | 6.60% | 2007 | 2045 | 06/01/2022 |
| 2005 MF Series A (Lafayette Village) | 14,100 | VAR - Weekly | | 2008 | 2038 | n/a |
| 2005 MF Series A (Prairie Ranch) | 12,200 | 4.85% | 4.85% | 2007 | 2045 | 12/20/2015 |
| 2005 MF Series A (St Augustine) | 7,650 | VAR - Weekly | | 2009 | 2038 | n/a |
| 2005 MF Series A (Park Manor) | 10,400 | 5.00% | 6.40% | 2008 | 2045 | 09/01/2022 |
| 2005 MF Series A (Mockingbird) | 14,360 | 6.40% | 6.40% | 2007 | 2045 | 08/01/2022 |
| 2005 MF Series A (Chase Oaks) | 14,250 | 5.05% | 5.05% | 2007 | 2035 | (h) |
| 2005 MF Series A/B (Canal Place) | 16,100 | 3.45% | 8.00% | 2019 | 2039 | (i) |
| 2005 MF Series A (Coral Hills) | 5,320 | 5.05% | 5.05% | 2038 | 2038 | 08/01/2015 |
| 2006 MF Series A (Harris Branch) | 15,000 | VAR - Weekly | | 2009 | 2039 | (j) |
| 2006 MF Series A (Bella Vista) | 6,800 | 6.15% | 6.15% | 2008 | 2046 | 04/01/2016 |
| 2006 MF Series A (Village Park) | 13,660 | 4.75% | 5.13% | 2009 | 2026 | 06/01/2021 |
| 2006 MF Series A (Oakmoor) | 14,635 | 5.50% | 6.00% | 2008 | 2046 | 03/01/2023 |
| 2006 MF Series A (Sunset Pointe) | 15,000 | VAR - Weekly | | 2039 | 2039 | (i) |
| 2006 MF Series A (Hillcrest) | 12,435 | 5.25% | 5.25% | 2009 | 2039 | 04/01/2021 |
| 2006 MF Series A (Pleasant Village) | 6,000 | 6.00% | 6.00% | 2008 | 2023 | (k) |
| 2006 MF Series A (Grove Village) | 6,180 | 6.00% | 6.00% | 2008 | 2023 | (k) |
| 2006 MF Series A (Red Hills Villas) | 5,015 | VAR - Weekly | | 2036 | 2036 | (j) |
| 2006 MF Series A (Champion Crossing) | 5,125 | VAR - Weekly | | 2036 | 2036 | (j) |
| 2006 MF Series A (Stonehaven) | 11,300 | 5.80% | 5.80% | 2008 | 2026 | (h) |
| 2006 MF Series A (Center Ridge) | 8,325 | 5.00% | 5.00% | 2009 | 2039 | 05/01/2021 |
| 2006 MF Series A (Meadowlands) | 13,500 | 6.00% | 6.00% | 2009 | 2046 | 09/01/2023 |
| 2006 MF Series A (East Tex Pines) | 13,500 | 4.95% | 4.95% | 2010 | 2046 | (l) |
| 2006 MF Series A (Villas at Henderson) | 7,200 | VAR - Weekly | | 2010 | 2039 | (m) |
| 2006 MF Series A (Aspen Park Apts) | 9,800 | 5.00% | 5.00% | 2010 | 2039 | 07/01/2021 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 3**

## MISCELLANEOUS BOND INFORMATION
## AS OF AUGUST 31, 2008
## (Amounts in thousands)

| Description of Issue | Original Principal Bonds Issued to Date | Range of Interest Rates | | Schedule Maturities First Year | Schedule Maturities Last Year | First Call Date |
|---|---|---|---|---|---|---|
| 2006 MF Series A (Idlewilde Apts) | 14,250 | VAR - Weekly | | 2010 | 2040 | (j) |
| 2007 MF Series A (Lancaster Apts) | 14,250 | VAR - Weekly | | 2010 | 2040 | (j) |
| 2007 MF Series A (Park Place) | 15,000 | 5.80% | 5.80% | 2010 | 2047 | 03/01/2024 |
| 2007 MF Series A (Terrace at Cibolo) | 8,000 | VAR - Weekly | | 2010 | 2040 | (m) |
| 2007 MF Series A (Santora Villas) | 13,072 | 5.80% | 5.80% | 2010 | 2047 | 06/01/2024 |
| 2007 MF Series A (Villas @ Mesquite Creek) | 16,860 | 5.00% | 5.81% | 2010 | 2047 | 01/20/2017 |
| 2007 MF Series A (Summit Point) | 11,700 | 4.80% | 5.25% | 2009 | 2047 | 06/20/2017 |
| 2007 MF Series A (Costa Rialto) | 12,385 | 5.35% | 5.35% | 2010 | 2047 | 08/01/2025 |
| 2007 MF Series A (Windshire) | 14,000 | VAR - Weekly | | 2010 | 2041 | (j) |
| 2007 MF Series A (Residences @ Onion Creek) | 15,000 | VAR - Weekly | | 2011 | 2040 | (j) |
| 2008 MF Series A (West Oaks) | 13,125 | VAR - Weekly | | 2011 | 2041 | (n) |
| 2008 MF Series A (Costa Ibiza) | 13,900 | VAR - Weekly | | 2011 | 2041 | (f) |
| 2008 MF Series A (Addison Park) | 14,000 | VAR - Weekly | | 2008 | 2044 | (n) |
| TOTAL MULTIFAMILY BONDS | $ 1,411,622 | | | | | |
| **TOTAL BONDS ISSUED** | **$ 3,797,227** | | | | | |

(Concluded)

**FOOTNOTES:**

(a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) No set amortization, per trustee, amortization will occur in $100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.

(e) The bonds are subject to redemption, in whole, at the option of the issuer acting at the direction of the holders of a majority of the outstanding principal amount of the bonds.

(f) The bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(g) The series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: During a daily interest rate period or weekly interest rate period for the series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(h) The bonds are subject to redemption at the option of the issuer, at the direction of the borrower, in whole or in part on the first day of any month, in the event and to the extent, the trustee receives funds from the borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(i) Bonds are subject to redemption if and to the extent, the borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(j) The bonds are subject to optional redemption in whole or in part upon optional prepayment of the loan by the borrower as permitted by the loan documents.

(k) The Bonds are subject to optional redemption at the direction of the borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of $100,000 plus integral multiples of $5,000 or for the entire amount of the bonds outstanding.

(l) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior consent of the Bank, in whole or in part, at a redemption price equals to the principal amount, without premium, plus accrued interest to the date of redemption.

(n) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 4**

## CHANGES IN BOND INDEBTEDNESS
## AS OF AUGUST 31, 2008

| Description of Issue | Bonds Outstanding September 1, 2007 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding August 31, 2008 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| 2002 SERIES A (Jr Lien) | $ 5,400,000 | | | $ 1,260,000 | $ 4,140,000 | |
| 2002 SERIES A | 37,485,000 | | | 950,000 | 36,535,000 | |
| 2002 SERIES B | 39,135,000 | | | 5,690,000 | 33,445,000 | $ 19,506 |
| 2002 SERIES C | 11,180,000 | | $ 500,000 | 265,000 | 10,415,000 | 497,192 |
| 2002 SERIES D | 5,740,000 | | 875,000 | 235,000 | 4,630,000 | 839,175 |
| 2004 SERIES A | 116,865,000 | | 3,320,000 | 9,515,000 | 104,030,000 | 3,831,898 |
| 2004 SERIES B | 53,000,000 | | | | 53,000,000 | |
| 2004 SERIES A (Jr Lien) | 4,140,000 | | | 285,000 | 3,855,000 | |
| 2004 SERIES C | 36,805,000 | | 405,000 | 4,615,000 | 31,785,000 | 341,941 |
| 2004 SERIES D | 35,000,000 | | | | 35,000,000 | |
| 2004 SERIES E | 9,195,000 | | 1,070,000 | 200,000 | 7,925,000 | 1,038,970 |
| 2005 SERIES A | 98,145,000 | | 165,000 | 3,120,000 | 94,860,000 | |
| 2005 SERIES B | 20,705,000 | | 705,000 | 2,565,000 | 17,435,000 | 572,574 |
| 2005 SERIES C | 8,010,000 | | | 795,000 | 7,215,000 | |
| 2005 SERIES D | 3,225,000 | | | 185,000 | 3,040,000 | |
| 2006 SERIES A | 59,105,000 | | 230,000 | 1,045,000 | 57,830,000 | 516,712 |
| 2006 SERIES B | 69,950,000 | | 720,000 | 1,240,000 | 67,990,000 | 1,523,826 |
| 2006 SERIES C | 104,610,000 | | 750,000 | 1,850,000 | 102,010,000 | 1,790,938 |
| 2006 SERIES D | 27,630,000 | | | 3,510,000 | 24,120,000 | (65,284) |
| 2006 SERIES E | 16,560,000 | | 1,240,000 | 45,000 | 15,275,000 | 1,181,463 |
| 2006 SERIES F | 81,195,000 | | | 695,000 | 80,500,000 | 648,318 |
| 2006 SERIES G | 15,000,000 | | 570,000 | 165,000 | 14,265,000 | 1,110,000 |
| 2006 SERIES H | 36,000,000 | | | | 36,000,000 | 2,571,428 |
| 2007 SERIES A | 143,005,000 | | | 1,935,000 | 141,070,000 | 10,014,130 |
| 2007 SERIES B | | $ 157,060,000 | | 5,000 | 157,055,000 | 148,084 |
| 1998 SERIES A | 40,105,000 | | 1,155,000 | 2,660,000 | 36,290,000 | 1,115,000 |
| 1998 SERIES B | 7,125,000 | | | 775,000 | 6,350,000 | |
| 1999 SERIES A | 5,865,000 | | | 980,000 | 4,885,000 | (11,429) |
| 1999 SERIES B-1 | 22,415,000 | | | 1,590,000 | 20,825,000 | 14,141 |
| 1999 SERIES C | 3,500,000 | | | 15,000 | 3,485,000 | (1,048) |
| 2000 SERIES A | 16,330,000 | | 245,000 | 780,000 | 15,305,000 | 237,067 |
| 2000 SERIES B | 48,165,000 | | | 3,830,000 | 44,335,000 | 9,294 |
| 2000 SERIES C | 8,530,000 | | | | 8,530,000 | |
| 2000 SERIES D | 6,695,000 | | 555,000 | | 6,140,000 | 595,000 |
| 2001 SERIES A | 33,500,000 | | 590,000 | 2,230,000 | 30,680,000 | 602,235 |
| 2001 SERIES B | 12,300,000 | | | 120,000 | 12,180,000 | |
| 2001 SERIES C | 9,690,000 | | 1,095,000 | 850,000 | 7,745,000 | 975,544 |
| 2001 SERIES D | 235,000 | | 5,000 | | 230,000 | 10,000 |
| 2002 SERIES A | 31,470,000 | | 520,000 | 1,785,000 | 29,165,000 | 535,712 |
| 2003 SERIES A | 64,765,000 | | 1,040,000 | 4,440,000 | 59,285,000 | 954,258 |
| 1992 SERIES A-C | 12,400,000 | | | 2,000,000 | 10,400,000 | 7,607 |
| **Total Single Family Bonds** | 1,360,175,000 | 157,060,000 | 15,755,000 | 62,225,000 | 1,439,255,000 | 31,624,252 |
| 1996 SERIES A&B (BRIGHTON'S MARK) | $ 8,075,000 | | | | $ 8,075,000 | |
| 1996 SERIES A&B (MARKS OF LAS COLINAS) | 12,670,000 | | | $ 12,670,000 | | |
| 1996 SERIES A&B (BRAXTON'S MARK) | 14,273,700 | | | | 14,273,700 | |
| 1987 SOUTH TEXAS RENTAL HOUSING | 612,309 | | $ 92,573 | | 519,736 | $ 102,000 |
| 1998 SERIES (PEBBLE BROOK) | 9,895,000 | | 190,000 | 35,000 | 9,670,000 | 205,000 |
| 1998 SERIES A-C (RESIDENCE OAKS) | 7,408,000 | | 151,000 | | 7,257,000 | 159,000 |
| 1998 SERIES (GREENS-HICKORY TRAIL) | 12,325,000 | | 240,000 | | 12,085,000 | 250,000 |
| 1999 SERIES (MAYFIELD) | 10,407,000 | | 209,000 | | 10,198,000 | 222,000 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 4**

## CHANGES IN BOND INDEBTEDNESS AS OF AUGUST 31, 2008

| Description of Issue | Bonds Outstanding September 1, 2007 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding August 31, 2008 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| 1999 SERIES (WOODGLEN VILLAGE) | $ 10,505,283 | | | $ 10,505,283 | | |
| 2000 SERIES (TIMBER POINT APTS) | 7,670,000 | | | 100,000 | $ 7,570,000 | |
| 2000 SERIES A/B (OAKS at HAMPTON) | 9,753,846 | | $ 74,648 | | 9,679,198 | $ 82,000 |
| 2000 SERIES (DEERWOOD APTS) | 6,075,000 | | 95,000 | | 5,980,000 | 95,000 |
| 2000 SERIES (CREEK POINT APTS) | 6,585,000 | | | 115,000 | 6,470,000 | |
| 2000 SERIES A/B (PARKS at WESTMORELAND) | 9,704,453 | | 73,173 | | 9,631,280 | 80,000 |
| 2000 SERIES A-C (HIGHLAND MEADOW APTS) | 8,565,000 | | 121,000 | | 8,444,000 | 130,000 |
| 2000 SERIES A/B (GREENBRIDGE @ BUCKINGHM) | 19,735,000 | | 177,541 | | 19,557,459 | 113,000 |
| 2000 SERIES A-C (COLLINGHAM PARK APTS) | 12,943,000 | | 182,000 | | 12,761,000 | 208,000 |
| 2000 SERIES A/B (WILLIAMS RUN APTS) | 12,566,068 | | 148,779 | | 12,417,289 | 204,000 |
| 2001 SERIES (BLUFF SENIOR APTS) | 10,488,996 | | 59,342 | | 10,429,654 | 64,000 |
| 2001 SERIES (KNOLLWOOD VILLAS APTS) | 13,478,850 | | 76,257 | | 13,402,593 | 82,000 |
| 2001 SERIES A (SKYWAY VILLAS) | 8,185,000 | | 125,000 | 620,000 | 7,440,000 | 120,000 |
| 2001 SERIES A/B (COBB PARK APTS) | 7,649,012 | | 42,112 | | 7,606,900 | 46,000 |
| 2001 SERIES A (GREENS ROAD APTS) | 8,060,000 | | 120,000 | | 7,940,000 | 130,000 |
| 2001 SERIES A/B (MERIDIAN APARTMENTS) | 13,885,000 | | 185,000 | | 13,700,000 | 200,000 |
| 2001 SERIES A/B (WILDWOOD BRANCH | 13,940,000 | | 190,000 | | 13,750,000 | 205,000 |
| 2001 SERIES A-C (FALLBROOK APTS) | 14,241,000 | | 206,000 | | 14,035,000 | 220,000 |
| 2001 SERIES (OAK HOLLOW APTS) | 6,380,796 | | 39,919 | | 6,340,877 | 43,000 |
| 2001 SERIES A/B (HILLSIDE APTS) | 12,599,075 | | 43,277 | | 12,555,798 | 47,000 |
| 2001 SERIES A (MILLSTONE APTS) | 10,575,000 | | 165,000 | | 10,410,000 | 175,000 |
| 2002 SERIES (SUGARCREEK APTS) | 11,750,000 | | 115,000 | | 11,635,000 | 75,657 |
| 2002 SERIES (WEST OAKS APTS) | 9,572,873 | | 57,361 | | 9,515,512 | 62,000 |
| 2002 SERIES (PARK MEADOWS APTS) | 4,335,000 | | 60,000 | | 4,275,000 | 70,000 |
| 2002 SERIES (CLARKRIDGE VILLAS APTS) | 13,790,327 | | 81,003 | | 13,709,324 | 87,000 |
| 2002 SERIES A (HICKORY TRACE APTS) | 11,400,985 | | 66,548 | | 11,334,436 | 71,000 |
| 2002 SERIES A (GREEN CREST APTS) | 11,427,927 | | 142,836 | | 11,285,091 | 71,000 |
| 2002 SERIES A/B (IRON WOOD CROSSING) | 16,851,886 | | 72,841 | | 16,779,045 | 79,000 |
| 2002 SERIES A (WOODWAY VILLAGE) | 7,645,000 | | 110,000 | | 7,535,000 | 115,000 |
| 2003 SERIES A/B (READING ROAD) | 12,180,000 | | 20,000 | 200,000 | 11,960,000 | 20,000 |
| 2003 SERIES A/B (NORTH VISTA) | 13,800,000 | | 190,000 | 900,000 | 12,710,000 | 210,000 |
| 2003 SERIES A/B (WEST VIRGINIA) | 9,315,000 | | 145,000 | | 9,170,000 | 150,000 |
| 2003 SERIES A/B (SPHINX @ MURDEAUX) | 14,715,000 | | 165,000 | | 14,550,000 | 170,000 |
| 2003 SERIES A/B (PRIMROSE HOUSTON) | 16,551,491 | | 78,839 | | 16,472,652 | 85,000 |
| 2003 SERIES A/B (TIMBER OAKS) | 13,097,616 | | 56,155 | | 13,041,462 | 61,000 |
| 2003 SERIES A/B (ASH CREEK APTS) | 16,278,361 | | 79,621 | | 16,198,740 | 86,000 |
| 2003 SERIES A/B (PENINSULA APTS) | 12,130,000 | | 160,000 | 5,000 | 11,965,000 | 160,000 |
| 2003 SERIES A (EVERGREEN @ MESQUITE) | 10,856,023 | | 109,755 | | 10,746,268 | 117,000 |
| 2003 SERIES A/B (ARLINGTON VILLAS) | 17,053,685 | | 74,285 | | 16,979,400 | 80,000 |
| 2003 SERIES A/B (PARKVIEW TWNHMS) | 16,481,679 | | 79,438 | | 16,402,240 | 86,000 |
| 2003 SERIES (NHP-ASMARA)REFUNDING | 21,290,000 | | 360,000 | | 20,930,000 | 370,517 |
| 2004 SERIES A/B (TIMBER RIDGE) | 6,668,105 | | 34,191 | | 6,633,914 | 37,000 |
| 2004 SERIES A/B (CENTURY PARK) | 12,920,000 | | 165,000 | 300,000 | 12,455,000 | 170,000 |
| 2004 SERIES A (ADDISON PARK) | 14,000,000 | | | 14,000,000 | | |
| 2004 SERIES A/B (VETERANS MEMORIAL) | 16,193,176 | | 79,140 | | 16,114,036 | 86,000 |
| 2004 SERIES (RUSH CREEK) | 9,944,300 | | 51,433 | 1,121,781 | 8,771,086 | 52,000 |
| 2004 SERIES (HUMBLE PARK) | 11,610,000 | | 100,000 | | 11,510,000 | 110,000 |
| 2004 SERIES (CHISHOLM TRAIL) | 12,000,000 | | | 100,000 | 11,900,000 | |
| 2004 SERIES (EVERGREEN @ PLANO) | 14,737,224 | | 79,644 | | 14,657,580 | 85,000 |
| 2004 SERIES (MONTGOMERY PINES) | 12,300,000 | | | | 12,300,000 | |
| 2004 SERIES (BRISTOL) | 12,625,000 | | | 325,000 | 12,300,000 | |
| 2004 SERIES (PINNACLE) | 14,500,000 | | | 235,000 | 14,265,000 | |
| 2004 SERIES (TRANQUILITY BAY) | 14,252,083 | | 84,252 | | 14,167,831 | 90,000 |
| 2004 SERIES (SPHINX @ DELAFIELD) | 11,235,000 | | 100,000 | | 11,135,000 | 110,000 |
| 2004 SERIES (CHURCHILL @ PINNACLE) | 10,094,601 | | 67,132 | | 10,027,469 | 72,000 |
| 2004 SERIES A/B (POST OAK EAST) | 13,600,000 | | | | 13,600,000 | |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 4**

## CHANGES IN BOND INDEBTEDNESS AS OF AUGUST 31, 2008

| Description of Issue | Bonds Outstanding September 1, 2007 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding August 31, 2008 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| 2004 SERIES (VILLAGE FAIR) | $ 14,049,658 | | $ 79,712 | | $ 13,969,946 | $ 85,000 |
| 2005 SERIES (PECAN GROVE) | 13,986,288 | | 78,889 | | 13,907,400 | 84,000 |
| 2005 SERIES (PRAIRIE OAKS) | 11,015,573 | | 62,133 | | 10,953,440 | 66,000 |
| 2005 SERIES (PORT ROYAL) | 12,167,510 | | 68,230 | | 12,099,280 | 73,000 |
| 2005 SERIES (MISSION DEL RIO) | 11,459,400 | | 64,259 | | 11,395,141 | 69,000 |
| 2005 SERIES (ATASCOCITA) | 11,900,000 | | | | 11,900,000 | 143,000 |
| 2005 SERIES (TOWER RIDGE) | 15,000,000 | | | | 15,000,000 | 100,000 |
| 2005 SERIES (ALTA CULLEN) | 14,000,000 | | | | 14,000,000 | |
| 2005 SERIES (PRAIRIE RANCH) | 12,195,000 | | 145,000 | | 12,050,000 | 115,000 |
| 2005 SERIES (ST. AUGUSTINE ) | 7,650,000 | | | | 7,650,000 | 47,000 |
| 2005 SERIES (PARK MANOR) | 10,400,000 | | | | 10,400,000 | 58,000 |
| 2005 SERIES (PROVIDENCE @ MOCKINGBIRD) | 14,360,000 | | 79,885 | | 14,280,115 | 85,000 |
| 2005 SERIES (PLAZA CHASE OAKS) | 14,250,000 | | 137,731 | | 14,112,269 | 215,000 |
| 2005 SERIES (CANAL PLACE) | 16,100,000 | | | | 16,100,000 | |
| 2006 SERIES (CORAL HILLS) | 5,320,000 | | | 250,000 | 5,070,000 | 75,000 |
| 2006 SERIES (HARRIS BRANCH) | 15,000,000 | | | | 15,000,000 | |
| 2006 SERIES (BELLA VISTA) | 6,800,000 | | 15,000 | | 6,785,000 | 45,000 |
| 2006 SERIES (VILLAGE PARK) | 13,660,000 | | | | 13,660,000 | 105,000 |
| 2006 SERIES (OAKMOOR) | 14,635,000 | | | | 14,635,000 | 75,000 |
| 2006 SERIES (SUNSET POINTE) | 15,000,000 | | | | 15,000,000 | |
| 2006 SERIES (HILLCREST) | 12,435,000 | | | | 12,435,000 | |
| 2006 SERIES (PLEASANT VILLAGE) | 6,000,000 | | 28,768 | | 5,971,232 | 74,000 |
| 2006 SERIES (GROVE VILLAGE) | 6,180,000 | | 29,631 | | 6,150,369 | 77,000 |
| 2006 SERIES (RED HILLS) | 5,015,000 | | | | 5,015,000 | |
| 2006 SERIES (CHAMPION'S CROSSING) | 5,125,000 | | | 100,000 | 5,025,000 | |
| 2006 SERIES (STONEHAVEN) | 11,300,000 | | | | 11,300,000 | 61,000 |
| 2006 SERIES (CENTER RIDGE) | 8,325,000 | | | | 8,325,000 | |
| 2006 SERIES (MEADOWLANDS) | 13,500,000 | | | | 13,500,000 | 1,780,000 |
| 2006 SERIES (EAST TEXAS PINES) | 13,500,000 | | | | 13,500,000 | |
| 2006 SERIES (VILLAS @ HENDERSON) | 7,200,000 | | | | 7,200,000 | |
| 2006 SERIES (ASPEN PARKS) | 9,800,000 | | | | 9,800,000 | |
| 2006 SERIES (IDLEWILDE) | 14,250,000 | | | | 14,250,000 | |
| 2007 SERIES (LANDCASTER) | 14,250,000 | | | | 14,250,000 | |
| 2007 SERIES (PARK PLACE AT LOYOLA) | 15,000,000 | | | | 15,000,000 | |
| 2007 SERIES (TERRACE AT CIBOLO) | 8,000,000 | | | | 8,000,000 | |
| 2007 SERIES (SANTORA VILLAS) | 13,072,000 | | | | 13,072,000 | |
| 2007 SERIES (A/B VILLAS @ MESQUITE) | 16,860,000 | | | | 16,860,000 | |
| 2007 SERIES (SUMMIT POINT) | 11,700,000 | | | | 11,700,000 | |
| 2007 SERIES (COSTA RIALTO) | 12,385,000 | | | | 12,385,000 | |
| 2007 SERIES (WINDSHIRE) | 14,000,000 | | | | 14,000,000 | |
| 2007 SERIES (RESIDENCES @ ONION CREEK) | | 15,000,000 | | | 15,000,000 | |
| 2008 SERIES (WEST OAKS APTS) | | 13,125,000 | | | 13,125,000 | |
| 2008 SERIES (COSTA IBIZA APTS) | | 13,900,000 | | | 13,900,000 | |
| 2008 SERIES (ADDISON PARKS APTS) | | 14,000,000 | | | 14,000,000 | |
| **Total Multifamily Bonds** | $ 1,213,299,159 | $ 56,025,000 | $ 6,780,332 | $ 41,582,064 | $ 1,220,961,762 | $ 9,652,174 |
| | **$ 2,573,474,159** | **$ 213,085,000** | **$ 22,535,332** | **$ 103,807,064** | **$ 2,660,216,762** | **$ 41,276,426** |

(a) Bonds Outstanding balance at 8/31/08 does not include unamortized premium or discounts.

| | |
|---|---|
| Bonds Outstanding per schedule | $ 2,660,216,762 |
| Unamortized (Discount)/Premium: | |
| Single Family | 14,121,116 |
| RMRB | 1,423,356 |
| CHMRB | 212,543 |
| Multi-Family | (526,746) |
| Unamortized Deferred Gain/(Loss) on Refunding: | |
| Single Family | (3,364,630) |
| RMRB | (992,247) |
| Deferred Amount on Refunding | - |
| Bonds Outstanding | **$ 2,671,090,154** |

(Concluded)

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2002 SINGLE FAMILY, SERIES A JUNIOR LIEN | Principal | | | | | | | | $ 4,140 | | | | | $ 4,140 |
| 2002 SINGLE FAMILY, SERIES A JUNIOR LIEN | Interest | $ 290 | $ 290 | $ 290 | $ 290 | $ 290 | $ 1,450 | $ 1,450 | 656 | | | | | 5,006 |
| 2002 SINGLE FAMILY, SERIES A | Principal | | | | | | | 4,715 | 15,985 | | $ 15,835 | | | 36,535 |
| 2002 SINGLE FAMILY, SERIES A | Interest | 2,011 | 2,011 | 2,011 | 2,011 | 2,011 | 10,055 | 9,926 | 5,353 | $ 4,395 | 199 | | | 39,983 |
| 2002 SINGLE FAMILY, SERIES B | Principal | | | | | | | | 3,515 | 27,480 | 2,450 | | | 33,445 |
| 2002 SINGLE FAMILY, SERIES B | Interest | 1,823 | 1,823 | 1,823 | 1,823 | 1,823 | 9,115 | 9,115 | 8,875 | 6,109 | | | | 42,329 |
| 2002 SINGLE FAMILY, SERIES C | Principal | 515 | 540 | 575 | 610 | 1,310 | 6,865 | | | | | | | 10,415 |
| 2002 SINGLE FAMILY, SERIES C | Interest | 501 | 478 | 451 | 423 | 374 | 744 | | | | | | | 2,971 |
| 2002 SINGLE FAMILY, SERIES D | Principal | 850 | 885 | 915 | 965 | 1,015 | | | | | | | | 4,630 |
| 2002 SINGLE FAMILY, SERIES D | Interest | 164 | 127 | 88 | 46 | | | | | | | | | 425 |
| 2004 SINGLE FAMILY, SERIES A | Principal | 3,735 | 3,190 | 3,220 | 3,350 | 3,615 | 15,685 | 14,895 | 17,950 | 21,820 | 16,570 | | | 104,030 |
| 2004 SINGLE FAMILY, SERIES A | Interest | 4,580 | 4,470 | 4,350 | 4,218 | 4,072 | 18,182 | 15,011 | 11,126 | 6,355 | 947 | | | 73,311 |
| 2004 SINGLE FAMILY, SERIES B | Principal | | | | | | 6,620 | 11,110 | 13,420 | 16,305 | 5,545 | | | 53,000 |
| 2004 SINGLE FAMILY, SERIES B | Interest | 1,181 | 1,182 | 1,182 | 1,183 | 1,181 | 5,619 | 4,509 | 3,134 | 1,464 | 62 | | | 20,697 |
| 2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN) | Principal | | | | | | | | | | 3,855 | | | 3,855 |
| 2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN) | Interest | 103 | 103 | 103 | 103 | 103 | 515 | 515 | 515 | 515 | 307 | | | 2,882 |
| 2004 SINGLE FAMILY, SERIES C | Principal | 315 | 335 | 350 | 370 | 390 | 3,925 | 6,280 | 6,770 | 7,955 | 5,095 | | | 31,785 |
| 2004 SINGLE FAMILY, SERIES C | Interest | 1,494 | 1,478 | 1,461 | 1,442 | 1,423 | 6,649 | 5,454 | 3,861 | 2,144 | 276 | | | 25,682 |
| 2004 SINGLE FAMILY, SERIES D | Principal | | | | | | 4,870 | 7,730 | 8,130 | 9,615 | 4,655 | | | 35,000 |
| 2004 SINGLE FAMILY, SERIES D | Interest | 717 | 718 | 717 | 718 | 717 | 3,368 | 2,669 | 1,827 | 943 | 74 | | | 12,468 |
| 2004 SINGLE FAMILY, SERIES E | Principal | 1,085 | 1,125 | 1,170 | 1,230 | 1,285 | 1,890 | 140 | | | | | | 7,925 |
| 2004 SINGLE FAMILY, SERIES E | Interest | 278 | 240 | 198 | 150 | 99 | 110 | 1 | | | | | | 1,076 |
| 2005 SINGLE FAMILY, SERIES A | Principal | | 1,430 | 2,050 | 2,130 | 2,215 | 12,475 | 15,165 | 18,445 | 22,420 | 18,530 | | | 94,860 |
| 2005 SINGLE FAMILY, SERIES A | Interest | 2,113 | 2,094 | 2,049 | 2,004 | 1,951 | 8,961 | 7,410 | 5,524 | 3,230 | 638 | | | 35,974 |
| 2005 SINGLE FAMILY, SERIES B | Principal | 660 | 690 | 725 | 760 | 780 | 4,435 | 5,565 | 3,820 | | | | | 17,435 |
| 2005 SINGLE FAMILY, SERIES B | Interest | 753 | 726 | 697 | 666 | 633 | 2,608 | 1,465 | 223 | | | | | 7,771 |
| 2005 SINGLE FAMILY, SERIES C | Principal | | | | | | 7,215 | | | | | | | 7,215 |
| 2005 SINGLE FAMILY, SERIES C | Interest | 209 | 209 | 209 | 209 | 209 | 838 | | | | | | | 1,883 |
| 2005 SINGLE FAMILY, SERIES D | Principal | | | | | | | | 1,790 | 805 | 445 | | | 3,040 |
| 2005 SINGLE FAMILY, SERIES D | Interest | 152 | 152 | 152 | 152 | 152 | 760 | 760 | 596 | 201 | 25 | | | 3,102 |
| 2006 SINGLE FAMILY, SERIES A | Principal | 480 | 515 | 550 | 590 | 630 | 3,840 | 5,375 | 7,100 | 9,525 | 29,225 | | | 57,830 |
| 2006 SINGLE FAMILY, SERIES A | Interest | 2,874 | 2,848 | 2,821 | 2,792 | 2,761 | 13,263 | 12,102 | 10,524 | 8,449 | 3,340 | | | 61,774 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 SINGLE FAMILY, SERIES B | Principal | $ 1,465 | $ 1,530 | $ 1,590 | $ 1,660 | $ 1,740 | $ 9,915 | $ 12,175 | $ 15,350 | $ 19,110 | $ 3,455 | | | $ 67,990 |
| 2006 SINGLE FAMILY, SERIES B | Interest | 3,345 | 3,269 | 3,190 | 3,108 | 3,022 | 13,682 | 10,902 | 7,443 | 3,085 | 61 | | | 51,107 |
| 2006 SINGLE FAMILY, SERIES C | Principal | 1,540 | 1,610 | 1,695 | 1,785 | 1,885 | 10,910 | 14,115 | 18,195 | 23,480 | 26,795 | | | 102,010 |
| 2006 SINGLE FAMILY, SERIES C | Interest | 5,169 | 5,087 | 5,002 | 4,911 | 4,816 | 22,478 | 19,251 | 15,080 | 9,701 | 2,860 | | | 94,355 |
| 2006 SINGLE FAMILY, SERIES D | Principal | | | | | | 850 | 9,610 | 12,055 | 1,605 | | | | 24,120 |
| 2006 SINGLE FAMILY, SERIES D | Interest | 1,090 | 1,090 | 1,090 | 1,090 | 1,090 | 5,431 | 4,116 | 1,661 | | | | | 16,658 |
| 2006 SINGLE FAMILY, SERIES E | Principal | 1,280 | 1,315 | 1,370 | 1,420 | 1,480 | 8,410 | | | | | | | 15,275 |
| 2006 SINGLE FAMILY, SERIES E | Interest | 576 | 525 | 472 | 416 | 356 | 757 | | | | | | | 3,102 |
| 2006 SINGLE FAMILY, SERIES F | Principal | 510 | 560 | 595 | 630 | 670 | 4,000 | 10,380 | 15,540 | 20,815 | 26,800 | | | 80,500 |
| 2006 SINGLE FAMILY, SERIES F | Interest | 4,228 | 4,196 | 4,162 | 4,127 | 4,089 | 19,827 | 17,960 | 14,394 | 9,582 | 3,169 | | | 85,734 |
| 2006 SINGLE FAMILY, SERIES G | Principal | 1,110 | 1,235 | 1,300 | 1,375 | 1,465 | 6,565 | 1,215 | | | | | | 14,265 |
| 2006 SINGLE FAMILY, SERIES G | Interest | 572 | 526 | 475 | 421 | 361 | 866 | 15 | | | | | | 3,236 |
| 2006 SINGLE FAMILY, SERIES H | Principal | 2,571 | 5,143 | 5,143 | 5,143 | 5,143 | 12,857 | | | | | | | 36,000 |
| 2006 SINGLE FAMILY, SERIES H | Interest | 365 | 653 | 548 | 444 | 339 | 392 | | | | | | | 2,741 |
| 2007 SINGLE FAMILY, SERIES A | Principal | 10,076 | 20,153 | 20,153 | 20,153 | 20,153 | 50,382 | | | | | | | 141,070 |
| 2007 SINGLE FAMILY, SERIES A | Interest | 1,432 | 2,557 | 2,148 | 1,739 | 1,330 | 1,533 | | | | | | | 10,739 |
| 2007 SINGLE FAMILY, SERIES B | Principal | | 1,465 | 2,305 | 2,410 | 2,525 | 15,680 | 19,035 | 24,685 | 32,130 | 41,905 | $ 14,915 | | 157,055 |
| 2007 SINGLE FAMILY, SERIES B | Interest | 8,223 | 8,164 | 8,060 | 7,951 | 7,835 | 37,126 | 32,666 | 26,856 | 19,208 | 9,234 | 398 | | 165,721 |
| Total Single Family Bonds | | 70,435 | 86,737 | 87,455 | 87,018 | 87,338 | 371,718 | 292,802 | 304,538 | 288,446 | 222,352 | 15,313 | | 1,914,152 |
| 1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | 1,115 | 1,155 | | | | 7,600 | | | 26,420 | | | | 36,290 |
| 1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 1,884 | 1,830 | 1,798 | 1,798 | 1,798 | 8,923 | 6,995 | 6,995 | 2,713 | | | | 34,734 |
| 1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Principal | | | | | | | 6,350 | | | | | | 6,350 |
| 1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Interest | 337 | 337 | 337 | 337 | 337 | 1,685 | 1,175 | | | | | | 4,545 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | | | | | | 1,675 | 3,210 | | | | | | 4,885 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 257 | 257 | 257 | 257 | 257 | 1,272 | 411 | | | | | | 2,968 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1 | Principal | | | | | | | 5,885 | | 14,940 | | | | 20,825 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1 | Interest | 1,362 | 1,362 | 1,362 | 1,362 | 1,362 | 6,810 | 5,904 | 4,720 | 3,622 | | | | 27,866 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Principal | | | | | | | | 3,485 | | | | | 3,485 |
| 1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Interest | 218 | 218 | 218 | 218 | 218 | 1,090 | 1,090 | 179 | | | | | 3,449 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | 245 | | | | | | 3,840 | | 11,220 | | | | 15,305 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 953 | 945 | 945 | 945 | 945 | 4,725 | 3,642 | 3,535 | 2,002 | | | | 18,637 |

(Continued)

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Principal | | | | | | | | $ 12,000 | $ 32,335 | | | | $ 44,335 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Interest | $ 2,578 | $ 2,578 | $ 2,578 | $ 2,578 | $ 2,578 | $ 12,890 | $ 12,890 | 10,680 | 7,656 | | | | 57,006 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Principal | | | | | | | 4,855 | 3,675 | | | | | 8,530 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Interest | 498 | 498 | 498 | 498 | 498 | 2,490 | 1,591 | 283 | | | | | 6,854 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D | Principal | 595 | 640 | 680 | 720 | 785 | 1,725 | 995 | | | | | | 6,140 |
| 2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D | Interest | 318 | 287 | 253 | 217 | 177 | 395 | 77 | | | | | | 1,724 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | 570 | 580 | 110 | 115 | 135 | 805 | 2,650 | 10,820 | 14,895 | | | | 30,680 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 1,640 | 1,612 | 1,594 | 1,587 | 1,580 | 7,770 | 7,473 | 5,585 | 2,199 | | | | 31,040 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Principal | | | 725 | 770 | 805 | 4,800 | 5,080 | | | | | | 12,180 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B | Interest | 627 | 627 | 612 | 575 | 536 | 2,008 | 577 | | | | | | 5,562 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Principal | 1,025 | 1,080 | 1,120 | 1,175 | 1,255 | 2,090 | | | | | | | 7,745 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C | Interest | 314 | 270 | 222 | 172 | 131 | 86 | | | | | | | 1,195 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D | Principal | 10 | 10 | 10 | 5 | 10 | 45 | 45 | 40 | 55 | | | | 230 |
| 2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D | Interest | 12 | 12 | 11 | 11 | 10 | 44 | 31 | 21 | 8 | | | | 160 |
| 2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | 500 | 510 | 540 | 560 | 610 | 3,545 | 4,100 | 7,845 | 10,560 | $ 395 | | | 29,165 |
| 2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 1,527 | 1,504 | 1,479 | 1,452 | 1,423 | 6,593 | 5,582 | 4,145 | 1,531 | 3 | | | 25,239 |
| 2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Principal | 945 | 960 | 1,000 | 1,030 | 1,055 | 6,440 | 8,115 | 15,010 | 20,080 | 4,650 | | | 59,285 |
| 2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A | Interest | 2,868 | 2,831 | 2,792 | 2,750 | 2,706 | 12,712 | 10,975 | 8,261 | 3,859 | 136 | | | 49,890 |
| Total Residential Mtg Revenue Bonds | | 20,398 | 20,103 | 19,141 | 19,132 | 19,211 | 98,218 | 103,538 | 97,279 | 154,095 | 5,184 | | | 556,299 |
| 1992 COLL HOME MTG REV BONDS, SERIES C | Principal | | | | | | | | 10,400 | | | | | 10,400 |
| 1992 COLL HOME MTG REV BONDS, SERIES C | Interest | 718 | 718 | 718 | 720 | 718 | 3,592 | 3,592 | 591 | | | | | 11,367 |
| Total Coll Home Mtg Revenue Bonds | | 718 | 718 | 718 | 720 | 718 | 3,592 | 3,592 | 10,991 | | | | | 21,767 |
| 1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING) | Principal | 102 | 112 | 123 | 135 | 48 | | | | | | | | 520 |
| 1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING) | Interest | 44 | 34 | 23 | 11 | 1 | | | | | | | | 113 |
| 1996 MF SERIES A&B (BRIGHTON'S MARK) | Principal | | | | | | | | 8,075 | | | | | 8,075 |
| 1996 MF SERIES A&B (BRIGHTON'S MARK) | Interest | 495 | 495 | 495 | 495 | 495 | 2,475 | 2,475 | 1,485 | | | | | 8,910 |
| 1996 MF SERIES A&B (BRAXTON'S MARK) | Principal | | | | | | | | 14,274 | | | | | 14,274 |
| 1996 MF SERIES A&B (BRAXTON'S MARK) | Interest | 829 | 829 | 829 | 829 | 829 | 4,145 | 4,145 | 2,495 | | | | | 14,930 |
| 1998 MF SERIES (PEBBLE BROOK APARTMENTS) | Principal | 205 | 215 | 225 | 245 | 255 | 1,570 | 2,145 | 2,950 | 1,860 | | | | 9,670 |
| 1998 MF SERIES (PEBBLE BROOK APARTMENTS) | Interest | 530 | 519 | 508 | 495 | 481 | 2,166 | 1,659 | 956 | 134 | | | | 7,448 |

(Continued)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1998 MF SERIES A-C (RESIDENCE AT THE OAKS) | Principal | $ 159 | $ 169 | $ 180 | $ 189 | $ 202 | | | | $ 6,358 | | | | $ 7,257 |
| 1998 MF SERIES A-C (RESIDENCE AT THE OAKS) | Interest | 430 | 420 | 410 | 399 | 387 | $ 1,905 | $ 1,905 | $ 1,905 | 859 | | | | 8,620 |
| 1998 MF SERIES A&B (GREENS OF HICKORY TRAIL) | Principal | 250 | 270 | 290 | 310 | 335 | 2,000 | 2,710 | 3,650 | 2,270 | | | | 12,085 |
| 1998 MF SERIES A&B (GREENS OF HICKORY TRAIL) | Interest | 640 | 624 | 608 | 590 | 571 | 2,565 | 1,964 | 1,148 | 178 | | | | 8,888 |
| 1999 MF SERIES A-C (MAYFIELD) | Principal | 222 | 235 | 248 | 263 | 279 | 1,653 | 2,196 | 2,914 | 2,188 | | | | 10,198 |
| 1999 MF SERIES A-C (MAYFIELD) | Interest | 575 | 562 | 548 | 534 | 518 | 2,325 | 1,782 | 1,058 | 194 | | | | 8,096 |
| 2000 MF SERIES (TIMBER POINT APTS) | Principal | | | | | | | | | 7,570 | | | | 7,570 |
| 2000 MF SERIES (TIMBER POINT APTS) | Interest | 152 | 152 | 152 | 152 | 152 | 760 | 760 | 760 | 612 | | | | 3,652 |
| 2000 MF SERIES A&B (OAKS AT HAMPTON) | Principal | 82 | 89 | 96 | 104 | 111 | 693 | 993 | 1,422 | 2,036 | $ 2,914 | $ 1,139 | | 9,679 |
| 2000 MF SERIES A&B (OAKS AT HAMPTON) | Interest | 696 | 689 | 681 | 674 | 667 | 3,196 | 2,897 | 2,468 | 1,854 | 974 | 67 | | 14,863 |
| 2000 MF SERIES (DEERWOOD APTS) | Principal | 95 | 105 | 115 | 120 | | | 1,305 | | 4,240 | | | | 5,980 |
| 2000 MF SERIES (DEERWOOD APTS) | Interest | 377 | 372 | 365 | 359 | 354 | 1,770 | 1,521 | 1,355 | 1,223 | | | | 7,696 |
| 2000 MF SERIES (CREEK POINT APTS) | Principal | | | | | | | | | 6,470 | | | | 6,470 |
| 2000 MF SERIES (CREEK POINT APTS) | Interest | 130 | 130 | 130 | 130 | 130 | 650 | 650 | 650 | 532 | | | | 3,132 |
| 2000 MF SERIES PARKS AT (WESTMORELAND) | Principal | 80 | 87 | 94 | 101 | 108 | 674 | 965 | 1,381 | 1,977 | 2,829 | 1,335 | | 9,631 |
| 2000 MF SERIES PARKS AT (WESTMORELAND) | Interest | 816 | 809 | 801 | 793 | 784 | 3,761 | 3,419 | 2,926 | 2,222 | 1,215 | 113 | | 17,659 |
| 2000 A/C MF SERIES (HIGHLAND MEADOWS) | Principal | 130 | 139 | 149 | 159 | 170 | 1,041 | 1,456 | 2,030 | 2,831 | 339 | | | 8,444 |
| 2000 A/C MF SERIES (HIGHLAND MEADOWS) | Interest | 565 | 556 | 546 | 536 | 524 | 2,426 | 2,006 | 1,419 | 602 | 4 | | | 9,184 |
| 2000 A&B MF SERIES (GREENBRIDGE) | Principal | 113 | 137 | 148 | 159 | 171 | 1,074 | 1,552 | 2,246 | 3,246 | 4,694 | 6,017 | | 19,557 |
| 2000 A&B MF SERIES (GREENBRIDGE) | Interest | 2,105 | 1,432 | 1,421 | 1,410 | 1,397 | 6,768 | 6,287 | 5,589 | 4,582 | 3,125 | 725 | | 34,841 |
| 2000 A/C MF SERIES (COLLINGHAM PARK) | Principal | 208 | 230 | 244 | 259 | 274 | 1,644 | 2,226 | 3,037 | 4,161 | 478 | | | 12,761 |
| 2000 A/C MF SERIES (COLLINGHAM PARK) | Interest | 850 | 905 | 888 | 869 | 850 | 3,913 | 3,214 | 2,262 | 959 | 5 | | | 14,715 |
| 2000 A&B MF SERIES (WILLIAMS RUN) | Principal | 204 | 98 | 106 | 115 | 124 | 781 | 1,145 | 1,676 | 2,454 | 3,592 | 2,122 | | 12,417 |
| 2000 A&B MF SERIES (WILLIAMS RUN) | Interest | 798 | 931 | 923 | 915 | 905 | 4,364 | 4,002 | 3,470 | 2,692 | 1,553 | 194 | | 20,747 |
| 2001A MF SERIES (BLUFFVIEW SR. APTS.) | Principal | 64 | 69 | 74 | 80 | 87 | 547 | 799 | 1,166 | 1,704 | 2,489 | 3,351 | | 10,430 |
| 2001A MF SERIES (BLUFFVIEW SR. APTS.) | Interest | 894 | 889 | 883 | 876 | 869 | 4,216 | 3,930 | 3,513 | 2,905 | 2,018 | 589 | | 21,582 |
| 2001A MF SERIES (KNOLLWOOD VILLAS APTS) | Principal | 82 | 89 | 96 | 103 | 111 | 704 | 1,026 | 1,499 | 2,191 | 3,199 | 4,303 | | 13,403 |
| 2001A MF SERIES (KNOLLWOOD VILLAS APTS) | Interest | 1,156 | 1,149 | 1,142 | 1,134 | 1,126 | 5,475 | 5,134 | 4,640 | 3,916 | 2,857 | 895 | | 28,624 |
| 2001A MF SERIES (SKYWAY VILLAS) | Principal | 120 | 130 | 135 | 145 | 150 | 910 | 1,210 | 1,640 | 2,200 | 800 | | | 7,440 |
| 2001A MF SERIES (SKYWAY VILLAS) | Interest | 412 | 406 | 399 | 391 | 383 | 1,775 | 1,482 | 1,085 | 549 | 35 | | | 6,917 |
| 2001A MF SERIES (COBB PARK) | Principal | 46 | 51 | 56 | 60 | 64 | 404 | 573 | 844 | 1,223 | 1,768 | 2,518 | | 7,607 |
| 2001A MF SERIES (COBB PARK) | Interest | 599 | 595 | 590 | 585 | 581 | 2,815 | 2,622 | 2,345 | 1,939 | 1,355 | 422 | | 14,448 |

(Continued)

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2001 MF SERIES (GREENS ROAD APTS.) | Principal | $ 130 | $ 135 | $ 145 | $ 155 | $ 165 | $ 985 | $ 1,340 | $ 1,810 | $ 2,480 | $ 595 | | | $ 7,940 |
| 2001 MF SERIES (GREENS ROAD APTS.) | Interest | 422 | 415 | 408 | 400 | 391 | 1,810 | 1,505 | 1,087 | 512 | 16 | | | 6,966 |
| 2001 MF SERIES (MERIDIAN APTS.) | Principal | 200 | 215 | 230 | 245 | 260 | 1,620 | 2,325 | 3,045 | 4,080 | 1,480 | | | 13,700 |
| 2001 MF SERIES (MERIDIAN APTS.) | Interest | 791 | 777 | 762 | 746 | 730 | 3,353 | 2,720 | 1,977 | 997 | 59 | | | 12,912 |
| 2001 MF SERIES (WILDWOOD APTS.) | Principal | 205 | 220 | 235 | 250 | 270 | 1,715 | 2,265 | 3,035 | 4,075 | 1,480 | | | 13,750 |
| 2001 MF SERIES (WILDWOOD APTS.) | Interest | 781 | 767 | 752 | 736 | 719 | 3,290 | 2,700 | 1,973 | 995 | 61 | | | 12,774 |
| 2001 A/C MF SERIES (FALLBROOK APTS.) | Principal | 220 | 235 | 251 | 268 | 283 | 1,704 | 2,296 | 3,095 | 4,170 | 1,513 | | | 14,035 |
| 2001 A/C MF SERIES (FALLBROOK APTS.) | Interest | 847 | 831 | 815 | 800 | 783 | 3,624 | 3,026 | 2,213 | 1,120 | 70 | | | 14,129 |
| 2001 MF SERIES (OAK HOLLOW APTS.) | Principal | 43 | 46 | 49 | 53 | 57 | 351 | 497 | 704 | 999 | 1,416 | $ 2,126 | | 6,341 |
| 2001 MF SERIES (OAK HOLLOW APTS.) | Interest | 442 | 439 | 436 | 432 | 428 | 2,074 | 1,928 | 1,718 | 1,421 | 1,002 | 347 | | 10,667 |
| 2001 A/B MF SERIES (HILLSIDE APTS.) | Principal | 47 | 83 | 96 | 103 | 110 | 683 | 970 | 1,373 | 1,946 | 2,760 | 4,385 | | 12,556 |
| 2001 A/B MF SERIES (HILLSIDE APTS.) | Interest | 878 | 873 | 866 | 859 | 852 | 4,126 | 3,840 | 3,433 | 2,856 | 2,036 | 727 | | 21,346 |
| 2002 MF SERIES (MILLSTONE APTS.) | Principal | 175 | 185 | 195 | 215 | 215 | 1,280 | 1,675 | 2,195 | 2,880 | 1,395 | | | 10,410 |
| 2002 MF SERIES (MILLSTONE APTS.) | Interest | 568 | 558 | 548 | 537 | 525 | 2,428 | 2,027 | 1,498 | 800 | 76 | | | 9,565 |
| 2002 MF SERIES (SUGAR CREEK APTS.) | Principal | 85 | 90 | 100 | 105 | 110 | 465 | | | | | 10,680 | | 11,635 |
| 2002 MF SERIES (SUGAR CREEK APTS.) | Interest | 696 | 691 | 685 | 679 | 673 | 3,257 | 3,205 | 3,205 | 3,205 | 3,205 | 2,136 | | 21,637 |
| 2002 MF SERIES (WEST OAKS APTS.) | Principal | 62 | 66 | 71 | 76 | 82 | 509 | 729 | 1,040 | 1,485 | 2,121 | 3,275 | | 9,516 |
| 2002 MF SERIES (WEST OAKS APTS.) | Interest | 711 | 706 | 701 | 696 | 690 | 3,342 | 3,113 | 2,784 | 2,313 | 1,642 | 584 | | 17,282 |
| 2002 MF SERIES (PARK MEADOWS APTS.) | Principal | 70 | 65 | 80 | 80 | 85 | 515 | 715 | 980 | 1,360 | 325 | | | 4,275 |
| 2002 MF SERIES (PARK MEADOWS APTS.) | Interest | 277 | 273 | 268 | 263 | 257 | 1,192 | 993 | 718 | 339 | 11 | | | 4,591 |
| 2002 SERIES (CLARKRIDGE VILLAS APTS) | Principal | 87 | 93 | 100 | 107 | 115 | 712 | 1,009 | 1,429 | 2,027 | 2,872 | 5,158 | | 13,709 |
| 2002 SERIES (CLARKRIDGE VILLAS APTS) | Interest | 956 | 950 | 943 | 936 | 928 | 4,503 | 4,204 | 3,782 | 3,180 | 2,329 | 1,018 | | 23,729 |
| 2002 SERIES A (HICKORY TRACE APTS) | Principal | 71 | 77 | 82 | 88 | 94 | 584 | 829 | 1,175 | 1,664 | 2,361 | 4,309 | | 11,334 |
| 2002 SERIES A (HICKORY TRACE APTS) | Interest | 791 | 786 | 780 | 774 | 768 | 3,725 | 3,480 | 3,130 | 2,638 | 1,939 | 872 | | 19,683 |
| 2002 SERIES A (GREEN CREST APTS) | Principal | 71 | 76 | 82 | 88 | 94 | 582 | 825 | 1,170 | 1,658 | 2,351 | 4,288 | | 11,285 |
| 2002 SERIES A (GREEN CREST APTS) | Interest | 787 | 782 | 777 | 771 | 764 | 3,708 | 3,465 | 3,118 | 2,626 | 1,930 | 869 | | 19,597 |
| 2002 SERIES A/B (IRON WOOD CROSSING) | Principal | 79 | 87 | 95 | 103 | 113 | 737 | 1,128 | 1,620 | 2,295 | 3,254 | 7,268 | | 16,779 |
| 2002 SERIES A/B (IRON WOOD CROSSING) | Interest | 1,202 | 1,195 | 1,187 | 1,178 | 1,169 | 5,668 | 5,274 | 4,781 | 4,100 | 3,135 | 1,592 | | 30,481 |
| 2002 SERIES A (WOODWAY VILLAGE) | Principal | 115 | 120 | 130 | 135 | 145 | 855 | 6,035 | | | | | | 7,535 |
| 2002 SERIES A (WOODWAY VILLAGE) | Interest | 386 | 380 | 374 | 368 | 361 | 1,686 | 1,387 | | | | | | 4,942 |

(Continued)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
## REVENUE BOND PROGRAM

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 SERIES A/B (READING ROAD) | Principal | $ 20 | $ 30 | $ 30 | $ 30 | $ 30 | $ 190 | $ 270 | $ 375 | $ 525 | $ 10,460 | | | $ 11,960 |
| 2003 SERIES A/B (READING ROAD) | Interest | 337 | 336 | 334 | 332 | 330 | 1,613 | 1,536 | 1,430 | 1,278 | 638 | | | 8,164 |
| 2003 SERIES A/B (NORTH VISTA) | Principal | 210 | 210 | 230 | 240 | 250 | 1,460 | 1,900 | 2,500 | 3,265 | 2,445 | | | 12,710 |
| 2003 SERIES A/B (NORTH VISTA) | Interest | 632 | 623 | 613 | 603 | 592 | 2,762 | 2,335 | 1,779 | 1,051 | 190 | | | 11,180 |
| 2003 SERIES A/B (WEST VIRGINIA) | Principal | 150 | 155 | 165 | 165 | 180 | 1,040 | 1,370 | 1,805 | 2,375 | 1,765 | | | 9,170 |
| 2003 SERIES A/B (WEST VIRGINIA) | Interest | 456 | 450 | 443 | 435 | 428 | 1,995 | 1,692 | 1,290 | 762 | 134 | | | 8,085 |
| 2003 SERIES A/B (SPHINX @ MURDEAUX) | Principal | 170 | 180 | 185 | 195 | 205 | 1,180 | 1,505 | 1,900 | 2,425 | 3,090 | $ 3,515 | | 14,550 |
| 2003 SERIES A/B (SPHINX @ MURDEAUX) | Interest | 2,005 | 2,013 | 2,022 | 2,031 | 2,041 | 4,614 | 2,914 | 2,509 | 1,990 | 1,318 | 455 | | 23,912 |
| 2003 SERIES A/B (PRIMROSE HOUSTON) | Principal | 85 | 93 | 101 | 109 | 118 | 758 | 1,113 | 1,554 | 2,163 | 10,379 | | | 16,473 |
| 2003 SERIES A/B (PRIMROSE HOUSTON) | Interest | 1,090 | 1,083 | 1,075 | 1,067 | 1,058 | 5,123 | 4,777 | 4,347 | 3,750 | 1,820 | | | 25,190 |
| 2003 SERIES A/B (TIMBER OAKS) | Principal | 61 | 67 | 73 | 80 | 87 | 568 | 879 | 1,322 | 1,858 | 2,601 | 5,445 | | 13,041 |
| 2003 SERIES A/B (TIMBER OAKS) | Interest | 920 | 915 | 909 | 902 | 895 | 4,338 | 4,024 | 3,580 | 3,041 | 2,294 | 1,228 | | 23,046 |
| 2003 SERIES A/B (ASH CREEK APTS) | Principal | 86 | 94 | 101 | 110 | 119 | 764 | 1,099 | 1,538 | 2,154 | 10,134 | | | 16,199 |
| 2003 SERIES A/B (ASH CREEK APTS) | Interest | 1,082 | 1,075 | 1,067 | 1,059 | 1,049 | 5,081 | 4,750 | 4,319 | 3,713 | 1,604 | | | 24,799 |
| 2003 SERIES A/B (PENINSULA APTS) | Principal | 160 | 170 | 180 | 190 | 205 | 1,225 | 1,660 | 8,175 | | | | | 11,965 |
| 2003 SERIES A/B (PENINSULA APTS) | Interest | 622 | 614 | 606 | 597 | 587 | 2,763 | 2,382 | 453 | | | | | 8,624 |
| 2003 SERIES (EVERGREEN @ MESQUITE) | Principal | 117 | 125 | 133 | 142 | 151 | 919 | 1,263 | 1,738 | 2,391 | 2,101 | 1,666 | | 10,746 |
| 2003 SERIES (EVERGREEN @ MESQUITE) | Interest | 737 | 729 | 720 | 711 | 701 | 3,339 | 2,984 | 2,494 | 1,820 | 972 | 429 | | 15,636 |
| 2003 SERIES A/B (ARLINGTON VILLAS) | Principal | 80 | 87 | 95 | 102 | 111 | 710 | 1,060 | 1,520 | 2,144 | 11,071 | | | 16,980 |
| 2003 SERIES A/B (ARLINGTON VILLAS) | Interest | 1,167 | 1,161 | 1,153 | 1,145 | 1,137 | 5,530 | 5,179 | 4,728 | 4,112 | 2,228 | | | 27,540 |
| 2003 SERIES A/B (PARKVIEW TWNHMS) | Principal | 86 | 94 | 102 | 111 | 121 | 787 | 1,156 | 1,607 | 2,233 | 3,104 | 4,312 | $ 2,690 | 16,403 |
| 2003 SERIES A/B (PARKVIEW TWNHMS) | Interest | 1,105 | 1,098 | 1,089 | 1,080 | 1,070 | 5,169 | 4,800 | 4,346 | 3,716 | 2,843 | 1,625 | 41 | 27,982 |
| 2003 SERIES (NHP-ASMARA)REFUNDING | Principal | 380 | 400 | 430 | 450 | 480 | 2,870 | 3,850 | 5,155 | 6,915 | | | | 20,930 |
| 2003 SERIES (NHP-ASMARA)REFUNDING | Interest | 386 | 379 | 371 | 364 | 355 | 1,628 | 1,327 | 921 | 376 | | | | 6,107 |
| 2004 SERIES A/B (TIMBER RIDGE) | Principal | 37 | 39 | 42 | 45 | 48 | 301 | 423 | 599 | 849 | 4,251 | | | 6,634 |
| 2004 SERIES A/B (TIMBER RIDGE) | Interest | 446 | 444 | 441 | 438 | 435 | 2,119 | 1,998 | 1,826 | 1,584 | 773 | | | 10,504 |
| 2004 SERIES A/B (CENTURY PARK) | Principal | 170 | 185 | 190 | 200 | 210 | 1,295 | 1,715 | 2,290 | 3,050 | 3,150 | | | 12,455 |
| 2004 SERIES A/B (CENTURY PARK) | Interest | 667 | 657 | 647 | 636 | 625 | 2,933 | 2,530 | 1,991 | 1,276 | 346 | | | 12,308 |
| 2004 SERIES A/B (VETERANS MEMORIAL) | Principal | 86 | 94 | 102 | 111 | 121 | 784 | 1,119 | 1,556 | 2,162 | 3,005 | 4,177 | 2,797 | 16,114 |
| 2004 SERIES A/B (VETERANS MEMORIAL) | Interest | 1,081 | 1,073 | 1,065 | 1,056 | 1,046 | 5,050 | 4,712 | 4,273 | 3,664 | 2,816 | 1,640 | 54 | 27,530 |
| 2004 SERIES (RUSH CREEK) | Principal | 52 | 56 | 60 | 64 | 68 | 418 | 586 | 817 | 1,142 | 1,594 | 2,227 | 1,687 | 8,771 |
| 2004 SERIES (RUSH CREEK) | Interest | 586 | 582 | 578 | 574 | 570 | 2,770 | 2,603 | 2,369 | 2,044 | 1,588 | 953 | 37 | 15,254 |

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —**
**REVENUE BOND PROGRAM**

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2004 SERIES (HUMBLE PARK) | Principal | $ 110 | $ 110 | $ 120 | $ 130 | $ 135 | $ 835 | $ 1,165 | $ 1,625 | $ 2,225 | $ 3,085 | $ 1,970 | | $ 11,510 |
| 2004 SERIES (HUMBLE PARK) | Interest | 757 | 749 | 742 | 734 | 725 | 3,473 | 3,148 | 2,694 | 2,066 | 1,203 | 178 | | 16,469 |
| 2004 SERIES (CHISHOLM TRAIL) | Principal | | | | | | | | | | 11,900 | | | 11,900 |
| 2004 SERIES (CHISHOLM TRAIL) | Interest | 247 | 248 | 248 | 248 | 247 | 1,239 | 1,239 | 1,239 | 1,238 | 891 | | | 7,084 |
| 2004 SERIES (EVERGREEN @ PLANO) | Principal | 85 | 91 | 97 | 103 | 110 | 674 | 934 | 1,296 | 1,797 | 2,490 | 3,453 | $ 3,527 | 14,657 |
| 2004 SERIES (EVERGREEN @ PLANO) | Interest | 957 | 951 | 945 | 939 | 932 | 4,535 | 4,272 | 3,910 | 3,408 | 2,708 | 1,742 | 140 | 25,439 |
| 2004 SERIES (MONTGOMERY PINES) | Principal | | | | | | | | | | 12,300 | | | 12,300 |
| 2004 SERIES (MONTGOMERY PINES) | Interest | 256 | 256 | 256 | 256 | 256 | 1,280 | 1,280 | 1,280 | 1,280 | 964 | | | 7,364 |
| 2004 SERIES (BRISTOL) | Principal | | | | | | | | | | 12,300 | | | 12,300 |
| 2004 SERIES (BRISTOL) | Interest | 256 | 256 | 256 | 256 | 256 | 1,280 | 1,280 | 1,280 | 1,280 | 964 | | | 7,364 |
| 2004 SERIES (PINNACLE) | Principal | | | | | | | | | | 14,265 | | | 14,265 |
| 2004 SERIES (PINNACLE) | Interest | 296 | 297 | 297 | 297 | 296 | 1,484 | 1,484 | 1,484 | 1,483 | 1,123 | | | 8,541 |
| 2004 SERIES (TRANQUILITY BAY) | Principal | 90 | 96 | 102 | 109 | 117 | 711 | 983 | 1,360 | 1,879 | 2,598 | 3,594 | 2,529 | 14,168 |
| 2004 SERIES (TRANQUILITY BAY) | Interest | 918 | 912 | 905 | 898 | 891 | 4,326 | 4,052 | 3,674 | 3,153 | 2,429 | 1,429 | 107 | 23,694 |
| 2004 SERIES (SPHINX @ DELAFIELD) | Principal | 110 | 110 | 120 | 125 | 135 | 790 | 1,035 | 1,360 | 1,775 | 2,295 | 2,940 | 340 | 11,135 |
| 2004 SERIES (SPHINX @ DELAFIELD) | Interest | 583 | 577 | 572 | 566 | 559 | 2,684 | 2,459 | 2,159 | 1,755 | 1,225 | 541 | 12 | 13,692 |
| 2004 SERIES (CHURCHILL @ PINNACLE) | Principal | 72 | 77 | 82 | 87 | 93 | 568 | 789 | 1,093 | 1,516 | 2,099 | 2,909 | 643 | 10,028 |
| 2004 SERIES (CHURCHILL @ PINNACLE) | Interest | 654 | 649 | 644 | 639 | 633 | 3,061 | 2,841 | 2,533 | 2,109 | 1,521 | 705 | 16 | 16,005 |
| 2004 SERIES A/B (POST OAK EAST) | Principal | | | | | | | | | | 13,600 | | | 13,600 |
| 2004 SERIES A/B (POST OAK EAST) | Interest | 285 | 287 | 287 | 287 | 287 | 1,435 | 1,435 | 1,435 | 1,435 | 1,150 | | | 8,323 |
| 2004 SERIES (VILLAGE FAIR) | Principal | 85 | 91 | 97 | 103 | 110 | 672 | 931 | 1,285 | 1,778 | 2,458 | 3,399 | 2,961 | 13,970 |
| 2004 SERIES (VILLAGE FAIR) | Interest | 905 | 899 | 893 | 887 | 880 | 4,276 | 4,018 | 3,660 | 3,166 | 2,480 | 1,536 | 199 | 23,799 |
| 2005 SERIES (PECAN GROVE) | Principal | 84 | 90 | 96 | 102 | 109 | 665 | 921 | 1,271 | 1,759 | 2,434 | 3,365 | 3,011 | 13,907 |
| 2005 SERIES (PECAN GROVE) | Interest | 902 | 896 | 890 | 883 | 877 | 4,262 | 4,008 | 3,655 | 3,169 | 2,496 | 1,565 | 229 | 23,832 |
| 2005 SERIES (PRAIRIE OAKS) | Principal | 66 | 71 | 75 | 81 | 86 | 524 | 724 | 1,002 | 1,385 | 1,916 | 2,651 | 2,372 | 10,953 |
| 2005 SERIES (PRAIRIE OAKS) | Interest | 710 | 706 | 700 | 695 | 690 | 3,354 | 3,153 | 2,874 | 2,489 | 1,956 | 1,217 | 166 | 18,710 |
| 2005 SERIES (PORT ROYAL) | Principal | 73 | 78 | 83 | 88 | 94 | 575 | 795 | 1,099 | 1,521 | 2,104 | 2,909 | 2,681 | 12,100 |
| 2005 SERIES (PORT ROYAL) | Interest | 784 | 779 | 774 | 768 | 762 | 3,707 | 3,486 | 3,180 | 2,755 | 2,170 | 1,360 | 198 | 20,723 |
| 2005 SERIES (MISSION DEL RIO) | Principal | 69 | 73 | 78 | 83 | 89 | 542 | 749 | 1,035 | 1,433 | 1,982 | 2,739 | 2,523 | 11,395 |
| 2005 SERIES (MISSION DEL RIO) | Interest | 738 | 734 | 729 | 723 | 718 | 3,492 | 3,282 | 2,995 | 2,595 | 2,044 | 1,282 | 185 | 19,517 |

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —**
**REVENUE BOND PROGRAM**

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 SERIES (ATASCOCITA) | Principal | $ 143 | $ 152 | $ 162 | $ 171 | $ 182 | $ 1,096 | $ 1,483 | $ 2,012 | $ 2,740 | $ 3,759 | | | $ 11,900 |
| 2005 SERIES (ATASCOCITA) | Interest | 245 | 243 | 239 | 236 | 232 | 1,097 | 962 | 782 | 533 | 194 | | | 4,763 |
| 2005 SERIES (TOWER RIDGE) | Principal | 100 | 100 | 100 | 100 | 100 | 700 | 1,300 | 2,200 | 3,000 | 7,300 | | | 15,000 |
| 2005 SERIES (TOWER RIDGE) | Interest | 314 | 312 | 310 | 308 | 305 | 1,494 | 1,389 | 1,207 | 944 | 534 | | | 7,117 |
| 2005 SERIES (ALTA CULLEN) | Principal | | | | | | | | | | | | $ 14,000 | 14,000 |
| 2005 SERIES (ALTA CULLEN) | Interest | 924 | 924 | 924 | 924 | 924 | 4,620 | 4,620 | 4,620 | 4,620 | 4,620 | $ 4,620 | 1,386 | 33,726 |
| 2005 SERIES (PRAIRIE RANCH) | Principal | 115 | 125 | 125 | 135 | 140 | 830 | 1,070 | 1,400 | 1,760 | 2,220 | 2,810 | 1,320 | 12,050 |
| 2005 SERIES (PRAIRIE RANCH) | Interest | 582 | 576 | 570 | 564 | 557 | 2,672 | 2,445 | 2,146 | 1,764 | 1,285 | 682 | 69 | 13,912 |
| 2005 SERIES (ST. AUGUSTINE ) | Principal | 47 | 98 | 104 | 111 | 117 | 703 | 944 | 1,268 | 1,703 | 2,288 | 267 | | 7,650 |
| 2005 SERIES (ST. AUGUSTINE ) | Interest | 159 | 157 | 155 | 152 | 150 | 709 | 623 | 507 | 351 | 138 | 1 | | 3,102 |
| 2005 SERIES (PARK MANOR) | Principal | 58 | 62 | 66 | 70 | 75 | 454 | 625 | 861 | 1,183 | 1,627 | 2,239 | 3,080 | 10,400 |
| 2005 SERIES (PARK MANOR) | Interest | 664 | 660 | 656 | 651 | 647 | 3,152 | 2,981 | 2,744 | 2,420 | 1,972 | 1,357 | 301 | 18,205 |
| 2005 SERIES (PROVIDENCE @ MOCKINGBIRD) | Principal | 85 | 91 | 97 | 103 | 110 | 668 | 919 | 1,265 | 1,741 | 2,396 | 3,297 | 3,508 | 14,280 |
| 2005 SERIES (PROVIDENCE @ MOCKINGBIRD) | Interest | 911 | 905 | 899 | 893 | 886 | 4,312 | 4,058 | 3,712 | 3,234 | 2,575 | 1,670 | 330 | 24,385 |
| 2005 SERIES (PLAZA CHASE OAKS) | Principal | 215 | 227 | 238 | 251 | 264 | 1,537 | 1,977 | 2,545 | 3,273 | 3,585 | | | 14,112 |
| 2005 SERIES (PLAZA CHASE OAKS) | Interest | 707 | 696 | 684 | 672 | 658 | 3,072 | 2,631 | 2,062 | 1,330 | 397 | | | 12,909 |
| 2005 SERIES (CANAL PLACE APTS)) | Principal | | 56 | 81 | 88 | 95 | 611 | 896 | 1,236 | 1,701 | 2,340 | 8,996 | | 16,100 |
| 2005 SERIES (CANAL PLACE APTS)) | Interest | 1,026 | 1,024 | 1,018 | 1,011 | 1,003 | 4,882 | 4,607 | 4,275 | 3,819 | 3,191 | 364 | | 26,220 |
| 2005 SERIES (CORAL HILLS) | Principal | 75 | 70 | 70 | 80 | 85 | 480 | 625 | 3,585 | | | | | 5,070 |
| 2005 SERIES (CORAL HILLS) | Interest | 255 | 251 | 248 | 244 | 240 | 1,129 | 994 | 497 | | | | | 3,858 |
| 2006 SERIES (HARRIS BRANCH APTS) | Principal | | 200 | 200 | 200 | 300 | 1,400 | 1,800 | 2,500 | 3,300 | 4,400 | 700 | | 15,000 |
| 2006 SERIES (HARRIS BRANCH APTS) | Interest | 322 | 320 | 316 | 311 | 306 | 1,449 | 1,275 | 1,045 | 735 | 321 | 2 | | 6,402 |
| 2006 SERIES (BELLA VISTA APTS) | Principal | 45 | 45 | 45 | 50 | 55 | 320 | 440 | 590 | 810 | 1,095 | 1,495 | 1,795 | 6,785 |
| 2006 SERIES (BELLA VISTA APTS) | Interest | 416 | 413 | 411 | 408 | 404 | 1,968 | 1,852 | 1,695 | 1,483 | 1,194 | 802 | 217 | 11,263 |
| 2006 SERIES (VILLAGE PARK) | Principal | 105 | 190 | 190 | 200 | 215 | 1,250 | 1,670 | 9,840 | | | | | 13,660 |
| 2006 SERIES (VILLAGE PARK) | Interest | 699 | 690 | 680 | 670 | 660 | 3,116 | 2,746 | 1,528 | | | | | 10,789 |
| 2006 SERIES (OAKMOOR) | Principal | 75 | 95 | 101 | 107 | 114 | 685 | 922 | 1,246 | 1,680 | 2,267 | 3,058 | 4,285 | 14,635 |
| 2006 SERIES (OAKMOOR) | Interest | 876 | 871 | 865 | 858 | 852 | 4,144 | 3,903 | 3,579 | 3,143 | 2,554 | 1,759 | 497 | 23,901 |
| 2006 SERIES (SUNSET POINTE) | Principal | | | | | | | | | | | 15,000 | | 15,000 |
| 2006 SERIES (SUNSET POINTE) | Interest | 315 | 315 | 315 | 315 | 315 | 1,575 | 1,575 | 1,575 | 1,575 | 1,575 | 273 | | 9,723 |
| 2006 SERIES (HILLCREST) | Principal | | 175 | 160 | 170 | 180 | 1,085 | 1,470 | 1,550 | | | 7,645 | | 12,435 |
| 2006 SERIES (HILLCREST) | Interest | 653 | 647 | 638 | 629 | 620 | 2,940 | 2,605 | 2,162 | 2,005 | 2,005 | 236 | | 15,140 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 SERIES (PLEASANT VILLAGE) | Principal | $ 74 | $ 79 | $ 84 | $ 88 | $ 95 | $ 570 | $ 4,981 | | | | | | $ 5,971 |
| 2006 SERIES (PLEASANT VILLAGE) | Interest | 361 | 356 | 351 | 347 | 340 | 1,605 | 1,273 | | | | | | 4,633 |
| 2006 SERIES (GROVE VILLAGE) | Principal | 77 | 81 | 86 | 91 | 98 | 586 | 5,131 | | | | | | 6,150 |
| 2006 SERIES (GROVE VILLAGE) | Interest | 372 | 367 | 362 | 357 | 351 | 1,654 | 1,309 | | | | | | 4,772 |
| 2006 SERIES (RED HILLS VILLAS) | Principal | | | | | | | 400 | $ 700 | $ 1,000 | $ 2,915 | | | 5,015 |
| 2006 SERIES (RED HILLS VILLAS) | Interest | 101 | 101 | 101 | 101 | 101 | 505 | 485 | 429 | 335 | 149 | | | 2,408 |
| 2006 SERIES (CHAMPIONS CROSSING) | Principal | | | | | | 200 | 500 | 700 | 1,000 | 2,625 | | | 5,025 |
| 2006 SERIES (CHAMPIONS CROSSING) | Interest | 101 | 102 | 102 | 102 | 101 | 503 | 457 | 400 | 305 | 126 | | | 2,299 |
| 2006 SERIES (STONEHAVEN) | Principal | 61 | 77 | 82 | 87 | 92 | 550 | 733 | 9,618 | | | | | 11,300 |
| 2006 SERIES (STONEHAVEN) | Interest | 654 | 649 | 645 | 640 | 635 | 3,084 | 2,897 | 1,670 | | | | | 10,874 |
| 2006 SERIES (CENTER RIDGE) | Principal | | 120 | 110 | 115 | 125 | 745 | 1,000 | 1,040 | | | $ 5,070 | | 8,325 |
| 2006 SERIES (CENTER RIDGE) | Interest | 416 | 413 | 407 | 401 | 395 | 1,872 | 1,653 | 1,372 | 1,270 | 1,270 | 165 | | 9,634 |
| 2006 SERIES (MEADOWLANDS) | Principal | 1,780 | 75 | 79 | 84 | 89 | 536 | 723 | 974 | 1,316 | 1,776 | 2,394 | $ 3,674 | 13,500 |
| 2006 SERIES (MEADOWLANDS) | Interest | 757 | 701 | 696 | 691 | 686 | 3,341 | 3,152 | 2,898 | 2,557 | 2,094 | 1,472 | 500 | 19,545 |
| 2006 SERIES (EAST TEX PINES) | Principal | | | 80 | 95 | 105 | 605 | 810 | 1,065 | 1,420 | 1,875 | 2,490 | 4,955 | 13,500 |
| 2006 SERIES (EAST TEX PINES) | Interest | 668 | 668 | 665 | 660 | 655 | 3,188 | 3,009 | 2,774 | 2,461 | 2,046 | 1,497 | 575 | 18,866 |
| 2006 SERIES (VILLAS @ HENDERSON) | Principal | | 47 | 98 | 104 | 110 | 651 | 859 | 1,135 | 1,501 | 1,983 | 712 | | 7,200 |
| 2006 SERIES (VILLAS @ HENDERSON) | Interest | 125 | 124 | 123 | 121 | 119 | 564 | 500 | 415 | 300 | 152 | 10 | | 2,553 |
| 2006 SERIES (ASPEN PARK) | Principal | | 105 | 95 | 100 | 110 | 630 | 845 | 875 | | | 7,040 | | 9,800 |
| 2006 SERIES (ASPEN PARK) | Interest | 490 | 488 | 483 | 478 | 473 | 2,274 | 2,092 | 1,854 | 1,760 | 1,760 | 295 | | 12,447 |
| 2006 SERIES (IDLEWILDE) | Principal | | 77 | 162 | 173 | 184 | 1,119 | 1,539 | 2,114 | 2,903 | 3,990 | 1,989 | | 14,250 |
| 2006 SERIES (IDLEWILDE) | Interest | 296 | 296 | 293 | 290 | 286 | 1,366 | 1,230 | 1,041 | 783 | 429 | 41 | | 6,351 |
| 2007 SERIES (LANCASTER) | Principal | | | | | | | | | | | 14,250 | | 14,250 |
| 2007 SERIES (LANCASTER) | Interest | 296 | 296 | 296 | 297 | 296 | 1,481 | 1,481 | 1,482 | 1,481 | 1,481 | 559 | | 9,446 |
| 2007 SERIES (PARK PLACE AT LOYOLA) | Principal | | | 98 | 104 | 110 | 657 | 877 | 1,170 | 1,564 | 2,088 | 2,789 | 5,543 | 15,000 |
| 2007 SERIES (PARK PLACE AT LOYOLA) | Interest | 870 | 870 | 867 | 861 | 855 | 4,167 | 3,946 | 3,651 | 3,256 | 2,729 | 2,025 | 859 | 24,956 |
| 2007 SERIES (TERRACES AT CIBOLO) | Principal | | | | | | | | | | | 8,000 | | 8,000 |
| 2007 SERIES (TERRACES AT CIBOLO) | Interest | 282 | 282 | 282 | 283 | 282 | 1,411 | 1,411 | 1,412 | 1,411 | 1,411 | 475 | | 8,942 |
| 2007 SERIES (SANTORA VILLAS) | Principal | | | 64 | 89 | 94 | 563 | 754 | 1,005 | 1,344 | 1,793 | 2,395 | 4,971 | 13,072 |
| 2007 SERIES (SANTORA VILLAS) | Interest | 758 | 758 | 757 | 752 | 746 | 3,641 | 3,450 | 3,196 | 2,856 | 2,404 | 1,800 | 820 | 21,938 |

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —**
**REVENUE BOND PROGRAM**

**SCHEDULE 5**

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)**
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| Description | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-18 | 2019-23 | 2024-28 | 2029-33 | 2034-38 | 2039-43 | 2044-48 | Total Required |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2007 SERIES (A/B VILLAS @ MESQUITE CREEK) | Principal | | $ 210 | $ 155 | $ 165 | $ 175 | $ 1,045 | $ 1,370 | $ 1,755 | $ 2,245 | $ 2,880 | $ 3,680 | $ 3,180 | $ 16,860 |
| 2007 SERIES (A/B VILLAS @ MESQUITE CREEK) | Interest | $ 858 | 853 | 843 | 833 | 824 | 3,949 | 3,623 | 3,236 | 2,743 | 2,109 | 1,298 | 310 | 21,479 |
| 2007 SERIES (SUMMIT POINT) | Principal | | 165 | 100 | 105 | 120 | 665 | 865 | 1,115 | 1,470 | 1,935 | 2,550 | 2,610 | 11,700 |
| 2007 SERIES (SUMMIT POINT) | Interest | 603 | 598 | 593 | 588 | 582 | 2,821 | 2,634 | 2,388 | 2,062 | 1,624 | 1,041 | 290 | 15,824 |
| 2007 SERIES (COSTA RIALTO) | Principal | | | 91 | 96 | 101 | 596 | 779 | 1,017 | 1,328 | 1,735 | 2,264 | 4,378 | 12,385 |
| 2007 SERIES (COSTA RIALTO) | Interest | 663 | 663 | 660 | 655 | 650 | 3,158 | 2,975 | 2,736 | 2,422 | 2,015 | 1,483 | 676 | 18,756 |
| 2007 SERIES (WINDSHIRE) | Principal | | | | | | | | | | | 14,000 | | 14,000 |
| 2007 SERIES (WINDSHIRE) | Interest | 291 | 291 | 291 | 291 | 291 | 1,455 | 1,455 | 1,455 | 1,455 | 1,455 | 697 | | 9,427 |
| 2007 SERIES (RESIDENCE @ ONION CREEK) | Principal | | | | | | | | | | | 15,000 | | 15,000 |
| 2007 SERIES (RESIDENCE @ ONION CREEK) | Interest | 307 | 308 | 308 | 308 | 307 | 1,539 | 1,539 | 1,539 | 1,538 | 1,539 | 696 | | 9,928 |
| 2008 SERIES (WEST OAKS APTS) | Principal | | | | | | | | | | | 13,125 | | 13,125 |
| 2008 SERIES (WEST OAKS APTS) | Interest | 268 | 269 | 269 | 269 | 269 | 1,345 | 1,345 | 1,345 | 1,345 | 1,345 | 764 | | 8,833 |
| 2008 SERIES (COSTA IBIZA APTS) | Principal | | | | | | | | | | | 13,900 | | 13,900 |
| 2008 SERIES (COSTA IBIZA APTS) | Interest | 265 | 265 | 265 | 266 | 265 | 1,326 | 1,326 | 1,327 | 1,326 | 1,326 | 781 | | 8,738 |
| 2008 SERIES (ADDISON PARK APTS) | Principal | | | | | | | | | | | | 14,000 | 14,000 |
| 2008 SERIES (ADDISON PARK APTS) | Interest | 740 | 763 | 763 | 764 | 762 | 3,815 | 3,815 | 3,816 | 3,814 | 3,815 | 3,815 | 255 | 26,937 |
| Total Multifamily Bonds | | $ 75,476 | $ 74,540 | $ 74,877 | $ 74,964 | $ 74,909 | $ 368,720 | $ 384,264 | $ 406,958 | $ 362,847 | $ 392,247 | $ 330,415 | $ 107,529 | $ 2,727,746 |
| Total | | $ 167,027 | $ 182,098 | $ 182,191 | $ 181,834 | $ 182,176 | $ 842,248 | $ 784,196 | $ 819,766 | $ 805,388 | $ 619,783 | $ 345,728 | $ 107,529 | $ 5,219,964 |
| Less Interest | | 126,159 | 125,736 | 123,688 | 121,573 | 119,311 | 555,780 | 490,326 | 394,868 | 283,019 | 150,705 | 60,113 | 8,469 | 2,559,747 |
| Total Principal | | $ 40,868 | $ 56,362 | $ 58,503 | $ 60,261 | $ 62,865 | $ 286,468 | $ 293,870 | $ 424,898 | $ 522,369 | $ 469,078 | $ 285,615 | $ 99,060 | $ 2,660,217 |

Notes: The actual maturity of any class of bonds may be shorter than its staed maturity as a result of prepayments on the mortgage certificates or loans. No assurance can be given as to the rates of prepayments that actually will occur. Interest does not include accretions on capital appreciation bonds or amortization of premium/discount on bonds.

(Concluded)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 6**

## ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
**AS OF AUGUST 31, 2008**
**(Amounts in thousands)**

| | Pledged and Other Sources and Related Expenditures for FY 2008 | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/ Expenditures and Capital Outlay | Principal | Interest |
| 2002 Single Family Series A | $ 2,820 | $ 64 | | $ 2,026 |
| 2002 Single Family Series A (Jr. Lien) | 1,365 | 9 | | 316 |
| 2002 Single Family Series B | 7,347 | 57 | | 1,871 |
| 2002 Single Family Series C | 775 | 17 | $ 500 | 546 |
| 2002 Single Family Series D | 447 | 7 | 875 | 215 |
| 2004 Single Family Series A | 14,677 | 289 | 3,320 | 4,724 |
| 2004 Single Family Series A (Jr. Lien) | 292 | 19 | | 146 |
| 2004 Single Family Series B | 2,659 | 149 | | 2,143 |
| 2004 Single Family Series C | 6,187 | 99 | 405 | 1,526 |
| 2004 Single Family Series D | 1,681 | 106 | | 1,338 |
| 2004 Single Family Series E | 602 | 25 | 1,070 | 363 |
| 2005 Single Family Series A | 7,558 | 364 | 165 | 4,036 |
| 2005 Single Family Series B | 3,500 | 96 | 705 | 905 |
| 2005 Single Family Series C | 1,181 | 39 | | 272 |
| 2005 Single Family Series D | 348 | 17 | | 154 |
| 2006 Single Family Series A | 4,035 | 390 | 230 | 2,879 |
| 2006 Single Family Series B | 4,638 | 443 | 720 | 3,380 |
| 2006 Single Family Series C | 7,015 | 673 | 750 | 5,025 |
| 2006 Single Family Series D | 4,733 | 159 | | 1,196 |
| 2006 Single Family Series E | 860 | 106 | 1,240 | 732 |
| 2006 Single Family Series F | 4,686 | 793 | | 4,122 |
| 2006 Single Family Series G | 885 | 143 | 570 | 616 |
| 2006 Single Family Series H | 1,832 | 364 | | 1,433 |
| 2007 Single Family Series A | 8,711 | 2,177 | | 6,050 |
| 2007 Single Family Series B | 7,415 | 90 | - | 7,649 |
| Total Single Family Bonds | 96,251 | 6,697 | 10,550 | 53,660 |
| 1998 RMRB Series A | 5,167 | 34 | 1,155 | 2,018 |
| 1998 RMRB Series B | 1,217 | 6 | | 360 |
| 1999 RMRB Series A | 1,466 | 12 | | 294 |
| 1999 RMRB Series B-1 | 3,122 | 20 | | 1,410 |
| 1999 RMRB Series C | 264 | 3 | | 219 |
| 2000 RMRB Series A | 1,852 | 17 | 245 | 998 |
| 2000 RMRB Series B | 6,788 | 82 | | 2,682 |
| 2000 RMRB Series C | 545 | 15 | | 498 |
| 2000 RMRB Series D | 389 | 11 | 555 | 346 |
| 2001 RMRB Series A | 3,981 | 41 | 590 | 1,694 |
| 2001 RMRB Series B | 820 | 16 | | 629 |
| 2001 RMRB Series C | 1,288 | 10 | 1,095 | 437 |
| 2001 RMRB Series D | 29 | 1 | 5 | 13 |
| 2002 RMRB Series A | 3,360 | 27 | 520 | 1,557 |
| 2003 RMRB Series A | 7,475 | 93 | 1,040 | 3,010 |
| Total Residential Mtg Revenue Bonds | 37,764 | 388 | 5,205 | 16,165 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 6**

### ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
### AS OF AUGUST 31, 2008
### (Amounts in thousands)

| | Pledged and Other Sources and Related Expenditures for FY 2008 | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/ Expenditures and Capital Outlay | Principal | Interest |
| 1992 CHMRB Series C | $ 2,909 | $ 11 | | $ 787 |
| Total 1992 CHMRB | 2,909 | 11 | | 787 |
| 1987 MF Series (South Texas Rental Housing) | 80 | | $ 92 | 53 |
| 1996 MF Series A/B (Brighton's Mark) | 464 | 2 | | 500 |
| 1996 MF Series A/B (Las Colinas) | 13,396 | 4 | | 683 |
| 1996 MF Series A/B (Braxton's Mark) | 834 | 3 | | 829 |
| 1998 MF Series A (Pebble Brook) | 576 | | 190 | 541 |
| 1998 MF Series A-C (Residence Oaks) | 439 | | 151 | 439 |
| 1998 MF Series A/B (Greens of Hickory Trial) | 647 | | 240 | 647 |
| 1999 MF Series A-C (Mayfield) | 586 | | 209 | 586 |
| 1999 MF Series A (Woodglen Village) | 10,602 | | | 97 |
| 2000 MF Series A (Creek Point Apts) | 288 | | | 173 |
| 2000 MF Series A (Deerwood Apts) | 381 | | 95 | 381 |
| 2000 MF Series A (Timber Point Apts) | 303 | | | 203 |
| 2000 MF Series A/B (Greenbridge) | 1,459 | | 178 | 1,459 |
| 2000 MF Series A/B (Oaks at Hampton) | 703 | | 75 | 703 |
| 2000 MF Series A/B (Parks @ Westmoreland) | 698 | | 73 | 698 |
| 2000 MF Series A/B (Williams Run) | 960 | | 149 | 960 |
| 2000 MF Series A-C (Collingham Park) | 864 | | 182 | 864 |
| 2000 MF Series A-C (Highland Meadow Apts) | 573 | | 121 | 573 |
| 2001 MF Series A (Bluffview Senior Apts) | 795 | | 59 | 795 |
| 2001 MF Series A (Knollwood Villas Apts) | 1,021 | | 76 | 1,021 |
| 2001 MF Series A (Oak Hollow Apts.) | 445 | | 40 | 445 |
| 2001 MF Series A (Greens Road Apts.) | 429 | | 120 | 429 |
| 2001 MF Series A (Skyway Villas) | 1,052 | | 125 | 432 |
| 2001 MF Series A/B (Cobb Park) | 567 | | 42 | 567 |
| 2001 MF Series A/B (Hillside Apts.) | 882 | | 43 | 882 |
| 2001 MF Series A/B (Meridian Apts.) | 803 | | 185 | 803 |
| 2001 MF Series A/B (Wildwood Apts.) | 794 | | 190 | 794 |
| 2001 MF Series A-C (Fallbrook Apts.) | 861 | | 206 | 861 |
| 2002 MF Series A (Clarkridge Villas Apts) | 962 | | 81 | 962 |
| 2002 MF Series A (Park Meadows Apts) | 281 | | 60 | 281 |
| 2002 MF Series A (Sugar Creek Apts.) | 710 | | 115 | 701 |
| 2002 MF Series A (West Oaks Apts.) | 682 | | 57 | 682 |
| 2002 MF Series A (Green Crest Apts) | 794 | | 143 | 794 |
| 2002 MF Series A (Hickory Trace Apts) | 796 | | 67 | 796 |
| 2002 MF Series A (Millstone Apts.) | 577 | | 165 | 577 |
| 2002 MF Series A (Woodway Village Apts) | 392 | | 110 | 392 |
| 2002 MF Series A/B (Ironwood Crossing) | 1,209 | | 73 | 1,209 |
| 2003 MF Series A (NHP-Asmara) Refunding | 827 | | 360 | 578 |
| 2003 MF Series A (Evergreen @ Mesquite) | 725 | | 110 | 724 |
| 2003 MF Series A/B (Reading Road) | 595 | | 20 | 395 |
| 2003 MF Series A/B (Arlington Villas) | 1,174 | | 74 | 1,174 |

(Continued)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 6**

### ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
### AS OF AUGUST 31, 2008
### (Amounts in thousands)

| | Pledged and Other Sources and Related Expenditures for FY 2008 | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/ Expenditures and Capital Outlay | Principal | Interest |
| 2003 MF Series A/B (Ash Creek Apts) | $ 1,089 | | $ 80 | $ 1,089 |
| 2003 MF Series A/B (North Vista Apts) | 1,545 | | 190 | 645 |
| 2003 MF Series A/B (Parkview Twnhms) | 1,112 | | 79 | 1,112 |
| 2003 MF Series A/B (Peninsula Apts) | 634 | | 160 | 629 |
| 2003 MF Series A/B (Primrose Houston School) | 1,096 | | 79 | 1,096 |
| 2003 MF Series A/B (Sphinx @ Murdeaux) | 718 | | 165 | 718 |
| 2003 MF Series A/B (Timber Oaks Apts) | 925 | | 56 | 925 |
| 2003 MF Series A/B (West Virginia Apts) | 463 | | 145 | 463 |
| 2004 MF Series A (Bristol) | 648 | | | 323 |
| 2004 MF Series A (Chisholm Trail) | 414 | | | 314 |
| 2004 MF Series A (Churchill @ Pinnacle) | 659 | | 67 | 659 |
| 2004 MF Series A (Evergreen @ Plano) | 962 | | 80 | 962 |
| 2004 MF Series A (Humble Park) | 764 | | 100 | 764 |
| 2004 MF Series A (Montgomery Pines) | 323 | | | 323 |
| 2004 MF Series A (Pinnacle) | 610 | | | 375 |
| 2004 MF Series A (Rush Creek) | 1,736 | | 51 | 614 |
| 2004 MF Series A (Sphinx @ Delafield) | 587 | | 100 | 587 |
| 2004 MF Series A (Tranquility Bay) | 923 | | 84 | 923 |
| 2004 MF Series A (Village Fair) | 910 | | 80 | 910 |
| 2004 MF Series A (Addison Park) | 14,385 | | | 385 |
| 2004 MF Series A/B (Century Park) | 986 | | 165 | 686 |
| 2004 MF Series A/B (Post Oak East) | 363 | | | 363 |
| 2004 MF Series A/B (Timber Ridge) | 449 | | 34 | 449 |
| 2004 MF Series A/B (Veterans Memorial) | 1,088 | | 79 | 1,088 |
| 2005 MF Series A (Alta Cullen) | 924 | | | 924 |
| 2005 MF Series A (Atascocita Pines) | 312 | | | 312 |
| 2005 MF Series A/B (Canal Place) | 1,025 | | | 1,026 |
| 2005 MF Series A (Del Rio) | 743 | | 64 | 743 |
| 2005 MF Series A (Park Manor) | 666 | | | 666 |
| 2005 MF Series A (Pecan Grove) | 906 | | 79 | 906 |
| 2005 MF Series A (Chase Oaks) | 717 | | 138 | 717 |
| 2005 MF Series A (Port Royal) | 789 | | 68 | 789 |
| 2005 MF Series A (Prairie Oaks) | 714 | | 62 | 714 |
| 2005 MF Series A (Prairie Ranch) | 588 | | 145 | 588 |
| 2005 MF Series A (Mockingbird) | 916 | | 80 | 916 |
| 2005 MF Series A (St Augustine) | 201 | | | 201 |
| 2005 MF Series A (Tower Ridge) | 413 | | | 413 |
| 2006 MF Series A (Aspen Park Apts) | 490 | | | 490 |
| 2006 MF Series A (Bella Vista) | 418 | | 15 | 418 |
| 2006 MF Series A (Center Ridge) | 416 | | | 416 |
| 2006 MF Series A (Champions Crossing) | 238 | | | 138 |
| 2005 MF Series A (Coral Hills) | 517 | | | 267 |
| 2006 MF Series A (East Tex Pines) | 668 | | | 668 |
| 2006 MF Series A (Grove Village) | 377 | | 30 | 377 |

(Continued)

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 6**

## ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
## AS OF AUGUST 31, 2008
## (Amounts in thousands)

| | Pledged and Other Sources and Related Expenditures for FY 2008 | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/ Expenditures and Capital Outlay | Principal | Interest |
| 2006 MF Series A (Harris Branch) | $ 402 | | | $ 402 |
| 2006 MF Series A (Hillcrest) | 653 | | | 653 |
| 2006 MF Series A (Idlewilde Apts) | 374 | | | 374 |
| 2006 MF Series A (Meadowlands) | 810 | | | 810 |
| 2006 MF Series A (Oakmoor) | 872 | | | 872 |
| 2006 MF Series A (Pleasant Village) | 366 | | $ 29 | 366 |
| 2006 MF Series A (Red Hills Villas) | 136 | | | 136 |
| 2006 MF Series A (Stonehaven) | 655 | | | 655 |
| 2006 MF Series A (Sunset Pointe) | 413 | | | 413 |
| 2006 MF Series A (Village Park) | 688 | | | 688 |
| 2006 MF Series A (Villas at Henderson) | 191 | | | 191 |
| 2007 MF Series A (Villas @ Mesquite Creek) | 858 | | | 858 |
| 2007 MF Series A (Costa Rialto) | 663 | | | 663 |
| 2007 MF Series A (Lancaster Apts) | 374 | | | 374 |
| 2007 MF Series A (Park Place @ Loyola) | 870 | | | 870 |
| 2007 MF Series A (Santora Villas) | 758 | | | 758 |
| 2007 MF Series A (Summit Point) | 603 | | | 603 |
| 2007 MF Series A (Terraces at Cibolo) | 210 | | | 210 |
| 2007 MF Series A (Windshire) | 367 | | | 367 |
| 2007 MF Series A (Residences @ Onion Creek | 271 | | | 271 |
| 2008 MF Series A (West Oaks Apts) | 35 | | | 35 |
| 2008 MF Series A (Costa Ibiza Apts) | 17 | | | 17 |
| 2008 MF Series A(Addison Park) | 7 | | | 7 |
| Total Multifamily Bonds | 107,246 | 9 | 6,780 | 65,369 |
| Total | $ 244,170 | $ 7,106 | $ 22,535 | $135,981 |

(Concluded)

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

**SCHEDULE 7**

### MISCELLANEOUS BOND INFORMATION — EARLY EXTINGUISHMENT AND REFUNDING
### AS OF AUGUST 31, 2008

| | | | For Refunding Only | | |
|---|---|---|---|---|---|
| Description of Issue | Category | Amount Extinguished or Refunded | Refunding Issue Par Value | Cash Flow Increase (Decrease) | Economic Gain/ (Loss) |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| 2002 Single Family Series A (Jr. Lien) | Early Extinguishment | $ 1,260,000 | | | |
| 2002 Single Family Series A | Early Extinguishment | 950,000 | | | |
| 2002 Single Family Series B | Early Extinguishment | 5,690,000 | | | |
| 2002 Single Family Series C | Early Extinguishment | 265,000 | | | |
| 2002 Single Family Series D | Early Extinguishment | 235,000 | | | |
| 2004 Single Family Series A | Early Extinguishment | 9,515,000 | | | |
| 2004 Single Family Series A (Jr. Lien) | Early Extinguishment | 285,000 | | | |
| 2004 Single Family Series C | Early Extinguishment | 4,615,000 | | | |
| 2004 Single Family Series E | Early Extinguishment | 200,000 | | | |
| 2005 Single Family Series A | Early Extinguishment | 3,120,000 | | | |
| 2005 Single Family Series B | Early Extinguishment | 2,565,000 | | | |
| 2005 Single Family Series C | Early Extinguishment | 795,000 | | | |
| 2005 Single Family Series D | Early Extinguishment | 185,000 | | | |
| 2006 Single Family Series A | Early Extinguishment | 1,045,000 | | | |
| 2006 Single Family Series B | Early Extinguishment | 1,240,000 | | | |
| 2006 Single Family Series C | Early Extinguishment | 1,850,000 | | | |
| 2006 Single Family Series D | Early Extinguishment | 3,510,000 | | | |
| 2006 Single Family Series E | Early Extinguishment | 45,000 | | | |
| 2006 Single Family Series F | Early Extinguishment | 695,000 | | | |
| 2006 Single Family Series G | Early Extinguishment | 165,000 | | | |
| 2007 Single Family Series A | Early Extinguishment | 1,935,000 | | | |
| 2007 Single Family Series B | Early Extinguishment | 5,000 | | | |
| 1998 RMRB Series A | Early Extinguishment | 2,660,000 | | | |
| 1998 RMRB Series B | Early Extinguishment | 775,000 | | | |
| 1999 RMRB Series A | Early Extinguishment | 980,000 | | | |
| 1999 RMRB Series B-1 | Early Extinguishment | 1,590,000 | | | |
| 1999 RMRB Series C | Early Extinguishment | 15,000 | | | |
| 2000 RMRB Series A | Early Extinguishment | 780,000 | | | |
| 2000 RMRB Series B | Early Extinguishment | 3,830,000 | | | |
| 2001 RMRB Series A | Early Extinguishment | 2,230,000 | | | |
| 2001 RMRB Series B | Early Extinguishment | 120,000 | | | |
| 2001 RMRB Series C | Early Extinguishment | 850,000 | | | |
| 2002 RMRB Series A | Early Extinguishment | 1,785,000 | | | |
| 2003 RMRB Series A | Early Extinguishment | 4,440,000 | | | |
| 1992 Coll Home Mtg Rev Bonds, Series C | Early Extinguishment | 2,000,000 | | | |
| 1996 MF Series A/B (Las Colinas) | Early Extinguishment | 12,670,000 | | | |
| 1998 MF Series A (Pebble Brook) | Early Extinguishment | 35,000 | | | |
| 1999 MF Series A (Woodglen Village) | Early Extinguishment | 10,505,283 | | | |
| 2000 Series (Timber Point Apts) | Early Extinguishment | 100,000 | | | |
| 2000 Series (Creek Point Apts) | Early Extinguishment | 115,000 | | | |
| 2001 MF Series A (Skyway Villas) | Early Extinguishment | 620,000 | | | |
| 2003 MF Series A/B (Reading Road) | Early Extinguishment | 200,000 | | | |
| 2003 MF Series A/B (North Vista Apts) | Early Extinguishment | 900,000 | | | |
| 2003 MF Series A/B (Peninsula Apts) | Early Extinguishment | 5,000 | | | |
| 2004 MF Series A/B (Century Park) | Early Extinguishment | 300,000 | | | |
| 2004 MF Series A (Addison Park) | Refunding | 14,000,000 | $ 14,000,000 | $ (247,989) | $ (153,684) |
| 2004 MF Series A (Rush Creek) | Early Extinguishment | 1,121,781 | | | |
| 2004 MF Series A (Chisholm Trail) | Early Extinguishment | 100,000 | | | |
| 2004 MF Series A (Bristol) | Early Extinguishment | 325,000 | | | |
| 2004 MF Series A (Pinnacle) | Early Extinguishment | 235,000 | | | |
| 2005 MF Series A (Coral Hills) | Early Extinguishment | 250,000 | | | |
| 2006 MF Series A (Champion Crossing) | Early Extinguishment | 100,000 | | | |
| Total Business-Type Activities | | $ 103,807,064 | $ 14,000,000 | $ (247,989) | $ (153,684) |

# APPENDIX D-2

# SELECTED UNAUDITED CONDENSED FINANCIAL INFORMATION OF THE DEPARTMENT FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

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# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
## HOUSING FINANCE DIVISION
## COMBINING SCHEDULE OF BALANCE SHEETS
### at August 31, 2009

| | Single Family Program Funds | Residential Mortgage Revenue Bond Funds | Collateralized Home Mortgage Revenue Funds | Multi-Family Program Funds | Commercial Paper Funds | General Funds | Combined Totals |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Current Assets | | | | | | | |
| Cash and Temporary Investments | | | | | | | |
| Cash in Bank | $ | $ | $ | $ | $ | $ 9,200 | $ 9,200 |
| Cash Equivalents | | | | | | 12,258,712 | 12,258,712 |
| Restricted Assets: | | | | | | | |
| Cash in Bank | 187,911 | | 600 | 546,531 | | | 735,042 |
| Cash Equivalents | 117,846,379 | 93,785,313 | 174,204 | 40,866,853 | 26,425 | | 252,699,174 |
| Short-term Investments | 5,053,792 | | | 12,703,863 | | | 17,757,655 |
| Loans and Contracts | 2,762,134 | 84,462 | | 8,858,246 | | | 11,704,842 |
| Interest Receivable | 4,391,055 | 1,649,630 | 63,424 | 8,621,242 | | | 14,725,351 |
| Receivables: | | | | | | | |
| Interest and Dividends | | | | | | 72 | 72 |
| Accounts Receivables | | | | | | 263,921 | 263,921 |
| Loans and Contracts | | | | | | 326,238 | 326,238 |
| Other Current Assets | 46,116 | | | | | 114,645 | 160,761 |
| Total Current Assets | 130,287,387 | 95,519,405 | 238,228 | 71,596,735 | 26,425 | 12,972,788 | 310,640,968 |
| Non-Current Assets | | | | | | | |
| Loans and Contracts | | | | | | 460,649 | 460,649 |
| Restricted: | | | | | | | |
| Investments | 1,031,870,166 | 270,029,045 | 10,791,615 | 64,352,750 | | | 1,377,043,576 |
| Loans and Contracts | 30,830,762 | 793,826 | | 1,214,436,348 | | | 1,246,060,936 |
| Other Non-current Assets | | | | | | | |
| Deferred Issuance Cost, net | 7,528,159 | 2,908,356 | 62,475 | 472,387 | | | 10,971,377 |
| Real Estate Owned, net | 138,169 | | | | | | 138,169 |
| Total Non-Current Assets | 1,070,367,256 | 273,731,227 | 10,854,090 | 1,279,261,485 | | 460,649 | 2,634,674,707 |
| **Total Assets** | $ 1,200,654,643 | $ 369,250,632 | $ 11,092,318 | $ 1,350,858,220 | $ 26,425 | $ 13,433,437 | $ 2,945,315,675 |
| **LIABILITIES** | | | | | | | |
| Current Liabilities | | | | | | | |
| Payables: | | | | | | | |
| Accounts Payable | $ 5,773 | $ 952 | $ | $ | $ | $ | $ 6,725 |
| Accrued Bond Interest Payable | 24,759,995 | 2,280,988 | 8,549 | 8,877,043 | | | 35,926,575 |
| Deferred Revenues | 8,223,063 | 2,893,991 | 290,197 | | | | 11,407,251 |
| Bonds Payable | 14,633,889 | 5,010,157 | 7,120 | 8,858,246 | | | 28,509,412 |
| Other Current Liabilities | 4,695,335 | 1,018,545 | | | | 239 | 5,714,119 |
| Total Current Liabilities | 52,318,055 | 11,204,633 | 305,866 | 17,735,289 | | 239 | 81,564,082 |
| Non-Current Liabilities | | | | | | | |
| Notes and Loans Payable | | | | | | | - |
| Bonds Payable | 1,082,866,328 | 333,576,422 | 9,272,087 | 1,214,635,401 | | | 2,640,350,238 |
| Other Non-Current Liabilities | 23,202 | | | 118,613,192 | | | 118,636,394 |
| Total Non-Current Liabilities | 1,082,889,530 | 333,576,422 | 9,272,087 | 1,333,248,593 | | | 2,758,986,632 |
| **Total Liabilities** | 1,135,207,585 | 344,781,055 | 9,577,953 | 1,350,983,882 | | 239 | 2,840,550,714 |
| **NET ASSETS** | | | | | | | |
| Restricted (Deficit) | 65,447,058 | 24,469,577 | 1,514,365 | (125,662) | 26,425 | | 91,331,763 |
| Unrestricted | | | | | | 13,433,198 | 13,433,198 |
| **Total Net Assets (Deficit)** | 65,447,058 | 24,469,577 | 1,514,365 | (125,662) | 26,425 | 13,433,198 | 104,764,961 |
| **Total Liabilites and Net Assets** | $ 1,200,654,643 | $ 369,250,632 | $ 11,092,318 | $ 1,350,858,220 | $ 26,425 | $ 13,433,437 | $ 2,945,315,675 |

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
## HOUSING FINANCE DIVISION
## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
### For Year Ended August 31, 2009

| | Single Family Program Funds | Residential Mortgage Revenue Bond Funds | Collateralized Home Mortgage Revenue Funds | Multi-Family Program Funds | Commercial Paper Funds | General Funds | Combined Totals |
|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | | |
| Interest and Investment Income | $ 59,002,497 | $ 15,466,829 | $ 758,158 | $ 59,720,073 | $ 128,130 | $ 21,736 | $ 135,097,423 |
| Net Increase (Decrease) in Fair Value | 63,610,262 | 14,301,823 | 227,226 | | | | 78,139,311 |
| Commitment Fees | 580,982 | 236,758 | 40,618 | 11,212 | | | 869,570 |
| Application Fees | | | | | | 2,000 | 2,000 |
| Other Operating Revenues | 184,550 | 135,462 | | | | 2,505,345 | 2,825,357 |
| Total Operating Revenues | 123,378,291 | 30,140,872 | 1,026,002 | 59,731,285 | 128,130 | 2,529,081 | 216,933,661 |
| **OPERATING EXPENSES** | | | | | | | |
| Professional Fees and Services | 1,700,399 | 83,000 | 16,000 | | | 604,515 | 2,403,914 |
| Depreciation and Amortization | 1,315,262 | 161,219 | 2,551 | 4,674 | | | 1,483,706 |
| Interest | 59,964,012 | 14,939,219 | 663,574 | 59,717,489 | 133,558 | | 135,417,852 |
| Trustee Fees | 266,967 | 57,322 | 5,145 | 269 | 5,475 | 6,051 | 341,229 |
| Mortgage Loan Servicing Fees | 49,540 | 3,426 | | | | | 52,966 |
| Mortgage Pool & Self Insurance | 371,129 | | | | | | 371,129 |
| Bad Debt Expense | 167,992 | (1,500) | | | | | 166,492 |
| Down Payment Assistance | 454,559 | | | | | 250,000 | 704,559 |
| Other Operating Expenses | 322,821 | 803 | 224 | | | 144,230 | 468,078 |
| Total Operating Expenses | 64,612,681 | 15,243,489 | 687,494 | 59,722,432 | 139,033 | 1,004,796 | 141,409,925 |
| Operating Income (Loss) | 58,765,610 | 14,897,383 | 338,508 | 8,853 | (10,903) | 1,524,285 | 75,523,736 |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers | 58,765,610 | 14,897,383 | 338,508 | 8,853 | (10,903) | 1,524,285 | 75,523,736 |
| **OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS** | | | | | | | |
| Extraordinary Items | 787,133 | 69,379 | 17,002 | | | | 873,514 |
| Transfers In (Out) | 201,203 | (297,218) | (755,846) | 269 | 5,476 | (6,453,426) | (7,299,542) |
| **CHANGE IN NET ASSETS** | 59,753,946 | 14,669,544 | (400,336) | 9,122 | (5,427) | (4,929,141) | 69,097,708 |
| Net Assets (Deficit), Beginning | 5,693,112 | 9,800,033 | 1,914,701 | (134,784) | 31,852 | 18,362,339 | 35,667,253 |
| **NET ASSETS (Deficit), Ending** | $ 65,447,058 | $ 24,469,577 | $ 1,514,365 | $ (125,662) | $ 26,425 | $ 13,433,198 | $ 104,764,961 |

# APPENDIX E

## FORM OF PROPOSED OPINION OF BOND COUNSEL

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[Settlement Date]

| | |
|---|---|
| Texas Department of Housing and<br>Community Affairs<br>221 East 11th Street<br>Austin, Texas 78711 | The Bank of New York Mellon Trust Company,<br>N.A., as Trustee<br>601 Travis, 16th Floor<br>Houston, Texas 77002 |
| Fannie Mae<br>3900 Wisconsin Avenue, N.W.<br>Washington, D.C. 20016 | Freddie Mac<br>1551 Park Run Drive<br>McLean, Virginia 22102 |

Ladies and Gentlemen:

We have acted as Bond Counsel for the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of the Department's Residential Mortgage Revenue Bonds, in a single series to be known as its Residential Mortgage Revenue Bonds, Series 2009C (the "Program Bonds"). The Program Bonds shall bear interest from the date of delivery thereof. Interest on the Program Bonds is payable on each Release Date as to Program Bonds subject to Conversion and following Conversion, on each January 1 and July 1 until maturity or prior redemption. The Program Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof and, for purposes of initial issuance and redemption of Program Bonds, $10,000 or any integral multiple of $10,000 in excess thereof. The Program Bonds are being issued in the principal amount, bear interest at the rates and mature on the date as provided in the Indenture defined below. The Program Bonds are subject to mandatory, optional and special redemption prior to maturity on the dates, at the redemption prices and under the circumstances described in the Indenture.

The Program Bonds are being issued pursuant to a resolution adopted by the Governing Board of the Department on November 9, 2009 (the "Bond Resolution"), a Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987, between the Department, as successor to the Texas Housing Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee to MTrust Corp (the "Trustee"), as amended and supplemented (collectively, the "RMRB Indenture"), and a Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of December 1, 2009 including the Appendix thereto (the "Thirtieth Series Supplement" and together with the RMRB Indenture, collectively, the "Indenture"). The Program Bonds are being issued for the purpose of providing funds to acquire Mortgage Certificates. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture.

The RMRB Indenture permits the issuance of additional bonds on a parity with the Program Bonds upon the terms and conditions set forth in the RMRB Indenture. The Department reserves the right in the RMRB Indenture to issue other bonds of the Department under the RMRB Indenture for other programs similar to the program initially funded with the proceeds of the Program Bonds or funds made available through the issuance of the Program Bonds and to refund bonds issued under the RMRB Indenture, and further reserves the right to issue bonds payable from the pledges and assignments in trust pursuant to the RMRB Indenture that are junior to or subordinate to the Program Bonds, all as provided in the RMRB Indenture.

The scope of our engagement as Bond Counsel extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Program Bonds and the security therefor and with respect to the exclusion from gross income for federal income tax purposes of interest on the Program Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Program Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement). We have not assumed any responsibility with respect to the financial condition or capability of the Department or the disclosure thereof. In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the Program Bonds, including certain certified and original proceedings of the Department and the State of Texas (the "State"), and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Department, the State, the Trustee and others. We have also examined executed Bond No. TR-1.

We have assumed without independent verification (i) the genuineness of certificates, records and other documents (collectively, "documents") and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the documents described above by the other parties thereto; (iii) that all documents submitted to us as originals are accurate and complete; and (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof.

Based upon such examination and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Department is a public and official agency of the State, duly created and existing under the laws of the State, particularly Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, the "Act"), and has full power and authority to adopt the Bond Resolution and to perform its obligations thereunder; to execute and deliver the Thirtieth Series Supplement; to perform its obligations under the Indenture; and to issue and sell the Program Bonds and to utilize the proceeds therefrom for the purposes set forth in the Bond Resolution and the Indenture.

2. The Department has duly adopted the Bond Resolution and has duly authorized, executed and delivered the Thirtieth Series Supplement. The Indenture constitutes a legal, valid and binding obligation of the Department. Pursuant to the Indenture, all of the Department's right, title and interest in and to the Trust Estate, including the Revenues and other amounts to be received by the Department have been validly and effectively assigned and, upon receipt of such Revenues and amounts by the Trustee, pledged as security for the payment of the principal and redemption price of and interest on the Program Bonds. We draw your attention to the fact that the Program Bonds are secured on a parity basis with the Department's Residential Mortgage Revenue Bonds, Series 1998A, Residential Mortgage Revenue Refunding Bonds, Series 1998B, Residential Mortgage Revenue Refunding Bonds, Series 1999A, Residential Mortgage Revenue Bonds, Series 1999B, Residential Mortgage Revenue Refunding Bonds, Series 1999C, Residential Mortgage Revenue Refunding Bonds, Series 2000A, Residential Mortgage Revenue Bonds, Series 2000B, Residential Mortgage Revenue Refunding Bonds, Series 2000C, Residential Mortgage Revenue Refunding Bonds, Series 2000D, Residential Mortgage Revenue Bonds, Series 2001A, Residential Mortgage Revenue Refunding Bonds, Series 2001B, Residential Mortgage Revenue Refunding Bonds, Series 2001C, Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2003A, Residential Mortgage Revenue Bonds, Series 2009A and Residential Mortgage Revenue Refunding Bonds, Series 2009B, all issued under the RMRB Indenture.

3. The Department has duly authorized the issuance, execution and delivery of the Program Bonds. The authorized officers of the Department have duly executed the Program Bonds and the Trustee has duly authenticated the Program Bonds, to the extent required by the Indenture, and delivered the Program Bonds to or at the direction of the initial acquirors thereof. The Program Bonds constitute legal, valid and binding limited obligations of the Department and are entitled to the benefit and security of the Indenture.

4. The Program Bonds are issued pursuant to the provisions of the Act and constitute limited obligations of the Department and are payable solely from the revenues, funds and assets of the Department pledged under the Indenture and not from any other revenues, funds or assets of the Department. The Program Bonds are not and do not create or constitute in any way an obligation, a debt or a liability of the State, or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. The Department has no taxing power.

The Department has taken no action to cause any interest on the Program Bonds to be excludable from gross income for federal income tax purposes under existing law. We express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of the Program Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

We note that the Thirtieth Series Supplement provides that certain actions may be taken, subject to the terms and conditions set forth in the Thirtieth Series Supplement and related documents, which include that Bond Counsel deliver an opinion that interest payable on the Program Bonds will be excludable from gross income for federal income tax purposes under existing law. We express no opinion with respect to our ability to render such an opinion on such future date.

The enforceability of certain provisions of the Program Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, the availability of equitable remedies under the Program Bonds may be limited by general principles of equity that permit the exercise of judicial discretion.

The opinions set forth above speak only as of their date and only in connection with the Program Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Very truly yours,

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# APPENDIX F-1

## ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES

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## Additional Information Concerning Mortgage Loans And Mortgage Certificates

The Texas Department of Housing and Community Affairs (the "Department") owns an extensive portfolio of mortgage loans (the "Portfolio Mortgage Loans") and GNMA/FNMA Certificates ("Mortgage Certificates") acquired with the proceeds of the Department's Residential Mortgage Revenue Bonds, GNMA Collateralized Home Mortgage Revenue Bonds, Single Family Mortgage Revenue Bonds, Single Family Collateralized Home Mortgage Revenue Bond and Collateralized Home Mortgage Revenue Bonds. The following tables summarize certain information regarding the Portfolio Mortgage Loans and Mortgage Certificates, as of August 31, 2009, and are included solely for the purpose of providing comparative information with respect to the Portfolio Mortgage Loans and Mortgage Certificates. This information should not be construed as a representation or opinion of the Department that the information concerning the new Mortgage Loans and Mortgage Certificates will approximate the information shown below.

# Part I: Residential Mortgage Revenue Bond Trust Indenture

| Series | Original Issue Amount | Bonds Outstanding | Mortgage Rates for Outstanding Mortgage Loans/Certificates | Mortgage Loans / Certificates Originated | Mortgage Loans / Certificates Outstanding |
|---|---|---|---|---|---|
| 1987 Series A [1] | $ 30,000,000 | $ - | - | $ - | $ - |
| 1987 Series B | 25,000,000 | | | | |
| 1987 Series C | 47,000,000 | | | | |
| 1987 Series D [1] | 47,000,000 | - | - | - | - |
| 1988 Series A | 40,920,000 | - | - | - | - |
| 1989 Series A/B | 89,000,000 | - | - | - | - |
| 1998 Series A/B [2] | 116,355,000 | 37,935,000 | 5.85% | 116,272,111 | 41,151,318 |
| 1999 Series A | 25,615,000 | 4,045,000 | 5.85/8.00/9.25/9.55% | 70,137,721 | 4,157,038 |
| 1999 Series B/C/D[3] | 140,765,000 | - | - | - | |
| 2000 Series A | 50,000,000 | 13,965,000 | 6.95% | 49,967,185 | 13,356,590 |
| 2000 Series B/C/D/E[4] | 124,915,000 | 53,540,000 | 5.90/6.25/6.60% | 123,553,053 | 53,375,354 |
| 2001 Series A/B/C/D/E[5] | 155,125,000 | 43,685,000 | 5.45/5.95/6.69%<br>7.69/8.69/9.25% | 170,625,984 | 36,882,974 |
| 2002 Series A/B | 116,965,000 | 26,655,000 | 5.30/5.99% | 35,630,550 | 25,441,779 |
| 2003 Series A | 73,630,000 | 55,140,000 | 4.99/5.99% | 68,374,191 | 52,475,389 |
| 2009 Series A/B[6] | 102,605,000 | 102,605,000 | 6.25/6.60/7.68%<br>8.68/9.25% | 148,515,979 | 20,718,331 |
| TOTAL | $ 1,184,895,000 | $ 337,570,000 | | $ 783,076,774 | $ 247,558,773 |

(1) The Residential Mortgage Revenue Bonds 1987 Series A and 1987 Series D were refunded by the Residential Mortgage Revenue Refunding Bonds 1999 Series A. The Mortgage Loans associated with the Residential Mortgage Revenue Bonds 1987 Series A and 1987 Series D were transferred to the Residential Mortgage Revenue Refunding Bonds 1999 Series A.

(2) The Residential Mortgage Revenue Bonds 1998 Series A and the Residential Mortgage Revenue Refunding Bonds 1998 Series B provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 1998 Series B refunded certain commercial paper notes totaling $14,300,000 which previously redeemed certain Bonds outstanding.

(3) The Residential Mortgage Revenue Bonds 1999 Series B-1 and the Residential Mortgage Revenue Refunding Bonds 1999 Series C provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 1999 Series C refunded certain commercial paper notes totaling $12,150,000 which previously redeemed certain Bonds outstanding. The Residential Mortgage Revenue Refunding Bonds 1999 Series D refunded all outstanding GNMA Collateralized Home Mortgage Revenue Bonds 1989 Series A and B. $84,197,738 representing the original certificate purchase price of the 1989 Series A and B certificates was transferred to 1999 Series D. The Residential Mortgage Revenue Bonds 1999 Series B-2 were interim rate bonds that were refunded by the Residential Mortgage Revenue Refunding Bonds 2000 Series A.

(4) The Residential Mortgage Revenue Bonds 2000 Series B and the Residential Mortgage Revenue Bonds 2000 Series E provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 2000 Series C and 2000 Series D refunded certain commercial paper notes totaling $13,675,000 and $18,265,000, respectively, which previously redeemed certain Bonds outstanding.

(5) The Residential Mortgage Revenue Bonds 2001 Series A and the Residential Mortgage Revenue Bonds 2001 Series D provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 2001 Series B refunded certain commercial paper notes totaling $15,585,000, which previously redeemed certain Bonds outstanding. The Residential Mortgage Revenue Refunding Bonds 2001 Series C refunded all outstanding Residential Mortgage Revenue Bonds 1988 Series A and a portion of Residential Mortgage Revenue Bonds 1989 Series A. $50,753,152 representing the original certificate purchase price of 1988 Series A and 1989 Series A certificates was transferred to 2001 Series C. On September 1, 2002, the 1989 Series A&B Bonds were paid in full which allowed the remaining 1989 Series A&B Mortgage Certificates to be transferred to the 2001 Series A-C Mortgage Loan Account. The Residential Mortgage Revenue Bonds 2001 Series E were interim rate bonds that were refunded by the Single Family Mortgage Revenue Refunding Bonds 2002 Series B on June 26, 2002.

(6) On August 18, 2009, the Department issued the Residential Mortgage Revenue Bonds 2009 Series A totaling $80,000,000 to provide lendable proceeds for the purchase of mortgage-backed, pass-through certificates, and the Residential Mortgage Revenue Refunding Bonds 2009 Series B totaling $22,605,000 to refund the Residential Mortgage Revenue Bonds 1999 Series B and C.

The following table characterizes the type of Portfolio Mortgage Loans and Mortgage Certificates of the Trust Indenture:

| Loan Type | Mortgage Loans | Amount | Mortgage Loans |
|---|---|---|---|
| FHA Mortgage Loans | 34 | 884,285 | 0.36% |
| GNMA Certificates | 3,569 | 227,325,603 | 91.83% |
| FNMA Certificates | 316 | 19,349,282 | 7.82% |
| Total | 3,919 | 247,559,170 | 100.00% |

Based on reports submitted by the Servicers, the table below sets forth information concerning delinquent Portfolio Mortgage Loans and Mortgage Loans included in Mortgage Certificates of the Trust Indenture:

## Mortgage Certificate Loans

| Duration of Delinquency | Number of Delinquent Loans | Percent of Total No. of Loans |
|---|---|---|
| 30 days | 334 | 7.82% |
| 60 days | 126 | 2.95% |
| 90 days + | 117 | 2.74% |
| Total | 577 | 13.51% |

## Mortgage Loans

| Duration of Delinquency | Number of Delinquent Loans | Amount | Percent of Total No. of Loans |
|---|---|---|---|
| 30 days | 2 | $ 40,999 | 5.88% |
| 60 days | 0 | - | 0.00% |
| 90 days + | 3 | 104,372 | 8.82% |
| Total | 5 | 145,371 | 14.71% |

The tables below set forth the Servicers of the Portfolio Mortgage Loans and Mortgage Loans included in Mortgage Certificates:

## Mortgage Certificate Loans

| Servicers | Percent of Total Loans |
|---|---|
| Bank of America, N.A. | 78.43% |
| Texas Star Mortgage | 16.68% |
| Amegy Mortgage Company | 4.35% |
| CitiMortgage, Inc. | 0.54% |
| Total | 100.00% |

## Mortgage Loans

| Servicers | Percent of Total Loans |
|---|---|
| Amegy Mortgage Company | 54.64% |
| Saxon Mortgage Services, Inc. | 29.12% |
| Metlife Home Loan Corporation | 4.86% |
| PrimeWest Mortgage Corp. | 3.93% |
| CitiMortgage, Inc. | 3.88% |
| EverHome Mortgage Company | 3.57% |
| Total | 100.00% |

The table below set forth Self Insurance Fund and Reserve Fund Balances established by the Indenture:

## Self Insurance Fund Balance

| Bond Series | Actual Coverage Funded | Required per Rating Agency |
|---|---|---|
| 1999A | $ 450,992 | $ 450,992 |

## Reserve Fund Balance

As of September 1, 2002, there is no longer Mortgage or Debt Service Reserve requirements.

# Part II: Other Information

## Mortgage Loan Information Management System

All Mortgage Loans made with proceeds of the Department's mortgage revenue bonds, including the Portfolio Mortgage Loans and any Mortgage Certificate loans, permit partial or complete prepayment without penalty. Mortgage Loans, in general, may also be terminated prior to their respective maturities as a result of events such as default, sale, condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans. The Department is currently managing its Mortgage Loans (other than Mortgage Loans backing Mortgage Certificates) through review of the performance of the various lending institutions participating in the program, review of the delinquency and foreclosure reports of the lenders, directing the investment of monthly receipts, payment of expenses and supervision of claims under the mortgage insurance policies. The Department does not service the Mortgage Loans backing Mortgage Certificates; however, the Department monitors the origination and payment of such Mortgage Loans. The Department currently manages the Mortgage Loans using a new Loan Administration and Servicing System from the MITAS Group, Inc. MITAS' Loan Administration software is a comprehensive and fully integrated system that has the ability to combine all types of loans into a central database and is also capable of fully complying with all aspects of loan servicing as prescribed by major secondary market investors.

# APPENDIX F-2

# OTHER INDEBTEDNESS OF THE DEPARTMENT

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# Other Indebtedness of The Department

General - Single Family Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through August 31, 2009, there have been issued by the Agency or the Department, twenty-nine series of Residential Mortgage Revenue Bonds, fifty-one series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Refunding Bonds, ten series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, and two series of Government National Mortgage Association Collateralized Home Mortgage Revenue Bonds. As of August 31, 2009, the outstanding principal amount of bonded indebtedness of the Department for single family housing purposes was $1,434,345,000.

General - Multifamily The Department and the Agency have issued two hundred and thirteen multifamily housing revenue bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of August 31, 2009, one hundred thirty seven series were outstanding with an aggregate outstanding principal amount of $1,224,001,551.

Single Family Mortgage Revenue Bonds ("SFMRBs") The Department has issued fifty-one series of Single Family Mortgage Revenue and Refunding Bonds under a Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, and fifty-six indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of August 31, 2009, twenty-three were outstanding with an aggregate outstanding principal amount totaling $1,079,825,000.

Junior Lien Bonds The Department has issued four series of its Junior Lien Single Family Mortgage Revenue Refunding Bonds (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, dated as of May 1, 1994, and four indentures supplemental thereto. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the Single Family Mortgage Revenue Bonds by the trust estate held under the SFMRB Indenture. As of August 31, 2009, two series were outstanding with an aggregate outstanding principal of $7,850,000.

Residential Mortgage Revenue Bonds ("RMRBs") The Department has issued twenty-nine series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture and twenty-nine separate series supplements, and are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2009, fourteen series were outstanding with an aggregate outstanding principal amount of $337,570,000.

Collateralized Home Mortgage Revenue Bonds ("CHMRBs") The Department has issued eleven series of Collateralized Home Mortgage Revenue Bonds pursuant to the Collateralized Home Mortgage Revenue Bond Master Indenture and six separate series supplements, and are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2009, two series of CHMRBs were outstanding with an aggregate outstanding principal amount of $9,100,000.

Single Family Collateralized Home Mortgage Revenue Bonds – 1993 (SFCHMRB - 1993) The Department has issued five series of single family mortgage revenue bonds under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1993, amended as of February 1, 1995 by and between the Department and Bank One, Texas, NA. On November 1, 2004, the SFCHMRB – 1993s were redeemed in whole by the SFMRB 2004 Series E Bonds.

Single Family Collateralized Home Mortgage Revenue Bonds – 1994 (SFCHMRB – 1994) The Department has issued three series of single family mortgage revenue bonds in 1994 and 1995 under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture dated as of November 1, 1994, supplemented by a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1994, as amended as of February 1, 1995, by and between the Department and Bank One, Texas, N.A. On December 16, 2004, the underlying mortgage backed securities were sold and funds were escrowed to redeem the bonds in whole on their optional redemption dates of February 22, 2005, April 26, 2005 and June 27, 2006.

The Department has issued two series of single family mortgage revenue refunding bonds in 1995 for the purpose of refunding certain notes which previously refunded certain Bonds outstanding, under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture and a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture and Second Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture, each dated as of November 1, 1994, each amended as of February 1, 1995, and each by and between the Department and Bank One, Texas, NA, as Trustee. On December 1, 2003, all series of SFCHMRB – 1995s were redeemed in whole.

GNMA Collateralized Home Mortgage Revenue Bonds The Department has issued two series of GNMA Collateralized Home Mortgage Revenue Bonds, Series 1989A and Series 1989B in aggregate principal amounts of $72,000,000 and $48,250,000, respectively (the "GNMA Collateralized Bonds"), pursuant to two separate indentures, which are not on an equal and ratable basis with each other. The GNMA Collateralized Bonds were sold through two separate private placement transactions with FNMA. The proceeds of the Series 1989A GNMA Collateralized Bonds were used by the Department to redeem in whole the Department's previously issued $25,000,000 Residential Mortgage Revenue Bonds, Series 1987B, and its previously issued $47,000,000 Residential Mortgage Revenue Bonds, Series 1987C. The proceeds of the Series 1989B GNMA Collateralized Bonds were used to finance mortgage loans through the acquisition of GNMA Certificates and, except for a portion reserved for targeted area loans, such proceeds were reserved to finance the purchase by eligible borrowers of real estate owned by financial institutions in the State of Texas or by the Department. On December 2, 1999, the GNMA Collateralized Home Mortgage Revenue Bonds were redeemed in whole by the RMRB 1999 Series D Bonds.

Collateralized Mortgage Obligations On May 4, 1987, the Department issued its $100,000,000 Collateralized Mortgage Obligations, Series 1987A, as an investment vehicle to provide funds to carry out certain housing assistance programs of the Department. As of February 1, 1996, the Collateralized Mortgage Obligations were redeemed in whole.

# APPENDIX G

# APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS

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**APPLICABLE MEDIAN FAMILY INCOMES ("AMFI")**

| Area | 80% of AMFI^ | 100% of AMFI* | 115% of AMFI** | 120% of AMFI*** | 140% of AMFI**** |
|---|---|---|---|---|---|
| Austin-Round Rock, MSA | | | | | |
| Austin-Round Rock, MSA (1) | $58,640 | $73,300 | $84,295 | $87,960 | $102,620 |
| Dallas-Fort Worth-Arlington, MSA | | | | | |
| Dallas, HMFA (2) | $54,080 | $67,600 | $77,740 | $81,120 | $94,640 |
| Fort Worth - Arlington, HMFA (3) | $52,800 | $66,000 | $75,900 | $79,200 | $92,400 |
| Wise County, HFMA | $49,280 | $61,600 | $70,840 | $73,920 | $86,240 |
| Houston-Baytown-Sugar Land, MSA | | | | | |
| Austin County, HFMA | $46,400 | $58,000 | $66,700 | $69,600 | $81,200 |
| Brazoria County, HFMA | $57,120 | $71,400 | $82,110 | $85,680 | $99,960 |
| Houston-Baytown-Sugar Land, HFMA (4) | $51,040 | $63,800 | $73,370 | $76,560 | $89,320 |
| Midland, MSA | | | | | |
| Midland, MSA (5) | $48,160 | $60,200 | $69,230 | $72,240 | $84,280 |
| Sherman-Denison, MSA | | | | | |
| Sherman-Denison, MSA (6) | $46,320 | $57,900 | $66,585 | $69,480 | $81,060 |
| Hartley County | $53,040 | $66,300 | $76,245 | $79,560 | $92,820 |
| Hood County | $50,320 | $62,900 | $72,335 | $75,480 | $88,060 |
| Kendall County | $59,680 | $74,600 | $85,790 | $89,520 | $104,440 |
| Loving County | $53,360 | $66,700 | $76,705 | $80,040 | $93,380 |
| Roberts County | $50,480 | $63,100 | $72,565 | $75,720 | $88,340 |
| Somervell County | $46,480 | $58,100 | $66,815 | $69,720 | $81,340 |
| **Balance of State** | **$45,920** | **$57,400** | **$66,010** | **$68,880** | **$80,360** |

(1) Bastrop, Caldwell, Hays, Travis & Williamson Counties
(2) Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman &
Rockwall Counties
(3) Johnson, Parker & Tarrant Counties
(4) Chambers, Fort Bend, Galveston, Harris, Liberty,
Montgomery, San Jacinto & Waller Counties
(5) Midland County
(6) Grayson County

* Non-Targeted Area - 1-2 persons.
** Non-Targeted Area - 3+ persons.
*** Targeted Area - 1-2 persons.
**** Targeted Area - 3+ persons.

*^ For use in monitoring compliance with Chapter 2306, Texas Government Code, with respect to loans made to families of low income (80% of AMFI)*

**Effective: April 1, 2009**

MAXIMUM ACQUISITION COST IN TARGETED AREAS AND DISASTER AREAS
(110% of Average Area Purchase Price)

| | |
|---|---|
| Atascosa County | $335,365 |
| Bandera County | $335,365 |
| Bexar County | $335,365 |
| Comal County | $335,365 |
| Guadalupe County | $335,365 |
| Kendall County | $335,365 |
| Medina County | $335,365 |
| Wilson County | $335,365 |
| **Balance of State** | $316,177 |

MAXIMUM ACQUISITION COST IN ALL OTHER AREAS
(90% of Average Area Purchase Price)

| | |
|---|---|
| Atascosa County | $274,390 |
| Bandera County | $274,390 |
| Bexar County | $274,390 |
| Comal County | $274,390 |
| Guadalupe County | $274,390 |
| Kendall County | $274,390 |
| Medina County | $274,390 |
| Wilson County | $274,390 |
| **Balance of State** | $258,690 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS • Residential Mortgage Revenue Bonds, Series 2009 C



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