

**NOT A NEW ISSUE**  
**REMARKETING OF PREVIOUSLY ISSUED BONDS**

**Ratings** Moody's S&P  
Aaa AAA  
(See "Ratings" herein)

On the date of issuance of the Offered Bonds, Hawkins Delafield & Wood LLP, then Special Tax Counsel (and currently Bond Counsel) to the Authority, delivered its opinion that under then-existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Offered Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. For more information concerning the tax treatment of the interest on the Offered Bonds, see "Tax Matters" herein.

Under the Virginia Housing Development Authority Act, income on the Offered Bonds, including any profit made on the sale thereof, is not included in taxable income for purposes of income taxation by the Commonwealth of Virginia and by the municipalities and all other political subdivisions of the Commonwealth of Virginia.



**\$70,000,000**  
**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
**Commonwealth Mortgage Bonds**  
**2012 Series C-Non-AMT, Subseries C-8**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Serial or</u> <u>Term</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u>
2016	\$1,275,000	Serial	0.65 %	92812UN79
2017	2,005,000	Serial	1.00	92812UN87
2018	3,150,000	Serial	1.45	92812UN95
2019	3,280,000	Serial	1.95	92812UP28
2020	3,215,000	Serial	2.40	92812UP36
2021	3,055,000	Serial	2.85	92812UP44
2022	3,055,000	Serial	3.10	92812UP51
2023	3,185,000	Serial	3.35	92812UP69
2024	3,085,000	Serial	3.55	92812UP77
2025	3,115,000	Serial	3.70	92812UP85
2031	19,270,000	Term	4.40	92812UP93
2038	22,310,000	Term	4.75	92812UQ27

**Price of all Offered Bonds 100%**

**Dated Date: Date of Delivery**

Principal on the Offered Bonds is payable at maturity or prior redemption. Interest on the Offered Bonds commences to accrue on the date of delivery thereof and is payable semi-annually on each April 1 and October 1, commencing April 1, 2014. The Offered Bonds are issuable in \$5,000 denominations and in integral multiples thereof. The Offered Bonds will be initially available and may be purchased only in book-entry form through the facilities of DTC. U.S. Bank National Association, Minneapolis, Minnesota, is the Trustee.

The Offered Bonds are secured, equally and ratably with the Currently Outstanding Bonds and any Commonwealth Mortgage Bonds hereafter issued (except as otherwise noted herein), by Mortgage Loans, Investment Obligations, Revenues and other Assets of the Authority pledged thereto, and are general obligations of the Authority, subject to agreements heretofore or hereafter made with owners of Authority obligations other than Owners, all as more fully described herein.

**The Authority has no taxing power. The Commonwealth Mortgage Bonds do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia, and the Commonwealth of Virginia shall not be liable thereon, nor shall the Commonwealth Mortgage Bonds be payable out of any funds other than those of the Authority.**

The Offered Bonds are re-offered for delivery when, as and if the conditions precedent to the conversion of the interest rates thereon and the remarketing thereof are satisfied, subject to prior sale, or withdrawal or modification of the offer without notice. At the time of issuance of the Offered Bonds on December 20, 2012, the Approving Opinion of Hunton & Williams LLP, Richmond, Virginia, then Bond Counsel to the Authority, as more fully described in "Legal Matters" herein, was delivered. In addition, at the time of such issuance of the Offered Bonds, the Tax Opinion of Hawkins Delafield & Wood LLP, New York, New York, then Special Tax Counsel (and currently Bond Counsel) to the Authority, as more fully described in "Tax Matters" and "Legal Matters" herein, was delivered. Certain legal matters will be passed upon for the Remarketing Agents by their counsel, Kutak Rock LLP, Atlanta, Georgia. It is expected that the Offered Bonds will be available for delivery through DTC in New York, New York, on or about December 19, 2013.

**Wells Fargo Securities**

**BB&T Capital Markets**  
a division of BB&T Securities LLC

**Davenport & Company LLC**

November 18, 2013

**BofA Merrill Lynch**

**RAYMOND JAMES**

No dealer, broker, salesman or other person has been authorized by the Authority or the Remarketing Agents to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized. There shall not be any offer or re-offer, solicitation or sale of the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer or re-offer, solicitation or sale. Information set forth herein has been furnished by the Authority and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by the Remarketing Agents.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the dates as of which information is given herein. The Remarketing Agents have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

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# OFFICIAL STATEMENT

## PART I – THE OFFERED BONDS

### INTRODUCTION

Capitalized terms used in this Official Statement, unless otherwise herein defined, shall have the meanings set forth in a resolution adopted by the Virginia Housing Development Authority (the “Authority”) on July 15, 1986, as amended and restated to the date of delivery of the Offered Bonds (the “Current Resolution”) authorizing the issuance and sale of the Commonwealth Mortgage Bonds. The Current Resolution, as hereafter modified, amended or supplemented from time to time, is referred to herein as the “Resolution.” See “Definitions” in “Summary of Certain Provisions of the Current Resolution” for definitions of certain of such capitalized terms in the Current Resolution. The following terms are used in this Official Statement to refer to the Commonwealth Mortgage Bonds listed below.

<b><u>Term</u></b>	<b><u>Referenced Bonds</u></b>
“Commonwealth Mortgage Bonds” .....	Currently Outstanding Bonds (including the Offered Bonds and the other Series ABC Bonds) and any bonds hereafter issued under the Resolution
“Converted Series C Bonds” .....	Subseries C-2 Bonds, Subseries C-3 Bonds, Subseries C-4 Bonds, Subseries C-5 Bonds, Subseries C-6 Bonds and Subseries C-7 Bonds
“Currently Outstanding Bonds” .....	Bonds previously issued under the Resolution presently outstanding as of the date of this Official Statement, including the Offered Bonds and the other Series ABC Bonds
“Offered Bonds” or “Offered Tax Exempt Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-8
“Series A Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series A-Non-AMT
“Series ABC Bonds” .....	Series A Bonds, Series B Bonds, and Series C Bonds
“Series ABC-1 Bonds” .....	Series A Bonds, Series B Bonds and Subseries C-1 Bonds
“Series B Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series B-AMT
“Series BC Bonds” .....	Series B Bonds and Series C Bonds
“Series C Bonds” .....	The Subseries C-1 Bonds and the Subseries C-STEM Bonds
“Subseries C-1 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-1
“Subseries C-2 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-2
“Subseries C-3 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-3
“Subseries C-4 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-4
“Subseries C-5 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-5
“Subseries C-6 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-6
“Subseries C-7 Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-7
“Subseries C-STEM Bonds” or “STEM Bonds” .....	Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-STEM, including the Offered Bonds and the Converted Series C Bonds
“Taxable Bonds” .....	Bonds on which interest is included in gross income for federal income tax purposes
“Tax Exempt AMT Bonds” .....	Tax Exempt Bonds, including the Series B Bonds, on which the interest is treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code
“Tax Exempt Bonds” .....	Bonds, including the Offered Bonds and the other Series ABC Bonds, on which interest is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code

“Tax Exempt Non-AMT Bonds” ..... Tax Exempt Bonds, including the Series C Bonds, on which the interest is not treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax

“Transitioned 1954 Code Tax Exempt Non-AMT Bonds”... Tax Exempt Bonds, including the Series A Bonds, on which the interest is not treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code and is included in the adjusted current earnings of corporations for purposes of the alternative minimum tax

This Official Statement is being distributed by the Authority to furnish pertinent information in connection with this re-offering of the Offered Bonds. The Offered Bonds are being re-offered hereby pursuant to the Virginia Housing Development Authority Act (the “Act”), the Current Resolution, the Bond Limitations Resolution adopted by the Authority on March 27, 2012 and the Written Determinations, as amended, as to the terms of the Offered Bonds. In connection with the prior issuance of Commonwealth Mortgage Bonds, the Authority has adopted Series Resolutions and Bond Limitations Resolutions and has executed Written Determinations. The Current Resolution, as so amended, modified and supplemented to the date of delivery of the Offered Bonds by such Series Resolutions, Bond Limitations Resolutions and Written Determinations, is referred to herein as the “Commonwealth Mortgage Bonds Resolution.”

The Authority adopted the Current Resolution to issue Commonwealth Mortgage Bonds, including the Offered Bonds, for the principal purpose of funding its single family housing programs (see “The Single Family Programs”). The Offered Bonds are secured equally and ratably with the Currently Outstanding Bonds and any additional Commonwealth Mortgage Bonds issued under the Current Resolution. The Authority anticipates that additional parity Commonwealth Mortgage Bonds will be issued in the future. The Current Resolution also permits the Authority to execute Exchange Agreements (such as swap agreements), Enhancement Agreements (such as agreements related to bond insurance) and Other Financial Agreements under which the Authority’s obligations are payable from Assets and are treated as Bond Obligations payable from the same sources and on a parity basis with the Commonwealth Mortgage Bonds (see “Exchange Agreements, Enhancement Agreements, and Other Financial Agreements” in “Security”).

On December 20, 2012, the Authority issued \$790 million of its Series ABC Bonds. The Series A Bonds in the amount of \$74,490,000, the Series B Bonds in the amount of \$47,340,000, and a portion of the Series C Bonds (herein referred to as the “Subseries C-1 Bonds”) in the amount of \$108,170,000 were issued bearing fixed interest rates. The balance of the Series C Bonds (herein referred to as the “STEM Bonds”), in the aggregate principal amount of \$560,000,000, were issued bearing variable interest rates and subject to mandatory tender. On six occasions in 2013, portions of the STEM Bonds in the aggregate principal amount of \$490,000,000 have been subject to mandatory tender and remarketing and the interest rates thereon were converted to fixed interest rates to maturity (“Fixed Rates”). The respective portions of the STEM Bonds converted on each occasion were redesignated, respectively, Subseries C-2 Bonds, Subseries C-3 Bonds, Subseries C-4 Bonds, Subseries C-5 Bonds, Subseries C-6 Bonds and Subseries C-7 Bonds (collectively, the “Converted Series C Bonds”). Additional STEM Bonds in the amount of \$70,000,000 are subject to mandatory tender and remarketing on December 19, 2013 and, following such remarketing, such STEM Bonds will be redesignated as Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-8, which bonds will be the Offered Bonds. When the interest rates on the Offered Bonds are converted to Fixed Rates, then all of the STEM Bonds will have had their interest rates converted to Fixed Rates. In this Official Statement, all references to “date of delivery” and “date of delivery of the Offered Bonds” shall mean such tender date with respect to the Offered Bonds referenced in this paragraph. On such tender date, the interest rate on the STEM Bonds so redesignated as the Offered Bonds will convert to Fixed Rates.

The Offered Bonds are Tax Exempt Non-AMT Bonds. The Code imposes substantial requirements with respect to Tax Exempt Non-AMT Bonds, Tax Exempt AMT Bonds, and mortgage loans (including Mortgage Loans) financed, in whole or in part, with the proceeds of Tax Exempt Bonds which must be satisfied for the interest on such Tax Exempt Bonds to be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. The Authority has established procedures under which the Authority expects such Code requirements can be met (see “Federal Taxes” in “Tax Matters” and Appendix D). The Offered Bonds, the Converted Series C Bonds, and the Series ABC-1 Bonds were issued pursuant to a common plan and treated as a composite issue for purposes of the Code. Failure to comply with federal tax requirements with respect to the Offered Bonds, the Converted Series C Bonds, or the Series ABC-1 Bonds may cause interest on the Offered Bonds to be included in gross income for federal income tax purposes (see “Federal Taxes” in “Tax Matters”).

U.S. Bank National Association, Minneapolis, Minnesota, is the Trustee. Except in the event of the occurrence and continuance of an Event of Default, the Authority may remove and replace the Trustee and may serve in the capacity of Trustee.

The summaries of and references herein to the Act, the Resolution, the Current Resolution, and the Commonwealth Mortgage Bonds Resolution and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the

Resolution, the Current Resolution, and the Commonwealth Mortgage Bonds Resolution and such other documents and materials for the complete provisions thereof.

## **DESCRIPTION OF THE OFFERED BONDS**

The proceeds of the Offered Bonds are expected to be used to finance Mortgage Loans, alone or in combination with net assets of the Resolution and proceeds of other Tax Exempt Bonds, including the other Series C Bonds, and Taxable Bonds (collectively, the “Other Funds”). Notwithstanding such expectation, the Authority reserves the right to apply the proceeds of the Offered Bonds in any manner consistent with the provisions of the Resolution and the Code.

The Offered Bonds shall be available in the denominations and in the aggregate principal amount and shall mature in the amounts and on the dates set forth on the front cover hereof. Interest on the Offered Bonds shall commence to accrue on their date of delivery and shall be payable semi-annually on the dates and at the interest rates set forth on the front cover hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months. By purchasing one or more Offered Bonds from the Remarketing Agents, Beneficial Owners (as defined in Appendix G) of each Offered Bond will be deemed to have consented to Interest Payment Dates of April 1 and October 1 and the maturity date and Sinking Fund Installments described herein with respect to such Offered Bond.

Principal and interest on the Offered Bonds shall be payable to the Owner thereof as described in “Application of Assets for Payment of Bond Amounts” in “Summary of Certain Provisions of the Current Resolution.”

The Record Date for the payment of scheduled principal (including Sinking Fund Installments) and interest on the Offered Bonds shall be the 15th day of the month immediately preceding the month in which such scheduled principal or interest payment is to occur. The Record Date for the payment of principal and interest upon special or optional redemption shall be the date DTC receives notice of redemption from the Trustee.

The Offered Bonds will be initially available and may be purchased only in book-entry form through the facilities of DTC. Accordingly, for the purposes of the Resolution, the Owner of the Offered Bonds shall be DTC’s partnership nominee, Cede & Co., and all references herein to the Owners of the Offered Bonds shall refer to Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds as defined in Appendix G. See Appendix G for a description of DTC and certain of its procedures.

For every exchange or transfer of the Offered Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer.

### **Special Redemption**

The Offered Bonds are subject to special redemption at the option of the Authority, either in whole or in part, at a redemption price equal to 100% of the principal amount thereof on any one or more dates from (1) excess Revenues deposited in and other moneys transferred to the revenue fund (the “Revenue Fund”) under the Resolution after required transfers therefrom to other funds have been made for the payment of the Bond Obligation and (2) any moneys held under the Resolution in any mortgage loan account or mortgage loan purchase account which the Authority determines will not be used to make or purchase Mortgage Loans. Excess Revenues include amounts which may be derived from the Offered Bonds, the other Currently Outstanding Bonds and any additional Commonwealth Mortgage Bonds hereafter issued, and such amounts may be applied to the redemption of the Offered Bonds, the other Currently Outstanding Bonds, and any additional Commonwealth Mortgage Bonds hereafter issued, except as otherwise agreed by the Authority. Such excess Revenues may be received from terminations (including prepayments) or sales of Mortgage Loans or sales of Authority Property. Such excess Revenues may, at the option of the Authority, be used to finance Mortgage Loans in compliance with Code requirements, if applicable (see Appendix D), and subject to the limitations described below. Accrued interest, if any, to the date of redemption will be paid upon redemption.

See “Selection of Bonds for Redemption” below for a discussion of selection of amounts and maturities of Offered Bonds for redemption and of allocation of redemptions within a maturity.

#### *Certain Factors That May Affect Special Redemptions*

The Code currently requires the redemption of Tax Exempt Bonds (other than certain refunding bonds) from certain unexpended proceeds thereof and repayment of principal on the Mortgage Loans financed thereby (see Appendix D). Except for a \$250,000 de minimis amount, unexpended proceeds of the Series C Bonds (including the Offered Bonds) which are expected to be used to finance Mortgage Loans but which shall not have been so used within 42 months from the issuance date of December 20, 2012, are required to be used to retire or redeem Series BC Bonds. Such Code requirement with respect to unexpended proceeds does not apply to the proceeds of the Series A Bonds or the Series B Bonds.

The “10-Year Rule” (defined in “Other Requirements” in Appendix D), as currently imposed by the Code, requires all or a portion of repayments and prepayments of principal of Mortgage Loans made with or attributable to proceeds of the Series BC Bonds to be used by the Authority to retire or redeem Series BC Bonds. The following table displays the expected years during which the 10-year period will have expired with respect to principal amounts of the Series BC Bonds. Such portion of repayments and prepayments to be used to redeem or retire Series BC Bonds is a fraction, the numerator of which is the

principal amount of then outstanding Series BC Bonds on which the 10 year period has expired (less any other Series BC Bonds retired in satisfaction of the 10-Year Rule requirement), and the denominator of which is the then outstanding principal amount of Series BC Bonds. The Authority cannot predict the actual repayments and prepayments it will receive or whether such Code provision may be repealed, and no assurance can be given that such actual redemptions will occur.

<u>Calendar Year</u>	<u>Series BC Bonds</u>
2012	\$0
2013	0
2014	47,340,000
2015	0
2016	0
2017	0
2018	0
2019	0
2020	0
2021	0
2022	<u>668,170,000</u>
	\$715,510,000

Factors which may affect the demand for Mortgage Loans and the amount of prepayments on Mortgage Loans financed by the Commonwealth Mortgage Bonds and consequently the Authority's ability to use the proceeds of Commonwealth Mortgage Bonds (including the Offered Bonds and other Series C Bonds), prepayments and other excess Revenues for the financing of Mortgage Loans include not only general economic conditions but also the relationship between alternative mortgage loan interest rates (including rates on mortgage loans insured or guaranteed by agencies of the federal government, rates on conventional mortgage loans and the rates on other mortgage loans available from the Authority) and the interest rates being charged on the Mortgage Loans by the Authority. Accordingly, lower interest rates on such alternative mortgage loans could cause a lack of demand for Mortgage Loans, could result in prepayments in amounts greater than anticipated and could necessitate the exercise by the Authority of its right (or compliance by the Authority with the requirements under the Code) to apply the proceeds of Commonwealth Mortgage Bonds (including the Offered Bonds and other Series C Bonds), prepayments and other excess Revenues to redeem the Offered Bonds.

Mortgage Loans which are financed with proceeds of the Commonwealth Mortgage Bonds (including the Offered Bonds) or otherwise pledged pursuant to the Resolution may be refinanced, including by subsequent mortgage loans, including Mortgage Loans, made or purchased by the Authority or with respect to which the Authority is otherwise involved. Any such refinancings will result in the prepayments of the Mortgage Loans so refinanced and may result in the special redemption of Commonwealth Mortgage Bonds (including the Offered Bonds) from excess Revenues generated by such prepayments. The Authority may conduct marketing activities, including the solicitation of Mortgagors, that will offer and/or encourage such refinancings of Mortgage Loans and may have the effect of increasing the amount of prepayments and the amount of Commonwealth Mortgage Bonds (including the Offered Bonds) redeemed by special redemption.

The Authority does not currently anticipate any sales of Mortgage Loans which would result in the special redemption of the Offered Bonds; however, no assurance can be given that no such sales will occur. See "Withdrawal, Transfer, Sale, Exchange and Modification of Assets" in "Summary of Certain Provisions of the Current Resolution" for a discussion of the Authority's ability to so sell Mortgage Loans.

The Code requires a payment from certain Mortgagors, including Mortgagors with Mortgage Loans financed in whole or in part by the Series BC Bonds, to the United States as described in "Recapture" in Appendix D. Such requirement may affect the demand for or rate of prepayment of Mortgage Loans financed or to be financed in whole or in part by Qualified Mortgage Bonds (as defined in Appendix D). A decrease in the demand for Mortgage Loans may result in the redemption of Offered Bonds from prepayments on Mortgage Loans (or other excess Revenues) which in the determination of the Authority are not to be recycled to make or finance Mortgage Loans. An increase or decrease in the rate of prepayment of Mortgage Loans may affect the amount of moneys available for redemption of Commonwealth Mortgage Bonds or the recycling of funds into other Mortgage Loans as described under this subheading and may affect the average life of Commonwealth Mortgage Bonds. The Authority cannot predict what effect, if any, such requirement will have on the origination or prepayment of Mortgage Loans subject to such requirement.

The Authority expects to use the proceeds of the Offered Bonds to make Mortgage Loans on a concurrent and competitive basis with mortgage loans financed or subsidized by existing or future Authority bond proceeds or other moneys, methods of financing, or programs, including proceeds of the other Currently Outstanding Bonds and any Commonwealth Mortgage Bonds hereafter issued, as well as securitizations through Government National Mortgage Association ("Ginnie Mae") and sales to or securitizations through Federal National Mortgage Association ("Fannie Mae") and/or the issuance of federal Mortgage Credit Certificates.

### **Optional Redemption**

The Offered Bonds maturing on or after October 1, 2023, are subject to redemption, at the election of the Authority, either in whole or in part on any date on or after October 1, 2022 ("the First Optional Redemption Date"), at a Redemption Price

equal to the principal amount, without premium, of the Offered Bonds to be so redeemed. Accrued interest, if any, to the date of redemption will be paid upon redemption.

See “Selection of Bonds for Redemption” below for a discussion of selection of amounts and maturities of Offered Bonds for redemption and of allocation of redemptions within a maturity.

**Sinking Fund Redemption**

The Offered Bonds designated as Term Bonds on the front cover hereof are subject to redemption in part prior to maturity from mandatory Sinking Fund Installments which are required to be made in the amounts specified for each of the dates shown below. The Redemption Price shall be the principal amount of the Term Bonds to be redeemed. Accrued interest, if any, to the date of redemption will be paid upon redemption. In the event of a partial redemption of a maturity of Term Bonds (other than in satisfaction of Sinking Fund Installments) or the purchase and cancellation of less than all of a maturity of Term Bonds, the Authority shall instruct the Trustee as to which Sinking Fund Installments shall be affected by such redemption or purchase and cancellation. See “Selection of Bonds for Redemption” below for a discussion of allocation of redemptions within a maturity.

Offered Bonds Maturing October 1, 2031		Offered Bonds Maturing October 1, 2038	
Sinking Fund Installment Date	Principal Amount	Sinking Fund Installment Date	Principal Amount
October 1, 2026	\$3,215,000	October 1, 2032	\$3,185,000
October 1, 2027	3,215,000	October 1, 2033	3,150,000
October 1, 2028	3,210,000	October 1, 2034	3,150,000
October 1, 2029	3,210,000	October 1, 2035	3,150,000
October 1, 2030	3,210,000	October 1, 2036	3,150,000
October 1, 2031*	<u>3,210,000</u>	October 1, 2037	3,245,000
	\$19,270,000	October 1, 2038*	<u>3,280,000</u>
			\$22,310,000

\* Maturity Date

**Selection of Bonds for Redemption**

When redeeming Offered Bonds as described in the above sections entitled “Special Redemption” and “Optional Redemption,” the Authority has complete discretion to select the amounts and maturities of Offered Bonds to be redeemed. In so selecting the amounts and maturities of Offered Bonds to be redeemed, the Authority expects to consider such factors as it deems relevant at that time to best achieve its financial and programmatic purposes. Such factors may include, but need not be limited to, interest rates and maturities of then Outstanding Bonds and any future legislation and regulations affecting the Commonwealth Mortgage Bonds, including Tax Exempt Bonds or single family mortgage loan originations (see “Changes in Federal or State Law and Programs” in “Certain Programmatic Considerations”), and the impact of the 10 Year Rule on the Series BC Bonds then outstanding; however, no assurance can be given as to whether those factors or any other factors will be considered or as to how such factors will be applied in the selection of the Offered Bonds to be redeemed.

If the Offered Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered Owner of the Offered Bonds and if less than all of a maturity of the Offered Bonds is to be redeemed, such redemption shall be made on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Offered Bonds are held in book-entry only form, the redemption of such Offered Bonds shall be made in accordance with the operational arrangements of DTC then in effect. If the DTC operational arrangements do not allow for the redemption of the Offered Bonds on a pro rata pass-through distribution of principal basis, then the Offered Bonds will be selected for redemption by lot in accordance with DTC procedures. It is the Authority's intent that redemption allocations for the Offered Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the Authority cannot provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Offered Bonds on such basis.

If the Offered Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Offered Bonds shall be allocated in authorized denominations among the registered Owners of such Offered Bonds on a pro rata basis.

**Notice to Owners**

Notice of any redemption of an Offered Bond will be sent to the Owner thereof at least 20 days, or such lesser number of days that is permitted by DTC, prior to the date of redemption. Any notice to Owners required pursuant to the Current Resolution shall be sent or transmitted, at the Authority's direction, by mail or other means of physical delivery, or by facsimile or other electronic means to such Owner at his last address, physical or electronic, set forth in the Registration Books.

## **Purchase**

In lieu of the redemption of any Commonwealth Mortgage Bond, the Authority may direct the Trustee in an Officer's Certificate to purchase such Bond from any Owner willing to sell such Bond. In addition, the Authority may at any time direct the Trustee in an Officer's Certificate to purchase, with Assets or other assets of the Authority, any Commonwealth Mortgage Bond from any Owner willing to sell such Bond. In either case, the purchase price shall be determined by, or in accordance with the directions of, the Authority.

## **SECURITY**

### **Pledge of Assets**

The Commonwealth Mortgage Bonds, including the Offered Bonds, are secured, to the extent and as provided in the Commonwealth Mortgage Bonds Resolution, by a pledge of the Assets, which consist of Mortgage Loans (see "Data on Commonwealth Bond Mortgage Loans" in Appendix B for certain information concerning the Mortgage Loans), Authority Property, Revenues and Investment Obligations, and, to the extent made subject to the pledge or lien of the Resolution, Enhancement Agreements, Exchange Agreements and Other Financial Agreements (see "Assets and the Pledge Thereof" in "Summary of Certain Provisions of the Current Resolution"). The Commonwealth Mortgage Bonds Resolution imposes no requirements on the Authority as to a minimum amount or type of Assets.

The Commonwealth Mortgage Bonds Resolution permits the Authority to (i) purchase, sell, exchange, transfer and modify Assets, (ii) apply Assets to the payment of Expenses, and (iii) withdraw Assets from the Commonwealth Mortgage Bonds Resolution thereby releasing such Assets from the lien and pledge created by the Resolution subject only to the satisfaction of the Revenue Test (see "Withdrawal of Assets; Limited Operating Covenants"). The Authority may contribute single family mortgage loans to the Resolution that become Assets following such contribution. Since the date of the most recent financial statements (audited or unaudited) in Appendix A the Authority has withdrawn no Assets from the Resolution and has contributed no single family mortgage loans to the Resolution. The Authority can give no assurances that it will or will not make any future withdrawals or contributions.

The Act provides that any pledge made by the Authority is valid and binding from the time such pledge is made and that the Authority's interest, then existing or thereafter obtained, in revenues, moneys, mortgage loans, receivables, contract rights or other property or proceeds so pledged shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of such pledge shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The Act further provides that no instrument by which a pledge is created need be recorded nor shall any filing be required with respect thereto. The Authority does not expect to record or file any deed of trust, mortgage or other instrument creating or evidencing the pledge or lien created by the Resolution with respect to any Asset or other Asset hereafter pledged to secure the Commonwealth Mortgage Bonds. The Authority does not expect to physically deliver Assets to the Trustee.

The Commonwealth Mortgage Bonds Resolution does not require the establishment and funding of any debt service reserve fund or any other reserve fund, and the Authority does not expect to establish or fund any such reserve fund.

### **Mortgage Loans**

The Mortgage Loans are Assets that are subject to the lien and pledge of the Resolution. See "The Single Family Programs" and see "Data on Commonwealth Mortgage Loans" in Appendix B for certain information concerning the Mortgage Loans.

### **Exchange Agreements, Enhancement Agreements, and Other Financial Agreements**

The Current Resolution permits the Authority to execute Exchange Agreements (such as swap agreements), Enhancement Agreements (such as agreements related to bond insurance) and Other Financial Agreements under which the Authority obligations are payable from Assets and are treated as Bond Obligations payable from the same sources and on a parity basis with the Commonwealth Mortgage Bonds (see "Incurrence of Additional Bond Obligations" in "Summary of Certain Provisions of the Current Resolution"). Any Enhancement Agreements, any Exchange Agreements or any Other Financial Agreements, including those made subject to the pledge or lien of the Resolution, are subject to the risk that the other parties to such Agreements may not satisfy their obligations set forth in such Agreements. The Commonwealth Mortgage Bonds Resolution does not establish minimum rating requirements for such other parties. There are no outstanding Exchange Agreements under which the Authority's obligations are payable from Assets. As of September 30, 2013, approximately \$29.3 million of Outstanding Bonds are insured, at the request of the Authority, by a third party. The annual premium on such insurance is, and any premiums on any future insurance may be, payable from Assets.

In addition, the Authority may, in connection with the issuance of Ginnie Mae securities and Fannie Mae securities (see "Ginnie Mae Financing" and "Fannie Mae Financing" in "The Single Family Programs"), enter into Other Financial Agreements under which the Authority agrees with securities dealers to deliver such securities in specified amounts and by specified dates and is liable to the securities dealers for loss due to failure to so deliver such securities. Any such liability would



be payable from Assets. As of September 30, 2013, the Authority was obligated to deliver \$236.4 million of such securities under such Other Financial Agreements.

In order to provide additional funds for its programs and other legally permissible purposes, the Authority considers from time to time the sale of existing or newly originated single family mortgage loans allocated or to be allocated to its general fund (the "General Fund") or the Resolution. In connection therewith, the Authority may enter into one or more Other Financial Agreements with the purchaser of such mortgage loans that would secure the Authority's obligations to such purchaser to repurchase such single family mortgage loans, to fund any payment deficiencies or otherwise compensate the purchaser upon occurrence of certain events, such as a specified number of delinquent monthly payments on the mortgage loans or breaches of representations and warranties by the Authority with respect to the mortgage loans. No assurances can be given whether the Authority will effect such sale or enter into any of the above described Other Financial Agreements or as to the amounts or terms thereof or the amounts that would be payable from Assets.

### **Investment Obligations**

The Authority maintains a substantial portion of Assets as Investment Obligations. Investment Obligations that are eligible under the Resolution are set forth in the definition thereof in "Definitions" in "Summary of Certain Provisions of the Current Resolution" and include (i) any investment (debt or other contractual obligation or equity interest) which, in the determination of an Authorized Officer, is a suitable investment, in light of the amount and timing of Bond Obligation payments, the amount of Assets, and the availability of monies to pay Bond Obligations as they become due, at the time of acquisition thereof, and (ii) certain investments which bear, or the obligor(s) or guarantor(s) thereof bear, an investment grade rating assigned by a nationally recognized rating agency. See "Investments" and "The Common Fund" in "The Authority" for additional information concerning Investment Obligations.

### **Sources of Payment**

The scheduled payments of Bond Amounts, including the principal of and the interest on the Offered Bonds and any Enhancement Agreements, any Exchange Agreements or any Other Financial Agreements that are payable from Assets, have been or are expected to be based upon the assumed receipt by the Authority of principal and interest or other payments on or with respect to Mortgage Loans and Investment Obligations, any Revenue with respect to Authority Property (excluding such income to be applied to the payment of operating expenses or to be deposited into reserve or escrow funds for such Authority Property), payments with respect to any Enhancement Agreement, any Exchange Agreement or any Other Financial Agreements pledged as Assets, and net assets of the Authority, including net assets pledged under the Resolution.

The ability of the Authority to pay Bond Amounts, including principal and interest on the Offered Bonds, may be adversely affected by several factors including (i) failure to receive principal and interest or other payments or income when due or any time thereafter with respect to Mortgage Loans, Investment Obligations and any Enhancement Agreement, Exchange Agreement or Other Financial Agreement pledged as Assets, (ii) terminations and prepayments of Mortgage Loans at times and at rates not anticipated by the Authority, (iii) Mortgage Loans, Investment Obligations and other assets not being made, financed or acquired at the times, interest rates or prices, as applicable, contemplated by the Authority or not being made, financed or acquired at all, and (iv) losses from the sale or other disposition of Assets. A portion of such Mortgage Loan terminations are due to foreclosure, deed in lieu of foreclosure, and assignment to mortgage loan companies. The Authority does not necessarily receive cash upon the occurrence of such terminations. The receipt of cash for such terminations may occur at a later time and may be for an amount less than the amount which was due under the Mortgage Loan.

In establishing the principal amounts and dates of the maturities and Sinking Fund Installments for the Currently Outstanding Bonds, including the Offered Bonds, the Authority has assumed certain levels of prepayments of Mortgage Loans, a substantial portion of which will be used to pay such principal amounts and Sinking Fund Installments. Such assumed levels are percentages (0% or higher) of the Securities Industry and Financial Markets Association prepayment rate model (commonly referred to as the "PSA Rate"). For this purpose, revenues received by the Authority as a result of defaults on Mortgage Loans are treated as prepayments. The PSA Rate is a model that utilizes an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans. The PSA Rate assumes constant prepayment rates of 0.2% per annum of the then outstanding principal balance of such mortgage loans in the first month of the life of the mortgage loan and an additional 0.2% per annum in each month thereafter until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the mortgage loans, the PSA Rate assumes a constant prepayment rate of 6% per annum. The PSA Rate does not purport to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans financed by the Commonwealth Mortgage Bonds.

Set forth below are the percentages (if any) of the PSA Rates used by the Authority in assuming the above described levels of prepayments of Mortgage Loans financed by the Currently Outstanding Bonds. The Series of Commonwealth Mortgage Bonds marked "pass-through" each have monthly Sinking Fund Installments or principal payment obligations equal to the sum of (or a specified percentage of the sum of) scheduled principal payments on the Mortgage Loans allocated to such series, prepayments received on such allocated Mortgage Loans and certain other payments relating to such allocated Mortgage Loans and have a stated maturity date corresponding to the date of the last scheduled payment on any such allocated Mortgage Loan.

<u>Bond Series</u>	<u>Pass-through or Percentage PSA Rate Assumed</u>
2002 Series B	pass-through
2002 Series E	pass-through
2003 Series C	pass-through
2004 Series B	pass-through
2005 Series AB	64%
2005 Series CDE	100%
2006 Series A	pass-through
2006 Series B	pass-through
2006 Series C	pass-through
2006 Series DEF	50%
2007 Series ABCD	47%
2008 Series A	pass-through
2008 Series B	pass-through
2008 Series C	pass-through
2009 Series A	not applicable
2012 Series ABC	20%
2013 Series B	pass-through
2013 Series C	pass-through

The past events represented by the PSA Rate are not necessarily indicative of future events. As a result, there can be no assurance that the prepayment experience of the Authority will substantially parallel those of the PSA Rate. The Authority's exercise of its rights to redeem some of the Commonwealth Mortgage Bonds may change the percentage of the PSA Rate required to meet scheduled debt service on the Commonwealth Mortgage Bonds on or after the redemption dates of such Commonwealth Mortgage Bonds.

In estimating investment income to be received on moneys held under the Resolution, the Authority assumes the investment of such funds at such interest rates as are deemed reasonable based on market conditions at the time of issuance of the applicable series of Commonwealth Mortgage Bonds.

On the basis of the foregoing facts and assumptions, the Authority expects that the Revenues and other income to be received with respect to the Offered Bonds and the other Currently Outstanding Bonds will be in excess of the scheduled debt service thereon. Certain excess Revenues must be used to redeem Commonwealth Mortgage Bonds, which may include the Offered Bonds (see "Special Redemption" above). Any other excess Revenues may be used to purchase or redeem Commonwealth Mortgage Bonds, including the Offered Bonds, that are then subject to redemption from such excess Revenues, as described in "Special Redemption" and "Optional Redemption" above. In reaching such expectation in the first sentence of this paragraph, the Authority has not considered the issuance of additional Commonwealth Mortgage Bonds or the application or investment of the proceeds thereof. The Authority believes its assumptions regarding the Offered Bonds and the other Currently Outstanding Bonds to be reasonable, but the Authority can give no assurance that the actual receipt of Revenues (including principal prepayments) will correspond with its estimates of available money to pay debt service on the Offered Bonds and the other Currently Outstanding Bonds.

#### **Amendments to Resolution; Commonwealth Mortgage Bonds Acquired by the Authority**

The Current Resolution authorizes amendments to certain provisions therein by supplemental resolution of the Authority without the consent of Owners. Pursuant to such authorization, the Authority may, subject to the Revenue Test, amend the Current Resolution in any respect, except as described in (7) in "Amendments" in "Summary of Certain Provisions of the Current Resolution." The Current Resolution, including the Revenue Test, also may be amended with the consent of the Owners of more than sixty percent (60%) of the Bond Obligation. Any of the foregoing amendments may adversely affect the security for the Commonwealth Mortgage Bonds. (See "Amendments" in "Summary of Certain Provisions of the Current Resolution").

Pursuant to the Act and the Current Resolution, the Authority may purchase or otherwise acquire the actual or constructive ownership of Commonwealth Mortgage Bonds prior to the maturity or redemption thereof with the intent that such Commonwealth Mortgage Bonds remain Outstanding, subject to any terms and conditions determined by the Authority. Any Commonwealth Mortgage Bonds so owned by the Authority shall be entitled to vote or give consents under the Resolution, except with respect to amendments to the Resolution, and remedies and appointment and removal of the Trustee upon an Event of Default. Any such vote or consent may adversely affect the security for the Commonwealth Mortgage Bonds.

#### **General Obligations of the Authority**

The Offered Bonds are also general obligations of the Authority payable out of any of its revenues, moneys or assets, subject to agreements heretofore or hereafter made with owners of Authority obligations other than the Owners pledging particular revenues, moneys or assets for the payment thereof. The Authority has a long-term general obligation rating of "Aa1" from Moody's Investors Service ("Moody's") and a long-term Issuer Credit rating of "AA+" from Standard & Poor's Ratings Services ("Standard & Poor's" or "S&P"). See "Ratings." The security provided the Offered Bonds by the Authority's general

obligation should be evaluated in connection with the performance of other loan programs of the Authority and such pledging of particular revenues, moneys or assets. See “The Multi-Family Program” and “Miscellaneous Programs,” and see “Summary of Revenues, Expenses, and Net Assets” and “General Fund and Other Net Assets,” both in “The Authority.”

The general obligation of the Authority provides additional security for payment of the Offered Bonds by imposing legal liability on the Authority to make payments, when due, on the Offered Bonds. The ability of the Authority to make such payments from sources other than the Assets will depend upon the financial strength of the Authority, in particular the ability of the Authority to make such payments from its net assets in the other bond resolutions described below under “Other Bond Resolutions” and from net assets in its General Fund. The net assets in such other bond resolutions are pledged as security under those bond resolutions and are subject to restrictions and limitations described below on the withdrawals of such assets from the pledge of such resolutions. The net assets in the Authority’s General Fund are not currently pledged as security for any bondholders and are not currently subject to any restrictions or limitations, but no assurance can be given that the Authority will not in the future subject such assets to limitations or restrictions for the benefit of obligors of the Authority or any other persons other than Owners of Commonwealth Mortgage Bonds. The future amount and value of the net assets in the other bond resolutions and the net assets in the Authority’s General Fund will depend upon the ongoing success of the Authority’s multi-family and single family mortgage loan programs and operations, including the use and investment of such net assets. For additional information concerning the current financial status of the Authority and such net assets, see the financial statements in Appendix A.

The Authority has no taxing power. The Commonwealth Mortgage Bonds do not constitute a debt or grant or loan of credit of the Commonwealth, and the Commonwealth shall not be liable thereon, nor shall the Commonwealth Mortgage Bonds be payable out of any funds other than those of the Authority. The Authority has not created a capital reserve fund to secure the Commonwealth Mortgage Bonds and therefore the Commonwealth Mortgage Bonds are not subject to the provision in the Act that both requires the Governor to include in the Governor’s budget funds to cover any deficiency in the capital reserve funds of the Authority and authorizes the General Assembly to appropriate funds therefor.

#### **Other Bond Resolutions**

At present, the principal source of funds for the Authority’s multi-family loan program described in “The Multi-Family Program” are bonds (“Rental Housing Bonds”) issued and to be issued under the general bond resolution adopted by the Authority on March 24, 1999, as amended and supplemented to the date of delivery of the Offered Bonds (the “Rental Housing Bonds Resolution”). The Rental Housing Bonds Resolution authorizes the Authority to apply assets thereunder to make, purchase, finance or refinance mortgage loans for multi-family developments. The Rental Housing Bonds Resolution also authorizes the Authority to acquire, rehabilitate, construct, finance or refinance property owned by the Authority which, under the terms of the Rental Housing Bonds Resolution includes real property and improvements thereon or an ownership share in a cooperative housing association or a leasehold interest under a lease and any personal property attached to or used in connection with any of the foregoing owned by the Authority and either financed or refinanced pursuant to the Rental Housing Bonds Resolution or acquired by the Authority by purchase or foreclosure of a mortgage loan or by deed in lieu thereof. The Rental Housing Bonds Resolution requires that each mortgage loan must be either (i) a loan evidenced by an interest-bearing obligation secured by a mortgage for financing the acquisition, construction, rehabilitation and/or ownership of multi-family residential housing (which housing may be economically mixed housing described below) and any nonhousing building or buildings as authorized by the Act, (ii) an obligation, certificate or instrument for which such a loan secured by a mortgage is the security or the source of payment, or (iii) a participation or other ownership interest in either a loan described in (i) or an obligation, certificate or instrument described in (ii) with another party or parties or with another source of funds of the Authority not pledged pursuant to the Rental Housing Bonds Resolution. The multi-family mortgage loans financed by the Rental Housing Bonds are required by the Rental Housing Bonds Resolution to be secured by liens on the multi-family developments. Upon the financing of multi-family mortgage loans or Authority owned property with the proceeds of Rental Housing Bonds, such mortgage loans or property are pledged by the Authority as security under the Rental Housing Bonds Resolution. The other assets attributable to the Rental Housing Bonds are also pledged under the Rental Housing Bonds Resolution as security for the Rental Housing Bonds. The Rental Housing Bonds are general obligations of the Authority.

The Authority also has financed single family mortgage loans under another resolution (the “Homeownership Mortgage Bonds Resolution”) authorizing the issuance of the Authority’s Homeownership Mortgage Bonds in connection with the New Issuance Bond Program of the U. S. Department of the Treasury, all as more fully described in “New Issuance Bond Program and Homeownership Mortgage Bonds” in “The Single Family Programs.” The Homeownership Mortgage Bonds Resolution pledges the mortgage loans and assets attributable to the Homeownership Mortgage Bonds as security for the payment of such Bonds. The Homeownership Mortgage Bonds are general obligations of the Authority.

The scheduled payments of principal and interest on the Rental Housing Bonds and Homeownership Mortgage Bonds have been based upon the assumed receipt by the Authority of principal and interest or other payments on or with respect to the assets pledged thereto. In so scheduling such payments of principal and interest on the Rental Housing Bonds, the Authority has assumed that no prepayments of principal would be received with respect to the mortgage loans. In establishing the payments of principal and interest on the Homeownership Mortgage Bonds, the Authority has assumed certain levels of prepayments of the single family mortgage loans, a substantial portion of which will be used to pay such principal amounts, based upon percentages (10% or higher) of the PSA Rate described in “Sources of Payment” in “Security.” Based upon such assumptions, the Authority believes that the principal and interest or other payments on or with respect to the respective assets

pledged to the Rental Housing Bonds and Homeownership Mortgage Bonds will be sufficient to pay, when due, the scheduled debt service on such respective Bonds.

The ability of the Authority to pay such principal and interest on the Rental Housing Bonds and the Homeownership Mortgage Bonds may be adversely affected by (i) failure to receive principal and interest or other payments or income when due or any time thereafter with respect to the respective mortgage loans, investment obligations and any other asset pledged thereto, (ii) in the case of Rental Housing Bonds, receipt of income with respect to developments owned by the Authority and financed by the Rental Housing Bonds in amounts less than expected by the Authority, (iii) in the case of Homeownership Mortgage Bonds, terminations (including foreclosures, deeds in lieu of foreclosure, and assignments to mortgage insurance companies) and prepayments of single family mortgage loans at times and at rates not anticipated by the Authority, (iv) mortgage loans, investment obligations and other assets not being made, financed or acquired at the times, interest rates or prices, as applicable, contemplated by the Authority or not being made, financed or acquired at all, and (v) receipt of net proceeds from the sale or other disposition of respective assets pledged thereto in amounts less than expected by the Authority. In the case of Rental Housing Bonds, the ability of a mortgagor to make principal and interest payments on a mortgage loan may be adversely affected by reductions (or the failure to receive adequate increases) in federal subsidy payments with respect to any developments financed by the Rental Housing Bonds and assisted by such subsidy payments, as well as by general economic conditions. In the case of Homeownership Mortgage Bonds, the Authority does not necessarily receive cash upon the occurrence of terminations described in (iii) above, and the receipt of cash for such terminations may occur at a later time and may be for an amount less than the amount which was due under the single family mortgage loan.

Any excess funds under the Rental Housing Bonds Resolution or Homeownership Mortgage Bonds Resolution may be used to redeem (if then permitted by the terms of such resolution) Rental Housing Bonds or Homeownership Mortgage Bonds, respectively, to finance mortgage loans or acquire investments to be held under such resolution. In addition, excess funds or assets may be withdrawn from the lien and pledge of such resolution, subject to satisfaction of a revenue test in each such resolution that has the same terms as the Revenue Test, however, no assurance can be given that any such excess funds or assets can or will be so withdrawn by the Authority in the future from the lien and pledge of the Rental Housing Bonds Resolution or the Homeownership Mortgage Bonds Resolution or will be available for payment of principal or interest on the Commonwealth Mortgage Bonds.

The Act permits the Authority to issue bonds and incur indebtedness in addition to the Commonwealth Mortgage Bonds, the Rental Housing Bonds and the Homeownership Mortgage Bonds.

#### **WITHDRAWAL OF ASSETS; LIMITED OPERATING COVENANTS**

Except for the Revenue Test, the Commonwealth Mortgage Bonds Resolution imposes no restrictions on the Authority's ability to transfer Assets to the Authority (thereby releasing such Assets from the lien and pledge of the Resolution), and no requirements on the Authority as to the minimum amount or type of Assets, nor does it impose any requirements on the Authority with respect to annual income or net worth. The Commonwealth Mortgage Bonds Resolution does require that certain actions, including transfer of all or any portion of any Asset to the Authority (thereby releasing such Asset or portion from the lien and pledge of the Resolution), can be undertaken only pursuant to the Revenue Test set forth in the Commonwealth Mortgage Bonds Resolution. The Revenue Test requires an Authorized Officer of the Authority, based on such assumptions as such Authorized Officer shall deem reasonable and subject to certain other conditions, to determine that subsequent to taking such action, Revenues, as defined in the Resolution, "shall be at least sufficient to pay all Bond Amounts as such Amounts are or are anticipated to become due and payable (by purchase, redemption, or otherwise)." See "Revenue Test" in "Summary of Certain Provisions of the Current Resolution."

To the extent that pursuant to an Officer's Certificate the Authority pledges any funds which are not then subject to the pledge of the Resolution and which are expected to be thereafter used to finance Mortgage Loans until the issuance of Commonwealth Mortgage Bonds therefor, an amount of Assets equivalent to such funds, plus a reasonable charge for interest on such funds if and as determined by an Authorized Officer, may be subsequently withdrawn and transferred to the Authority without regard to the satisfaction of the Revenue Test.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE CURRENT RESOLUTION**

The following statements are brief summaries of certain provisions of the Current Resolution. Such statements are qualified in each case by reference to the Current Resolution.

Capitalized items not previously defined in this Official Statement and not defined in this Summary shall have the meanings set forth in the Current Resolution. Words importing the masculine gender include the feminine and neuter genders, words importing persons include firms, associations and corporations, and words importing the singular number include the plural number, and vice versa.

#### **Definitions**

"1986 Amended Resolution" means the resolution adopted by the Authority on July 15, 1986, entitled "A Resolution Providing for the Issuance of Commonwealth Mortgage Bonds of the Virginia Housing Development Authority and for the Rights of the Holders Thereof," as amended and supplemented prior to the effective date of the Restated Bond Resolution.

“Act” means the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Virginia Code of 1950, as amended before or after the date of the Restated Bond Resolution.

“Asset” means any Mortgage Loan, Authority Property, Investment Obligation, Revenue, and, to the extent subject to the pledge or lien of the Commonwealth Mortgage Bonds Resolution or the 1986 Amended Resolution as of the effective date of the Restated Bond Resolution or thereafter, any cash, Exchange Agreement, Enhancement Agreement or Other Financial Agreement. Funds and investments on deposit in any Payment Account and Defeasance Obligations in any Defeasance Account are not Assets.

“Authority Designations” means the one or more designations given to a Commonwealth Mortgage Bond or Commonwealth Mortgage Bonds as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations or such other designations as may be deemed necessary or convenient by an Authorized Officer or by the Trustee with the consent of an Authorized Officer.

“Authority Property” means real property and improvements thereon or an ownership share in a cooperative housing association or a leasehold interest under a lease and any personal property attached to or used in connection with any of the foregoing which, as of the effective date of the Restated Bond Resolution or thereafter, is owned by the Authority and is either financed pursuant to the Commonwealth Mortgage Bonds Resolution or the 1986 Amended Resolution or acquired by the Authority by purchase or foreclosure of a Mortgage Loan or by deed in lieu thereof.

“Authorized Officer” means the Chairman, Vice Chairman, Executive Director, Managing Director of Finance and Administration, Finance Director, General Counsel, any functionally equivalent successor position to any of the aforementioned positions but which bears a different title, or any other person authorized by resolution of the Authority to act as an Authorized Officer under the Current Resolution.

“Bond Amount” means the one or more payments of principal and interest, including any Compounded Amount, Purchase Price, Redemption Price or Sinking Fund Installment, if applicable, due and payable from time to time with respect to a Commonwealth Mortgage Bond from its date of issuance to its maturity, tender or redemption date, or any payment required to be made by the Authority pursuant to an Exchange Agreement, Enhancement Agreement or Other Financial Agreement to the extent such payment thereunder is payable from Assets.

“Bond Limitations Resolution” means a resolution adopted by the Authority setting forth the limitations required by the Current Resolution and such other limitations and matters as may be deemed appropriate by the Authority. The limitations required by the Current Resolution include (1) the maximum principal amount of the Commonwealth Mortgage Bonds to be issued or to be Outstanding subject to such Bond Limitations Resolution, (2) the latest date by which the Authority may enter into one or more contracts providing for the sale of Commonwealth Mortgage Bonds, and (3) the minimum purchase price for the Commonwealth Mortgage Bonds upon the issuance thereof.

“Bond Obligation” means, as of a specific date of calculation, the aggregate of (1) all interest due or accrued on Outstanding Commonwealth Mortgage Bonds, (2) all unpaid principal on Outstanding Commonwealth Mortgage Bonds, (3) the amount of the payment, if any, the Authority would be obligated to make on any Exchange Agreement payable from Assets if such Exchange Agreement were terminated on such date of calculation, and (4) all amounts owed by the Authority with respect to any Enhancement Agreement or Other Financial Agreement payable from Assets.

“Business Day” means any day other than a Saturday, Sunday or legal holiday on which banking institutions in Virginia, or the state in which the Principal Office of the Trustee is located, are authorized to remain closed and other than any day on which the New York Stock Exchange or a security depository with respect to a Commonwealth Mortgage Bond is closed.

“Capital Appreciation Bond” means a Commonwealth Mortgage Bond the interest on which is payable only at maturity or prior redemption as a component of its Compounded Amount.

“Chairman” means the Chairman of the Authority.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor code, including the applicable temporary, proposed and permanent regulations, revenue rulings and revenue procedures.

“Commonwealth” means the Commonwealth of Virginia.

“Compounded Amount” means, with respect to a Capital Appreciation Bond, a Delayed Interest Bond or any other Commonwealth Mortgage Bond so determined in or pursuant to the applicable Written Determinations or Prior Written Determinations, the sum of principal and accrued interest with respect to such Bond, as of any date, as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

“Dated Date” means the date on which a Commonwealth Mortgage Bond initially begins to accrue interest as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

“Defeasance Account” means a trust account or other financial arrangement whereby the Trustee holds Defeasance Obligations in trust for the payment of all Bond Amounts due and payable or to become due and payable at maturity or upon

earlier redemption with respect to one or more Commonwealth Mortgage Bonds and all fees and expenses of the Trustee with respect to the administration of such trust account or other financial arrangement.

“Defeasance Obligation” means cash, any direct obligation of the United States of America, any direct federal agency obligation the timely payment of the principal of and the interest on which are fully and unconditionally guaranteed by the United States of America, and any Certificates of Accrual on Treasury Securities or Treasury Investors Growth Receipts; provided, however, that the foregoing are not subject to redemption, call or prepayment, in whole or in part, prior to their respective maturity dates.

“Delayed Interest Bond” means a Commonwealth Mortgage Bond the interest on which accrues and compounds, from its Dated Date and at an interest rate and compounding interval specified in or determined pursuant to the applicable Written Determinations or Prior Written Determinations, to a date specified in such applicable Written Determinations or Prior Written Determinations on which date such Bond shall reach its full Compounded Amount, and with respect to which, from and after such date, interest on such Bond is to be payable on such Compounded Amount on the dates and at the interest rate specified in or determined pursuant to such applicable Written Determinations or Prior Written Determinations.

“DTC” means The Depository Trust Company.

“Enhancement Agreement” means an agreement with one or more third parties which sets forth the terms and conditions upon which such third party or parties will provide for the payment of all or a portion of one or more Bond Amounts with respect to a Commonwealth Mortgage Bond or a payment to the Authority. The obligations of and any receipts by the Authority with respect to such Enhancement Agreement shall or shall not, as and to the extent set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations or an Officer’s Certificate, be payable from Assets or constitute an Asset, as applicable.

“Event of Default” means any of the events set forth in “Events of Default” below.

“Exchange Agreement” means an agreement with one or more third parties which sets forth the terms and conditions upon which such third party or parties and the Authority will exchange or make payments to the other party or parties. The obligations of and any receipts by the Authority with respect to such Exchange Agreement shall or shall not, as and to the extent set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations or an Officer’s Certificate, be payable from Assets or constitute an Asset, as applicable.

“Executive Director” means the Executive Director of the Authority.

“Expense” means any expenditure payable or reimbursable by the Authority which is directly or indirectly related to the authorization, sale, delivery, issuance, remarketing, enhancement, monitoring, purchase, redemption or trusteeship of any Commonwealth Mortgage Bond or Asset.

“External Trustee” means a Trustee other than the Authority.

“Finance Director” means the Finance Director of the Authority.

“General Counsel” means the General Counsel of the Authority.

“Interest Payment Date” shall mean any date, as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations, on which interest is due and payable with respect to a Commonwealth Mortgage Bond.

“Investment Obligation” means any of the following acquired or pledged, as of the effective date of the Restated Bond Resolution or thereafter, pursuant to the Current Resolution or the 1986 Amended Resolution or pursuant to an Officer’s Certificate, except to the extent limited by any amendments to the Act:

(A) direct general obligations of the United States of America;

(B) direct obligations of any state of the United States of America or any political subdivision thereof or the District of Columbia bearing a Rating;

(C) obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(D) obligations which bear a Rating and the payment of the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or any political subdivision thereof or the District of Columbia;

(E) bonds, debentures, participation certificates or notes or other obligations (including asset backed securities) issued by any one or any combination of the following: Federal Financing Corporation, Federal Farm Credit Banks (Bank for Cooperatives and Federal Intermediate Credit Banks), Federal Home Loan Bank System, Federal National Mortgage Association, World Bank, Export-Import Bank of the United States, Student Loan Marketing Association, Farmer’s Home

Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Inter-American Development Bank, International Bank for Reconstruction and Development, Small Business Administration, Washington Metropolitan Area Transit Authority, Resolution Funding Corporation, Tennessee Valley Authority, or any other agency or corporation which has been or may after the date of the Restated Bond Resolution be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof the bonds, debentures, participation certificates or notes or other obligations (including asset backed securities) of which are unconditionally guaranteed by the United States of America or bear a Rating;

(F) certificates of deposit, banker's acceptances, investment contracts, and any interest-bearing time deposits which are issued by any member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation;

(G) Eurodollar time deposits and Eurodollar certificates of deposit the issuers of which have obligations which, at the time of acquisition of such deposits or certificates, bear a Rating;

(H) obligations, including investment contracts, of corporations which have obligations which, at the time of acquisition of such obligations including investment contracts, bear a Rating;

(I) any other investments which, at the time of acquisition thereof, bear a Rating and are legal investments for fiduciaries or for public funds of the Authority, the Commonwealth and/or its political subdivisions;

(J) repurchase agreements with respect to any of the other Investment Obligations; and

(K) any other investment (debt or equity), investment agreement, Exchange Agreement, Other Financial Agreement, swap contract, futures contract, forward contract or other obligation which, in the determination of an Authorized Officer, is a suitable investment under the Current Resolution, in light of the amount and timing of Bond Obligation payments, the amount of Assets, and the availability of monies to pay Bond Obligations as they become due, at the time of acquisition thereof.

"Managing Director of Finance and Administration" means the Managing Director of Finance and Administration of the Authority.

"Mortgage" means a mortgage deed, deed of trust, or other security instrument which secures a Mortgage Loan and which shall constitute a lien on real property and improvements thereon or on an ownership share in a cooperative housing association or on a leasehold interest under a lease and may also constitute a lien on or security interest in any personal property attached to or used in connection with any of the foregoing.

"Mortgage Loan" means each of the following financed or pledged, as of the effective date of the Restated Bond Resolution or thereafter, pursuant to the Current Resolution or the 1986 Amended Resolution and the Act or pursuant to an Officer's Certificate: (1) a loan evidenced by a financial instrument or obligation secured by a Mortgage for financing the acquisition, construction, rehabilitation and/or ownership of single family residential housing as authorized by the Act, (2) an obligation, certificate or instrument for which such a loan secured by a Mortgage is the security or the source of payment, or (3) a participation or other ownership interest in either a loan described in (1) or an obligation, certificate or instrument described in (2) with another party or parties or with another source of funds of the Authority not pledged under the Current Resolution.

"Mortgagor" means the obligor or obligors on a Mortgage Loan.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Other Financial Agreement" means any type of agreement or arrangement not otherwise referred to in the Current Resolution that is provided for in a Written Determinations or Prior Written Determinations. The obligations of and any receipts by the Authority with respect to such Other Financial Agreement shall or shall not, as and to the extent set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations or an Officer's Certificate, be payable from Assets or constitute an Asset, as applicable.

"Outstanding" means, when used with reference to Commonwealth Mortgage Bonds and as of any particular date, all Commonwealth Mortgage Bonds theretofore and thereupon being issued except (1) any Commonwealth Mortgage Bond for which funds for the payment of all Bond Amounts due and payable or to become due and payable with respect to such Bond have been paid to the Owner thereof or are held in a Defeasance Account or Payment Account, and (2) any Commonwealth Mortgage Bond in lieu of or in substitution for which another Commonwealth Mortgage Bond or Bonds shall have been delivered. If an Officer's Certificate shall have been delivered with respect to a Commonwealth Mortgage Bond that the Authority is the Owner thereof stating the Authority's intent that such Commonwealth Mortgage Bond shall remain outstanding, such Bond does not cease to be Outstanding.

"Owner" means the party set forth in the Registration Books as the owner of a Commonwealth Mortgage Bond or any other party due a Bond Amount.

“Payment Account” means any trust account or other financial arrangement with the Trustee in which payments made by the Authority to the Trustee with respect to Bond Amounts then due and payable are held in trust by the Trustee pending disbursement to the Owners thereof.

“Principal Office” means the office so designated by the Trustee as its office for administering its duties with respect to the Current Resolution.

“Prior Written Determinations” means any written determinations that, as of the effective date of the Restated Bond Resolution, have been made pursuant to any Series Resolution with respect to Commonwealth Mortgage Bonds that are Outstanding on such effective date.

“Purchase Price” means the purchase price, including accrued interest, of a Commonwealth Mortgage Bond on a Tender Date as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

“Rating” means an investment grade rating assigned by a nationally recognized rating agency to an Investment Obligation or, if such Investment Obligation is not rated, an investment grade rating assigned to the obligor or guarantor of such Investment Obligation.

“Record Date” means the date or dates established as described in “Record Dates” below.

“Redemption Price” means the principal or Compounded Amount of a Commonwealth Mortgage Bond or portion thereof to be redeemed plus the applicable redemption premium, if any, payable upon redemption thereof.

“Registration Books” means the records of the Trustee and the Authority which set forth the Owner of any Commonwealth Mortgage Bond or any other party due a Bond Amount and such other information as is usual and customary in the securities industry or as specifically directed by the Authority.

“Restated Bond Resolution” means the resolution adopted by the Authority on September 21, 2004, amending and restating the 1986 Amended Resolution. The effective date of the Restated Bond Resolution was July 19, 2006.

“Revenues” means all net proceeds from the sale or other disposition of any Commonwealth Mortgage Bond or Asset, payments of principal of and interest on Mortgage Loans (including any moneys received by the Authority and applied to such principal and interest) and Investment Obligations, fees and penalties charged or assessed by the Authority with respect to a Mortgage Loan (excluding processing, financing, prepayment or other similar fees), income received by the Authority as owner of Authority Property (excluding such income to be applied to the payment of operating expenses or to be deposited into reserve or escrow funds for such Authority Property), and payments received with respect to an Enhancement Agreement, Exchange Agreement or Other Financial Agreement payable from Assets.

“Revenue Test” means the test set forth in “Revenue Test” below.

“Series Resolution” means any series resolution (including any amendments thereto) which, as of the effective date of the Restated Bond Resolution, had been adopted pursuant to the 1986 Amended Resolution and pursuant to which Bonds were Outstanding as of the effective date of the Restated Bond Resolution.

“Sinking Fund Installment” means the amount of principal or Compounded Amount of any particular Term Bonds to be redeemed or retired prior to the maturity date of such Term Bonds all as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

“Supplemental Bond Resolution” means any resolution of the Authority amending or supplementing the Current Resolution adopted and becoming effective in accordance with the terms of the Current Resolution on or after the effective date of the Restated Bond Resolution.

“Tax Covenant” means the covenant set forth in the last paragraph under “Covenants” below.

“Term Bonds” means the Commonwealth Mortgage Bonds as so designated in or pursuant to the applicable Written Determinations or Prior Written Determinations.

“Tender Date” means any date on which a Commonwealth Mortgage Bond is subject to tender to the Trustee or the Authority or any other party serving as tender agent for purchase as set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

“Trustee” means the trustee appointed by or pursuant to the provisions of the Current Resolution.

“Vice Chairman” means the Vice Chairman of the Authority.

“Written Determinations” means one or more determinations made in writing by an Authorized Officer which sets forth those terms and conditions authorized by the Current Resolution to be contained therein and such other terms and conditions as an Authorized Officer may deem appropriate and as shall not be inconsistent with the Current Resolution and the



applicable Bond Limitations Resolution. Any such Written Determinations may be amended by an Authorized Officer from time to time prior to the issuance of Commonwealth Mortgage Bonds designated therein and may thereafter be amended as provided in Current Resolution. Any Written Determinations shall be subject to the conditions and limitations set forth in or determined pursuant to the applicable Bond Limitations Resolution.

### **Assets and the Pledge Thereof**

Subject only to the right of the Authority to withdraw, transfer, sell, exchange or otherwise apply Assets in accordance with the provisions of the Current Resolution, a pledge of Assets is made by the Current Resolution to secure the payment of the Authority's obligations with respect to the Current Resolution, including any and all Bond Amounts; and subject to such right of the Authority, such Assets, regardless of their location or method of identification, are and shall be held in trust for the purposes and under the terms and conditions of the Current Resolution.

Funds and investments on deposit in any Payment Account and Defeasance Obligations in any Defeasance Account are not Assets; however, a pledge of funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account is made by the Current Resolution to secure the payment of the Authority's obligations (including any and all Bond Amounts) on the Commonwealth Mortgage Bonds, any Enhancement Agreement, any Exchange Agreement and any Other Financial Agreement with respect to which such funds and investments and Defeasance Obligations are so deposited.

### **Application of Assets for Payment of Bond Amounts**

On any day on which a Bond Amount is due and payable (or, if such day is not a Business Day, the next Business Day thereafter), the Authority shall pay such Bond Amount from Assets or other funds of the Authority to either, at the Authority's option, the Trustee or to the Owner of such Bond Amount. No such payment shall be made unless the Authority shall pay, in full, all Bond Amounts due and payable on such date. Any such payment to the Trustee shall be in the form of cash or Investment Obligation which is a cash equivalent and the Trustee shall make payment of such Bond Amount to the Owner thereof in accordance with the immediately succeeding paragraph. Any such payment to the Trustee shall, pending disbursement thereof to the Owner thereof, be deposited into a Payment Account.

Each Bond Amount shall be payable to the Owner thereof by check draft, electronic funds transfer or other means determined by an Authorized Officer (which payment methodology can vary depending upon the amount of the Bond Amount, the Owner of such Bond Amount and the usual and customary practices in the securities industry as determined by an Authorized Officer) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, unless otherwise set forth in or determined pursuant to the applicable Written Determinations or Prior Written Determinations.

Funds and investments on deposit in any Payment Account shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such funds and investments were deposited by the Authority or the Trustee in such Payment Account, and the Owners of any such Bond Amounts shall no longer have a lien on or the benefit of a pledge of the Assets with respect to such Bond Amounts but shall have a lien on, and the benefit of the pledge of, the funds and investments in such Payment Account and shall look only to such funds and investments for payment. No funds and investments shall be withdrawn from any Payment Account other than to pay the applicable Bond Amounts.

### **Withdrawal, Transfer, Sale, Exchange and Modification of Assets**

On any date, the Authority may either directly or by direction to the Trustee (i) apply Assets to make, purchase, finance or refinance Mortgage Loans, to acquire, rehabilitate, construct, finance or refinance Authority Property, to purchase Investment Obligations and make any required payments associated therewith, to make payments pursuant to any agreement associated, related or entered into with respect to the Commonwealth Mortgage Bonds, to make payments to any party to comply with the Tax Covenant, to purchase any Commonwealth Mortgage Bond, to pay any Expense, or to make any other withdrawal, transfer, sale, exchange or other application of Assets required, permitted or contemplated by the Commonwealth Mortgage Bonds Resolution, or (ii) subject to satisfaction of the Revenue Test described below, transfer all or any portion of any Asset to the Authority. Assets so transferred to the Authority shall not thereafter be subject to the lien or pledge created by the Current Resolution.

The Authority shall be authorized to sell or exchange any Asset to or with any party (including the Authority) at a price and/or for other assets equal to such Asset's fair market value, or subject to satisfaction of the Revenue Test described below, at any price and/or for any assets.

The Authority may modify or amend, in any manner it deems appropriate in its sole judgment, the terms and conditions of any Asset, subject to satisfaction of the Revenue Test described below or subject to the determination of an Authorized Officer that such modification or amendment is either (i) not materially adverse to the payment of any Bond Amount, or (ii) in the best interests of the Owners.

To the extent that pursuant to an Officer's Certificate the Authority pledges any funds which are not then subject to the pledge of the Current Resolution and which are expected to be thereafter used to finance Mortgage Loans until the issuance of Commonwealth Mortgage Bonds therefor, an amount of Assets equivalent to such funds, plus a reasonable charge for interest

on such funds if and as determined by an Authorized Officer, may be subsequently withdrawn and transferred to the Authority without regard to the satisfaction of the Revenue Test.

### **Revenue Test**

The Revenue Test requires that, prior to effecting any proposed action which is subject thereto, an Authorized Officer shall, based on such assumptions as such Authorized Officer shall deem reasonable (but without taking into account any future issuances of Commonwealth Mortgage Bonds and any Assets derived therefrom, or any future execution of Exchange Agreements, Enhancement Agreements or Other Financial Agreements payable from Assets), determine that, subsequent to the effecting of such action, the anticipated Revenues (including Revenues anticipated to be derived from any acquisition, sale, transfer, exchange, withdrawal or other application or prepayment of any Asset and taking into account any default in the payment of Revenues which such Authorized Officer reasonably expects) to be derived from all Assets which are to remain or anticipated to become subject to the lien or pledge of the Current Resolution shall be at least sufficient to pay all Bond Amounts as such Bond Amounts are or are anticipated to become due and payable (by purchase, redemption, or otherwise).

### **Investment of Funds**

Funds pledged pursuant to the Current Resolution may be invested in Investment Obligations.

### **Covenants**

Except funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account, an asset or property may be acquired (by purchase or exchange) or financed pursuant to the Current Resolution only if such asset or property constitutes an Asset.

Subject to the Tax Covenant set forth in the following paragraph, the Authority shall do all such acts as may be reasonably necessary in the sole judgment of the Authority to receive and collect Revenues and to enforce the terms and conditions relating to the Assets.

The Authority shall at all times do and perform all acts required by the Code in order to assure that interest paid by the Authority on a Tax Exempt Bond shall not be included in gross income of the Owner thereof pursuant to the Code.

### **Incurrence of Additional Bond Obligations**

The Current Resolution permits the incurrence of additional Bond Obligations, including the issuance of additional Commonwealth Mortgage Bonds and the execution of any Exchange Agreement, Enhancement Agreement or Other Financial Agreements payable from Assets. The Commonwealth Mortgage Bonds and such additional Bond Obligations so incurred, regardless of the time or times of their issuance, execution or maturity, shall be of equal rank without preference, priority or distinction, except as otherwise expressly provided in or determined pursuant to a Supplemental Bond Resolution in accordance with subparagraph (8) in "Amendments" below.

### **Amendments**

Amendments to the Current Resolution may be made by a Supplemental Bond Resolution. Supplemental Bond Resolutions which become effective upon filing with the Trustee may be adopted for any one or more of the following purposes:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Current Resolution;
- (2) To include such provisions as are deemed by an Authorized Officer to be necessary or desirable and are not contrary to or inconsistent with the Current Resolution as theretofore in effect;
- (3) To add other covenants, agreements, limitations, or restrictions to be observed by the Authority which are not contrary to or inconsistent with the Current Resolution as theretofore in effect;
- (4) To add to the rights or privileges of the Owners;
- (5) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Current Resolution;
- (6) To comply with any provision of the Code or federal or state law or regulation;
- (7) To modify or amend the Current Resolution in any respect, subject to satisfaction of the Revenue Test; provided, however, that no such modification or amendment pursuant to this Subsection (7) shall modify or delete, or shall authorize or permit any deletion or modification of, any of the following: (i) any of the covenants, rights or remedies pursuant to the Tax Covenant or the provisions of the Current Resolution relating to remedies on default, (ii) the definition of Revenue Test, (iii) any requirement for satisfaction of the Revenue Test, (iv) the definition of Defeasance Obligation, (v) the provisions of the Current Resolution

relating to the constitution of the Current Resolution as a contract, the general obligation of the Authority and the pledge of Assets, (vi) the provisions of the Current Resolution which set forth those provisions permitting amendments to the Current Resolution, (vii) the provisions of the Current Resolution relating to the removal of the Trustee, (viii) the provisions of the Current Resolution relating to defeasance, (ix) any requirement for notice to or consent, approval or direction of Owners, or (x) the terms of redemption or the due date or amount of payment of any Bond Amount without the consent of the Owner of such Bond Amount; or

- (8) To set forth the amendments to the Current Resolution necessary or desirable to provide for the issuance of Commonwealth Mortgage Bonds or the execution of Exchange Agreements, Enhancement Agreements or Other Financial Agreements payable from Assets, (i) on which the payment of the Bond Amounts may be subordinate to the payment of the Bond Amounts with respect to other Commonwealth Mortgage Bonds or Exchange Agreements, Enhancement Agreements or Other Financial Agreements payable from Assets, (ii) which may have the payment of their Bond Amounts conditional upon the happening of certain events, (iii) which may not be general obligations of the Authority, (iv) which may not be secured by all or any of the Assets, or (v) whose Owners do not have all of the rights or benefits of the other Owners.

Other Supplemental Bond Resolutions may become effective only if (1) on the date such Resolution becomes effective, no Commonwealth Mortgage Bond issued prior to the adoption of such Resolution remains Outstanding and no Exchange Agreement, Enhancement Agreement or Other Financial Agreement in existence prior to the adoption of such Resolution remains payable from Assets, or (2) with consent of the Owners of at least sixty percent (60%) of the Bond Obligation responding to the request for consent within the time period as shall be established (and as may be extended) by the Trustee. No such Resolution shall permit a change in the terms of redemption or in the due date or amount of payment of any Bond Amount without the consent of the Owner of such Bonds Amount or lower the percentage of percentage of the Owners required to effect any such amendment.

### **Defeasance**

If (i) Defeasance Obligations shall have been deposited in a Defeasance Account, (ii) the principal of and interest on such Defeasance Obligations at maturity, without reinvestment, shall be sufficient, in the determination of an Authorized Officer, to pay all Bond Amounts when due at maturity or upon earlier redemption with respect to a Commonwealth Mortgage Bond and all fees and expenses of the Trustee with respect to such Defeasance Account, and (iii) any notice of redemption, if applicable, shall have been given to the Owner thereof or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then notwithstanding any other provision of the Current Resolution to the contrary, the Owner of such Commonwealth Mortgage Bond shall no longer have a lien on, or the benefit of a pledge of, the Assets, and such Commonwealth Mortgage Bond shall no longer be deemed Outstanding under the Current Resolution. If the foregoing requirements shall have been satisfied with respect to all Outstanding Bonds and no Enhancement Agreement, Exchange Agreement or Other Financial Agreement remains payable from Assets, then the lien, pledge, covenants, agreements and other obligations under the Current Resolution shall, at the election of the Authority, be discharged and satisfied, and the Trustee shall thereupon deliver to the Authority all Assets held by it.

Defeasance Obligations shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such Defeasance Obligations shall have been deposited by the Authority in the applicable Defeasance Account. The Owners of such Bond Amounts so deposited shall have a lien on, and the benefit of the pledge of, the Defeasance Obligations in such Defeasance Account and shall look only to such Defeasance Obligations for payment.

No Defeasance Obligation shall be withdrawn from any Defeasance Account other than to pay, when due, the applicable Bond Amounts or the fees and expenses of the Trustee with respect to such Defeasance Account. If any Defeasance Obligation remains in a Defeasance Account subsequent to the payment of all the applicable Bond Amounts and all fees and expenses of the Trustee with respect to such Defeasance Account have been paid, such Defeasance Obligations shall be transferred to the Authority free of any lien or pledge of the Current Resolution.

For the purpose of defeasance, interest on any Commonwealth Mortgage Bond on which the interest is or may be payable at a variable rate shall be calculated at the maximum interest rate (or, if none, the estimated maximum interest rate as determined by an Authorized Officer in an Officer's Certificate) payable on such Bond.

Cash on deposit in a Defeasance Account shall, upon the direction of an Authorized Officer, be invested by the Trustee in Defeasance Obligations or any repurchase agreement fully collateralized, as determined by an Authorized Officer, by any Defeasance Obligations.

### **Trustee**

Any Trustee appointed under the Current Resolution must be (1) a bank, trust company or national banking association, having trust powers, or (2) with the prior approval of its Commissioners, the Authority. U.S. Bank National Association currently is acting as External Trustee under the Current Resolution. The rights, responsibilities and duties of the Trustee under the Current Resolution are vested in said Trustee in trust for the benefit of the Owners. Any successor Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Current Resolution by executing and delivering

to the Authority a written instrument of acceptance thereof. The External Trustee shall not be liable in connection with the performance of its duties and responsibilities under the Current Resolution, except for its own negligence or default.

Unless otherwise provided by contract between an External Trustee and the Authority, the Trustee may at any time resign and be discharged of its duties and obligations created by the Current Resolution by giving not less than ninety (90) days' written notice to the Authority. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority as provided in the Current Resolution, in which event such resignation shall take effect immediately on the effective date of the appointment of such successor. Notwithstanding anything in the Current Resolution to the contrary, the resignation of the Trustee shall not take effect until a successor Trustee shall have been appointed and shall have accepted its duties and obligations as of the effective date of such resignation.

Any Trustee may be removed at any time by the Owners of a majority of the Bond Obligation by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or by their attorneys duly authorized in writing and delivered to the External Trustee, if any, and to the Authority. The Authority may remove any External Trustee at any time, except during the existence and continuance of an Event of Default. In the event of the occurrence and continuance of an Event of Default and in the event that the Authority is serving in the capacity of the Trustee, the Authority shall immediately appoint a successor Trustee or shall, or any Owner may, petition a court of competent jurisdiction to appoint a successor Trustee, and the Authority shall resign as Trustee as of the effective date of the appointment of such successor Trustee. No Trustee shall be removed unless, on or prior to the effective date of removal of the Trustee, the Owners, the Authority or a court of competent jurisdiction, as the case may be, shall have appointed a successor Trustee and such successor Trustee shall have accepted its duties and obligations under the Current Resolution as of the effective date of such removal. Any successor Trustee shall have the qualifications described above.

### **Events of Default**

The Current Resolution provides that each of the following is an Event of Default: (i) a Bond Amount shall become due on any date and shall not be paid by the Authority to either the Trustee or party due such Bond Amount on said date; or (ii) a default shall be made in the observance or performance of any covenant, contract or other provision of the Commonwealth Mortgage Bonds or Current Resolution, and such default shall continue for a period of ninety (90) days after written notice to the Authority from Owners of twenty-five percent (25%) of the Bond Obligation or from the Trustee specifying such default and requiring the same to be remedied; or (iii) there shall be filed by or against the Authority as debtor a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) under any applicable law or statute now or hereafter in effect.

### **Remedies**

Upon the occurrence and continuance of an Event of Default described in clause (i) in the prior paragraph entitled "Events of Default," the Trustee may, after notice to the Authority, and upon the written request of the Owners of not less than 25% of the Bond Obligation with respect to which such Event of Default has happened, shall, proceed to protect and enforce its rights and the rights of the Owners under applicable law or the Current Resolution. Pursuant to the Act, in the event that the Authority shall default in the payment of principal of or interest on any issue of the Commonwealth Mortgage Bonds and such default shall otherwise continue for 30 days or in the event that the Authority shall fail to comply with the provisions of the Current Resolution, the Owners of 25% in aggregate principal amount of such issue of Commonwealth Mortgage Bonds may appoint a trustee to represent the Owners of such issue of Commonwealth Mortgage Bonds, and such trustee may, and upon written request of the Owners of 25% in aggregate principal amount of such issue of Commonwealth Mortgage Bonds shall, in its name declare all such issue of Commonwealth Mortgage Bonds due and payable.

Upon the occurrence and continuance of any Event of Default, the Trustee may, after notice to the Authority, and upon the written request of the Owners of not less than 25% of the Bond Obligation, shall, proceed to protect and enforce its rights and the rights of the Owners under applicable law or the Current Resolution as described in the prior paragraph.

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Current Resolution or for the execution of any trust thereunder or for any other remedy thereunder, unless (i) (a) such Owner previously shall have given to the Authority and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the Owners of not less than twenty-five percent (25%) of the Bond Obligation or, if such Event of Default is an Event of Default described in clause (i) in the prior section entitled "Events of Default," by the Owners of not less than twenty-five percent (25%) of the Bond Obligation with respect to which such Event of Default has happened, and there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (ii) (a) such Owner previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and (b) such suit, action or proceeding is brought for the ratable benefit of all Owners subject to the provisions of the Current Resolution. No Owner shall have any right in any manner whatever by his action to affect, disturb or prejudice the pledge of Assets under the Current Resolution, or, except in the manner and on the conditions described in this paragraph, to enforce any right or duty under the Current Resolution.

However, nothing in the Current Resolution shall affect or impair the right of any Owner to enforce the payment of any Bond Amount due such Owner.

In any action, suit or other proceeding by the Trustee, the fees and expenses of the Trustee and its counsel allowed by a court of competent jurisdiction, shall be a first lien on the Assets.

All Assets collected by the Trustee pursuant to the provisions of the Current Resolution described in this “Remedies” section shall, unless otherwise directed by a court of competent jurisdiction, be held in trust by the Trustee for the benefit of the Owners, and shall be applied in a manner determined by the Trustee to comply with the terms of the Current Resolution.

In the event that the Assets held by the Authority or Trustee shall be insufficient for the payment of Bond Amounts as such become due and payable, such Assets shall be applied to the payment to the Owners entitled thereto of all Bond Amounts which shall have become due and payable, ratably, according to the amounts due and payable, without any discrimination or preference unless otherwise expressly provided in or determined pursuant to the Current Resolution.

No remedy by the terms of the Current Resolution conferred upon or reserved to the Trustee or to Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute, except as provided in the Current Resolution.

In the case of an Event of Default, the Owners of a majority of the Bond Obligation, shall have the right, subject to the provisions of the Current Resolution, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to Owners not parties to such direction.

### **Record Dates**

The Trustee shall establish such Record Date(s), which the Authority may require to be subject to its prior approval, for the purposes of determining the Owner of any Commonwealth Mortgage Bond or Bond Amount or determining the Owners who are eligible to give their consent or who are to receive notices of certain events under the Current Resolution or who may exercise certain rights under the Current Resolution.

### **Registration**

The Authority and the Trustee may deem and treat the party in whose name any Commonwealth Mortgage Bond shall be registered upon the Registration Books on an applicable Record Date as the absolute Owner of such Commonwealth Mortgage Bond, whether such Commonwealth Mortgage Bond shall be overdue or not, for the purpose of receiving payment of any Bond Amount due and payable during the time period such person is the Owner of said Commonwealth Mortgage Bond, and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability with respect to such Commonwealth Mortgage Bond to the extent of the Bond Amount(s) so paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

### **Law Applicable**

The laws of the Commonwealth shall be applicable to the interpretation and construction of the Current Resolution, except to the extent that the laws of another jurisdiction are determined in or pursuant to the applicable Written Determinations or Prior Written Determinations to be applicable.

### **Effect of Restated Bond Resolution on Bonds Outstanding on Effective Date**

Except as specifically set forth in the Restated Bond Resolution, nothing contained therein shall modify, supersede or otherwise affect the terms of the Series Resolutions or the terms of the Prior Written Determinations. Further, notwithstanding anything in the Restated Bond Resolution to the contrary, Commonwealth Mortgage Bonds issued under the 1986 Amended Resolution shall be subject to redemption as provided in the 1986 Amended Resolution, the Series Resolutions and the Prior Written Determinations originally applicable to such Bonds.

However, the Restated Bond Resolution provides that:

1. All funds and accounts established under or pursuant to the Series Resolutions or the Prior Written Determinations shall be governed by the terms of the Restated Bond Resolution and shall not be subject to the terms of the Series Resolutions and the Prior Written Determinations;
2. All references in the Series Resolutions and the Prior Written Determinations to the tax covenant in the 1986 Amended Resolution or to the “Tax Covenant” as defined in the Series Resolutions shall be deemed to refer to the Tax Covenant as set forth in the Restated Bond Resolution;
3. The Debt Service Reserve Fund Requirement specified in each Series Resolution or each Prior Written Determinations shall be \$0; and

4. The Mortgage Loans which are Assets under the Restated Bond Resolution shall be governed by the provisions of the Restated Bond Resolution and shall not be subject to the covenants, requirements, restrictions, limits and other provisions relating thereto in the Series Resolutions and the Prior Written Determinations, except as required to comply with the Tax Covenant in the Restated Bond Resolution.

Notwithstanding the foregoing exceptions, the covenants of the Authority in such Prior Written Determinations to deposit into Taxable Revenue Accounts (as established pursuant to the Series Resolutions) (i) funds in amounts equal to the outstanding principal balances of any Mortgage Loans that are delinquent by four consecutive monthly payments or are restructured by having delinquent payments added to their outstanding principal balances and (ii) proceeds from the purchase by financial institutions of Mortgage Loans in the event of any material breach of any of their representations or warranties to the Authority with respect to such Mortgage Loans shall remain in full force and effect, provided that the Authority may deposit such funds and proceeds in any other fund and account that is to be used for the payment of principal and interest on the Commonwealth Mortgage Bonds that financed such Mortgage Loans.

The 1986 Amended Resolution established the Revenue Fund and a Bond Payment Fund, and the Series Resolutions and Prior Written Determinations established other accounts in connection with the issuance of Commonwealth Mortgage Bonds. The Authority maintains the Revenue Fund in accordance with the terms of the Restated Bond Resolution and, as permitted by the Restated Bond Resolution, no longer maintains the Bond Payment Fund or the accounts established by the Series Resolutions or Prior Written Determinations. However, in order to comply with the terms of the 1986 Amended Resolution governing the special redemption of Commonwealth Mortgage Bonds issued pursuant to the Series Resolutions or Prior Written Determinations, the Authority is required by the Restated Bond Resolution to establish and comply with accounting practices and procedures that will ensure that any special redemptions of Commonwealth Mortgage Bonds issued under the Series Resolutions or Prior Written Determinations shall be effected in the same or lesser amount and on the same or later date as could have been effected if such Funds and Accounts had been maintained.

## **TAX MATTERS**

### **Federal Taxes**

The proceeds of the Offered Bonds are expected to be used as set forth in “Description of the Offered Bonds.” The Offered Bonds and the other Series ABC Bonds have been issued pursuant to a common plan of financing and treated as a composite issue for purposes of the Code. Failure to comply with federal tax requirements with respect to any of the Series ABC Bonds may cause interest on the Series ABC Bonds, including the Offered Bonds, to be included in gross income for federal income tax purposes.

The Code provides that interest on obligations of a governmental unit such as the Authority issued to finance single family residences or to refund bonds issued for such purposes is excluded from gross income for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations, the use of the funds generated by the issuance of the obligations, the nature of the residences and the mortgage loans and the eligibility of the borrowers executing the mortgage loans.

The Code requires that the Authority provide restrictions in all relevant documents to permit financing only in accordance with such requirements and that the Authority establish reasonable procedures to assure compliance. These requirements and procedures are described in Appendix D. The Authority has included provisions in the Commonwealth Mortgage Bonds Resolution, its program documentation and other relevant documents and has established procedures (including receipt of certain affidavits and representations from Originating Lenders, as defined in “Single Family Mortgage Loan Origination Procedures and Underwriting Criteria” in “The Single Family Programs”, and Mortgagors respecting the Mortgage Loan eligibility requirements) in order to assure compliance with the Mortgage Loan eligibility requirements and other requirements of the Code. The Authority has covenanted in the Commonwealth Mortgage Bonds Resolution to comply with the Code and for such purposes, to adopt and maintain appropriate procedures. The Authority believes that the procedures and documentation requirements established for the purpose of fulfilling these covenants are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of the Code so as to assure that interest on the Offered Bonds, is not included in gross income for federal income tax purposes.

On the date of issuance of the Offered Bonds, Hawkins Delafield & Wood LLP, then Special Tax Counsel (and currently Bond Counsel) to the Authority, delivered its opinion (the “Tax Exempt Opinion”) under then-existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Offered Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. In rendering its opinion, Hawkins Delafield & Wood LLP relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Offered Bonds, and Hawkins Delafield & Wood LLP assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code. Hawkins Delafield & Wood LLP expressed no opinion in its Tax Exempt Opinion as to any other matter with respect to the exemption of interest on the Offered Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, county or other jurisdiction. Hawkins Delafield & Wood LLP rendered its Tax Exempt Opinion under then-existing statutes and

court decisions as of the date of its Tax Exempt Opinion, and assumed no obligation to update, revise or supplement its Tax Exempt Opinion to reflect any action taken or not taken after the date of its Tax Exempt Opinion, or any facts or circumstances that come to its attention after the date of its Tax Exempt Opinion, or changes in law or in interpretations thereof that occur after the date of its Tax Exempt Opinion, or for any other reason. Hawkins Delafield & Wood LLP expressed no opinion on the effect of any action taken or not taken after the date of its Tax Exempt Opinion in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

The proposed opinion (the “Conversion Opinion”) of Hawkins Delafield & Wood LLP, currently Bond Counsel to the Authority, to be delivered to the Authority on the date of delivery of the Offered Bonds is attached hereto as Appendix K. The Conversion Opinion will state that the conversion of the Offered Bonds to Fixed Rates, in and of itself, will not adversely affect the exclusion of interest on the Offered Bonds from gross income for federal income tax purposes. Hawkins Delafield & Wood LLP expresses no opinion as to any other matter with respect to the exemption of interest on the Offered Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, county or other jurisdiction. Hawkins Delafield & Wood LLP renders its Conversion Opinion under existing statutes and court decisions as of the date of its Conversion Opinion, and assumes no obligation to update, revise or supplement its Conversion Opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds and the other Series ABC Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for federal income tax purposes retroactively to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

The following is a brief discussion of certain collateral federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of an Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Offered Bonds.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The Authority’s Tax Certification delivered concurrently with the issuance of the Offered Bonds and the other Series ABC Bonds contained provisions and procedures relating to compliance with the requirements of the Code. The Authority, in executing its Tax Certification, certified to the effect that it expected to be able to and would comply with the provisions and procedures set forth therein. The Authority also covenanted in the Current Resolution that it shall at all times do and perform all acts required by law in order to assure that interest paid on the Offered Bonds is not included in the gross income of the Owners thereof pursuant to the Code. In furtherance thereof, the Authority has required or will require each Mortgagor with respect to each Mortgage Loan to be financed from the proceeds of the Offered Bonds and the other Series ABC Bonds to make certain covenants in the Mortgage Loan documents in order to satisfy the above described requirements of the Code. However, no assurance can be given that in the event of a breach of any such provisions, procedures and covenants, the remedies available to the Authority and/or owners of the Offered Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable federal tax law and therefore to prevent the loss of the exclusion of interest on the Offered Bonds pursuant to the Code. Any loss of the exclusion of interest on the Offered Bonds may be retroactive to their issue date, irrespective of when an event of noncompliance may occur or be ascertained.

### **Backup Withholding and Information Reporting**

Information reporting requirements apply to interest paid on tax exempt obligations, including the Offered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients.

A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. If an owner purchasing an Offered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Offered Bonds from gross income for federal income tax

purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### **Virginia Taxes**

Under the Act, income on the Offered Bonds, including any profit made on the sale thereof, is not included in taxable income for purposes of income taxation by the Commonwealth and by the municipalities and all other political subdivisions of the Commonwealth. All potential purchasers should consult their tax advisors regarding tax treatment of the Offered Bonds by the Commonwealth.

### **Proposed Legislation and Other Matters**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax exempt status of interest on the Offered Bonds under federal or state law or otherwise prevent beneficial owners of the Offered Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Offered Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of an Offered Bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such Offered Bond.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

### **CONTINUING DISCLOSURE**

The Authority has covenanted for the benefit of the Holders and the Beneficial Owners, as each term is defined in the Continuing Disclosure Agreement, of the Offered Bonds, to provide certain financial information and operating data relating to the Authority by not later than 180 days following the end of the Authority's Fiscal Year (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events. See Appendix H for a Summary of the Continuing Disclosure Agreement, including defined terms. The Continuing Disclosure Agreement provides that the Annual Financial Information and notices of such events shall be filed by the Authority in the manner prescribed by the Municipal Securities Rulemaking Board (the "MSRB") which currently requires filing with the Electronic Municipal Markets Access ("EMMA") system established by the MSRB. EMMA's website address currently is [www.emma.msrb.org](http://www.emma.msrb.org).

The specific nature of the information to be contained in the Annual Financial Information or the required event notices and other terms of the Continuing Disclosure Agreement are summarized in Appendix H. These covenants have been made in order to assist the Remarketing Agents to comply with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"). The Authority has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or required event notices.

The rights of the Trustee and of Owners, including Beneficial Owners, to enforce the provisions of the Continuing Disclosure Agreement are limited as described more fully in "Enforcement" in Appendix H and any failure by the Authority to comply with the Continuing Disclosure Agreement will not constitute an Event of Default under the Commonwealth Mortgage Bonds Resolution.

The Continuing Disclosure Agreement requires the Authority to provide only limited information at specified times and may not require the disclosure of all information necessary for determining the value of the Offered Bonds.

The Authority periodically compiles certain information on its bond and mortgage loan programs which is available on its website, [www.vhda.com](http://www.vhda.com). Although the Authority presently intends to continue to compile such information and make it available on its website, it is not obligated to do so pursuant to the Continuing Disclosure Agreement.

### **LEGAL MATTERS**

At the time of issuance of the Offered Bonds on December 20, 2012, certain legal matters relating to the authorization and validity of the Offered Bonds were the subject of the approving opinion of Hunton & Williams LLP, Richmond, Virginia, then Bond Counsel to the Authority. Such opinion (the "Approving Opinion") was limited to matters relating to the authorization and validity of the Offered Bonds. As described in "Tax Matters" above, certain legal matters relating to federal income tax treatment of interest on the Offered Bonds were the subject of the tax opinion (the "Tax Opinion") of Hawkins Delafield & Wood LLP, then Special Tax Counsel to the Authority. Copies of these opinions are attached hereto as Appendices I and J, respectively. In addition, the proposed Conversion Opinion of Hawkins Delafield & Wood LLP, currently Bond Counsel to the Authority, to be delivered on the date of delivery of the Offered Bonds is attached hereto as Appendix K. Neither Hunton & Williams LLP nor Hawkins Delafield & Wood LLP was or has been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Offered Bonds, and neither the Approving Opinion, the Tax Opinion nor the Conversion Opinion makes any statement as to such matters or as to the accuracy or completeness of this Official Statement generally. In addition, certain legal matters will be passed upon for the Remarketing Agents by Kutak Rock LLP, counsel to the Remarketing Agents, in its opinion to be delivered on the date of delivery of the Offered Bonds. Certain legal matters were



passed on for the Authority by its General Counsel, Paul M. Brennan, Esquire, at the time of the issuance of Offered Bonds on December 20, 2012.

## **REMARKETING**

The Offered Bonds are being purchased by the remarketing agents listed on the front cover of this Official Statement as delivered in its final form (the “Remarketing Agents”). The Remarketing Agents have agreed, pursuant to certain terms and conditions with respect to the Offered Bonds, to purchase at a price of par all of the Offered Bonds if any are purchased. In connection with said purchase and remarketing, the Remarketing Agents are to receive a fee of \$426,502.50.

The information regarding initial public offering prices or yields set forth on the front cover of this Official Statement as delivered in its final form has been provided by the Remarketing Agents. Said initial public offering prices or yields may be changed by the Remarketing Agents with respect to the Offered Bonds. In connection with the offering of the Offered Bonds, the Remarketing Agents may engage in transactions that stabilize, maintain or otherwise affect the price of the Offered Bonds, including transactions to (i) over allot in arranging the sales of the Offered Bonds and (ii) make purchases and sales of the Offered Bonds, for long or short account, on a when-issued or other basis at such prices, in such amounts and such manner as the Remarketing Agents may determine.

The information in the following paragraphs has been provided by the Remarketing Agents.

The Remarketing Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Remarketing Agents and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Remarketing Agents and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

## **RATINGS**

As noted on the front cover, the Offered Bonds received a long-term rating of “Aaa” from Moody’s and “AAA” from S&P. It is a condition to the Remarketing Agents’ obligation to purchase the Offered Bonds that S&P shall have assigned such long term rating and that neither rating agency shall have lowered, withdrawn or suspended its rating prior to the Date of Delivery.

An explanation of the significance of these ratings and the ratings noted in “General Obligations of the Authority” in “Security” may be obtained from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Offered Bonds and should be evaluated independently. There is no assurance that the ratings will be maintained for any period of time or that the ratings may not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainty regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market

value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may or may not be any immediate direct adverse impact on FHA, Ginnie Mae, Fannie Mae, Freddie Mac or the Authority. No assurance can be given, however, that a sequester or a government shutdown which at first has no direct adverse impact on such entities would continue to have no direct adverse impact upon the United States housing industry in general or the Authority in particular.

#### **LITIGATION**

No litigation of any nature as of the date hereof is pending against the Authority or, to the Authority's knowledge, threatened against the Authority (i) to restrain or enjoin the remarketing of any of the Offered Bonds, (ii) to in any material way restrain or enjoin the collection and application of Assets pledged pursuant to the Commonwealth Mortgage Bonds Resolution, (iii) in any way contesting or affecting any authority for the remarketing or validity of the Offered Bonds or the validity of the Commonwealth Mortgage Bonds Resolution, (iv) in any material way contesting the existence or powers of the Authority, or (v) in any material way contesting or affecting the Assets pledged for the payment of the Offered Bonds.

#### **LEGAL INVESTMENT**

The Act provides, in part, that the Authority's bonds (which would include Commonwealth Mortgage Bonds) are legal investments in which all public officers and public bodies of the Commonwealth and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations, banks, bankers, banking associations, trust companies, savings banks, savings associations, savings and loan associations, building and loan associations, investment companies, administrators, guardians, executors, trustees and other fiduciaries may properly and legally invest funds, including capital, in their control or belonging to them. The Act further provides that the Authority's bonds are also securities which may properly and legally be deposited with and received by all public officers and bodies of the Commonwealth or any agencies or political subdivisions of the Commonwealth and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

#### **MISCELLANEOUS**

The Authority has furnished all information in this Official Statement relating to the Authority. The financial statements of the Authority in Appendix A as of June 30, 2013 and for the year then ended have been examined by KPMG LLP, independent certified public accountants, to the extent set forth in their report, without further review to the date hereof. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Authority could cause actual results to differ materially from those stated in the forward looking statements. The Official Statement is not to be construed as a contract or agreement between the Authority and the Owners of the Offered Bonds being offered hereby.

The distribution of this Official Statement has been duly authorized by the Authority.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

## PART II – SUMMARY OF PROGRAMS

### THE SINGLE FAMILY PROGRAMS

The information that follows is provided to explain the Authority's current programs of making or purchasing single family mortgage loans pursuant to the Authority's bond resolutions (including the Commonwealth Mortgage Bonds Resolution), from net assets and through the issuance of Ginnie Mae and Fannie Mae securities or the sales of single family mortgage loans to Fannie Mae, all as described herein. The types, terms, security (including mortgage insurance), origination procedures, underwriting criteria and servicing (including loan modifications) of and for the Authority's single family mortgage loans are generally as described herein. Also described are the Authority's obligation to make timely payment of principal and interest on the single family mortgage loans included in the pools of such loans represented by Ginnie Mae securities for which the Authority acts as servicer, the Authority's obligation to repurchase certain single family mortgage loans included in the pools represented by Fannie Mae securities, and the Authority's potential liability for its failure to deliver Ginnie Mae or Fannie Mae securities to purchasers. This information does not purport to be comprehensive or definitive, and the limits, amounts of financial reserves, rules and criteria described herein are not required by any bond resolution and are subject to modification, change or waiver by the Authority, in whole or in part at any time, and with respect to any particular single family mortgage loan.

#### *General Description of Single Family Programs*

Under its single family programs, the Authority has made and purchased single family mortgage loans for financing and/or refinancing (including the refinancing of any existing single family mortgage loan and any equity in the single family residential housing in excess of any such existing single family mortgage loan) the ownership or rehabilitation, or ownership and rehabilitation, of owner-occupied single family residential housing consisting of not more than four dwelling units, including condominium units, intended for occupancy by persons and households of low and moderate income. As discussed below, effective April 1, 2008, the Authority suspended the financing of certain rehabilitation and improvement costs. Also, effective April 1, 2008, the Authority suspended its then existing program for the financing of single family mortgage loans that refinance single family homes; however, the Authority currently refinances single family mortgage loans as discussed in "Fannie Mae Financing" and "FHA and VA Streamline Refinance Programs" below and from July 1, 2013 through September 30, 2013 offered refinancing of Interest Only Mortgage Loans as discussed in "Single Family Mortgage Loan Terms" below.

#### *Summary of Types of Single Family Mortgage Loans*

Below is a summary of each of the types of single family mortgage loans financed by the Authority under the single family program as more fully described herein.

<u>Type of Single Family Mortgage Loan</u>	<u>Description</u>
First Mortgage Loan	A single family mortgage loan which is secured by a lien which is not subordinate to a lien for another mortgage loan. All single family mortgage loans, except Second Mortgage Loans, are First Mortgage Loans. First Mortgage Loans may be Insured Mortgage Loans or Self-Insured Mortgage Loans.
Second Mortgage Loan	A single family mortgage loan which is secured by a lien which is subordinate to a lien securing another single family mortgage loan (including an Authority single family mortgage loan). FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans are Second Mortgage Loans. All Second Mortgage Loans are Self-Insured Mortgage Loans.
FHA Plus Second Mortgage Loan	A Second Mortgage Loan which is originated in conjunction with a FHA insured First Mortgage Loan.
Homebuyer Tax Credit Plus Mortgage Loan	A Second Mortgage Loan which is originated in conjunction with a FHA insured First Mortgage Loan and which has a 0% interest rate and no monthly payments for the initial 12 months.
Home Stride Second Mortgage Loan	A Second Mortgage Loan, in the maximum principal amount of \$25,000, which is originated in conjunction with an Authority financed First Mortgage Loan in certain high cost areas and which has a 0% interest rate and no monthly payments for the initial three years.
Insured Mortgage Loan	A single family mortgage loan which is insured or guaranteed by a federal government entity or private mortgage insurance company.

<u>Type of Single Family Mortgage Loan</u>	<u>Description</u>
Self-Insured Mortgage Loan	A single family mortgage loan which is not insured or guaranteed by a federal government entity or private mortgage insurance company. All Interest Only Mortgage Loans (and the single family mortgage loans that refinance such Interest Only Mortgage Loans), FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans, and Home Stride Second Mortgage Loans are Self-Insured Mortgage Loans. Any Fannie Mae Mortgage Loan (as defined below in "Fannie Mae Financing") that is purchased by the Authority but has not yet been securitized through Fannie Mae or is repurchased by the Authority pursuant to the Authority's agreement with Fannie Mae is or will be a Self-Insured Mortgage Loan. The Authority has previously financed other single family mortgage loans which are Self-Insured Mortgage Loans. The Authority has previously financed and currently finances single family mortgage loans having a loan to value ratio at or below 80% without requiring that the loan be insured or guaranteed.
Level Payment Mortgage Loan	A single family mortgage loan which has substantially equal monthly principal and interest payments for the entire or remaining term of the mortgage loan. Level Payment Mortgage Loans include single family mortgage loans that were originally Non-Level Payment Mortgage Loans but which now have substantially equal principal and interest payment schedules for their remaining terms.
Non-Level Payment Mortgage Loan	A single family mortgage loan which has future monthly principal and interest payments which are not substantially equal. Interest Only Mortgage Loans, Step Rate Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans are Non-Level Payment Mortgage Loans on the date of their origination.
Interest Only Mortgage Loan	A single family mortgage loan which has scheduled interest only payments for the initial seven years and is thereafter a Level Payment Mortgage Loan for the remaining 23 years of the loan term. The interest rate is fixed for the life of the mortgage loan. Interest Only Mortgage Loans are Self-Insured Mortgage Loans.
Step Rate Mortgage Loan	A single family mortgage loan which has an interest rate that increases by 1.0% at the end of the first year and by another 1.0% at the end of the second year and remains at such interest rate for the balance of the term of the mortgage loan. Typically, the initial interest rate was set at 1.50% below the interest rate on the Authority's standard Level Payment Mortgage Loans.

The above descriptions are qualified by the more detailed descriptions herein of the types of single family mortgage loans.

*Single Family First Mortgage Loans Currently and Previously Financed*

The Authority has used and currently uses proceeds of its bonds and other funds (such as net assets) to finance single family mortgage loans that are secured by first liens ("First Mortgage Loans") and that finance single family homes in amounts not to exceed (i) 97% of the lesser of (a) the sales price (if applicable) or (b) the appraised value of the single family homes or (ii) in the case of single family mortgage loans insured or guaranteed by the Federal Housing Administration ("FHA"), Veterans Administration or Department of Veterans' Affairs ("VA") or Rural Development ("RD"), such amounts (which may exceed 100% of the sales price or appraised value) as are permitted by FHA, VA or RD. The Authority has adopted changes to its regulations that permit the Authority to establish a lower percentage to be financed by its First Mortgage Loans if necessary to protect its financial interests or enable it to effectively and efficiently allocate its current and anticipated financial resources. The Authority has not established any such lower percentages but can give no assurance that it will not do so in the future. The Authority has previously financed First Mortgage Loans in amounts not to exceed 104% of the lesser of (a) or (b) above. See "FHA and VA Streamline Refinance Programs" below for a discussion of FHA insured and VA guaranteed First Mortgage Loans that may be financed by the Authority in amounts in excess of the above described limits. See also "Single Family Mortgage Loan Terms" below for a discussion of the Authority's program that offered the refinancing of its Interest Only Mortgage Loans in amounts that could exceed the above described limits.

*Single Family Second Mortgage Loans Currently and Previously Financed*

The Authority has used and currently uses proceeds of its bonds and other funds (such as net assets) to finance single family mortgage loans which are secured by second liens ("Second Mortgage Loans"). Second Mortgage Loans are not insured or guaranteed by the federal government or private mortgage insurance companies. One type of Second Mortgage Loan provides financing, in conjunction with the origination of an Authority financed First Mortgage Loan insured by FHA, to fund part of the mortgagors' down payment and closing costs not financed by the related FHA insured First Mortgage Loans. Such type of Second Mortgage Loan is referred to as the "FHA Plus Second Mortgage Loan." Each FHA Plus Second Mortgage Loan

may, when combined with the related FHA insured First Mortgage Loan, be in a principal amount not to exceed 103.25% of the lesser of the sales price or the appraised value of the residence and is secured by the lien of a deed of trust subordinate to the lien of the deed of trust securing the FHA insured First Mortgage Loan. The maximum principal amount described in the preceding sentence changes whenever FHA changes the maximum up-front mortgage insurance premium that FHA allows the FHA insured First Mortgage Loan to fund. The term and the interest rate on the FHA Plus Second Mortgage Loans are the same as those on the related FHA insured First Mortgage Loan. Pursuant to changes to the Authority's regulations, FHA Plus Second Mortgage Loans are permitted to be financed in conjunction with the origination of a first mortgage loan financed by a lender other than the Authority; however, the Authority has not financed, and has no plans to finance such FHA Plus Second Mortgage Loans, but no assurance can be given that the Authority will not commence the financing of such FHA Plus Second Mortgage Loans.

Effective June 2009, the Authority began originating another type of Second Mortgage Loan which provided financing, in conjunction with the origination of an Authority financed First Mortgage Loan insured by FHA and in anticipation of the eligibility of the mortgagors for the federal first-time homebuyer tax credit, to fund part of the mortgagors' down payment and closing costs not financed by the related FHA insured First Mortgage Loan. Such type of Second Mortgage Loan is referred to as the "Homebuyer Tax Credit Plus Mortgage Loan." Each Homebuyer Tax Credit Plus Mortgage Loan could, when combined with the related FHA insured First Mortgage Loan, be in a principal amount not to exceed 104% of the lesser of the sales price or the appraised value of the residence and is secured by the lien of a deed of trust subordinate to the lien of the deed of trust securing the FHA insured First Mortgage Loan. For the initial 12 months, such Second Mortgage Loan bore a 0% interest rate, and no monthly payments are due on such Loan during such 12 months. The term and interest rate (after the initial twelve month period) on the Homebuyer Tax Credit Plus Mortgage Loan are the same as those on the related FHA insured First Mortgage Loan. Because of the expiration of the federal first-time homebuyer tax credit, the Authority suspended originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010 and, in the case of such loans to certain qualified members of the military, on January 31, 2011; however, no assurance can be given whether the Authority will recommence the financing of such Homebuyer Tax Credit Plus Mortgage Loans if a similar federal tax credit is made available to homebuyers.

Prior to July 1, 2008, the Authority also financed another type of Second Mortgage Loan which was a Subsidized Mortgage Loan (as defined in "General Fund and Other Net Assets" in "The Authority"), was only made in conjunction with an Authority financed First Mortgage Loan, and had a maximum principal amount of \$25,000. Such type of Second Mortgage Loan was referred to as the "Home Stride Second Mortgage Loan." Home Stride Second Mortgage Loans were available only in certain high costs areas identified by the Authority. For the initial three years, the Home Stride Second Mortgage Loans had a 0% interest rate and no monthly payments were due during such three years. Following the initial three years, the interest rate changed to 5% and monthly payments commenced at a level that will fully amortize such mortgage loan over its remaining 27 years. The combined amounts of the First Mortgage Loan and the Home Stride Second Mortgage Loan typically exceeded both the sales price and the appraised value of the residence. Effective July 1, 2008, the Authority suspended the financing of Home Stride Second Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Home Stride Second Mortgage Loans.

#### *Other Single Family Mortgage Loan Financings Prior to April 1, 2008*

Prior to April 1, 2008, the Authority financed mortgage loans that refinanced single family homes. In the case of such mortgage loans, the loan amount (plus all subordinate debt secured by the property after closing of such mortgage loan) could not exceed the lesser of the then current appraised value of the property or the sum of (i) the payoff (if any) of the applicant's or applicants' existing first mortgage loan; (ii) the payoff (if any) of applicant's or applicants' subordinate mortgage loans (provided such loans did not permit periodic advancement of loan proceeds) closed for not less than 12 months preceding the date of the closing of the Authority mortgage loan and the payoff (if any) of applicant's or applicants' home equity line of credit loan (i.e. loan which permitted periodic advancement of proceeds) with no more than \$2,000 in advances within the 12 months preceding the date of the closing of the Authority mortgage loan, excluding funds used for the purpose of documented improvements to the residence; (iii) the cost of improvements which were performed to the property after the closing of the Authority mortgage loan and for which loan proceeds were escrowed at closing; (iv) closing costs, discount points, fees and escrows payable in connection with the origination and closing of the Authority mortgage loan; and (v) up to \$500 to be payable to the applicant or applicants at closing. In addition, if the applicant or applicants requested to receive loan proceeds at closing in excess of the limit set forth in (v) above, the loan amount (plus all subordinate debt secured by the property after closing of the Authority mortgage loan) could be increased to finance such excess cash up to a loan amount not in excess of 95% of the current appraised value. If the applicant's or applicants' existing mortgage loan to be refinanced was an Authority mortgage loan, the applicant or applicants could request a streamlined refinance of such existing mortgage loan in which the Authority required less underwriting documentation (e.g. verification of employment) and charged reduced points and fees. For such streamlined refinances, the loan amount (plus all subordinate debt secured by the property after closing of the new Authority mortgage loan) was limited to (i) the payoff of the existing mortgage loan and (ii) required closing costs, discount points, fees and escrows payable in connection with the origination and closing of the new Authority mortgage loan; provided, however, that the loan amount (plus all subordinate debt to be secured by the property after closing of the new Authority mortgage loan) could not exceed 100% of the greatest of original appraised value, current real estate tax assessment, current appraised value or other alternative valuation method approved by the Authority. Such mortgage loans are First Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of mortgage loans that refinance single family homes as described above. No assurance can be given whether the Authority will recommence the financing of any such loans (see "Fannie Mae Financing" below for a discussion of the single family mortgage loans that are being financed through Fannie Mae, including mortgage

loans that refinance existing single family mortgage loans; see “FHA and VA Streamline Refinance Programs” below for a discussion of the refinancings by the Authority of its FHA insured and VA guaranteed single family mortgage loans; and see “Single Family Mortgage Loan Terms” below for a discussion of the refinancing by the Authority of its Interest Only Mortgage Loans).

Prior to April 1, 2008, the Authority also financed single family mortgage loans that included (a) costs of rehabilitation and improvements completed subsequent to the closing of such mortgage loan, subject to a maximum loan-to-value ratio of 105% of the lesser of the sales price (in the case of mortgage loans that financed the acquisition of a single family home) or appraised value and (b) costs of retrofitting or adding accessibility features to accommodate the needs of disabled occupants up to an additional 5% of the lesser of the sales price (in the case of mortgage loans that financed the acquisition of a single family home) or the appraised value. The Authority would also finance the costs of rehabilitation not in excess of 50% of the as-completed appraised value, provided that the principal amount of the single family mortgage loan did not exceed 100% of (a) in the case of a mortgage loan that financed the acquisition of a single family home, the lesser of the sum of the sales price plus the rehabilitation costs or the as-completed appraised value or (b) in the case of a mortgage loan that refinanced a single family home, the lesser of the sum of the outstanding principal balance thereof plus the rehabilitation costs or the as-completed appraised value. The single family mortgage loans that include the financing of costs described in this paragraph are First Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of the single family mortgage loans that include the financing of the above described costs. No assurance can be given whether the Authority will recommence the financing of such costs.

#### *Single Family Mortgage Loan Insurance*

The Authority’s bond resolutions do not require that single family mortgage loans be insured or guaranteed. The Authority’s program guidelines currently require that First Mortgage Loans financed, in whole or in part, with the proceeds of Tax Exempt Bonds and having a loan to value ratio in excess of 80% be either (i) subject to private mortgage insurance, or (ii) insured or guaranteed by the VA, FHA, RD or other entity of the federal government. However, the Authority’s program guidelines do not require any mortgage insurance or guaranty for (i) Interest Only Mortgage Loans or the single family mortgage loans that refinance such Interest Only Mortgage Loans, (ii) single family mortgage loans financed solely with the proceeds of Taxable Bonds (except for mortgage loans with loan to value ratios in excess of 80% that finance manufactured housing) or Authority net assets, or (iii) Second Mortgage Loans. Such mortgage loans described in the preceding sentence that are not insured or guaranteed are referred to herein as “Self-Insured Mortgage Loans.” The Authority’s program guidelines also do not require any mortgage insurance or guarantee for Fannie Mae Mortgage Loans (as defined in “Fannie Mae Financing” below). The Authority’s bond resolutions permit the Authority to modify its program guidelines with regard to mortgage insurance at its discretion.

The federal Homeowners Protection Act of 1998 (the “1998 Act”) permits a borrower to cancel private mortgage insurance (for which the borrower pays the premium) on the date on which the principal balance of the single family mortgage loan is scheduled to reach 80% of the original value of the residence or on the date on which the principal balance actually reaches 80% of the original value of the residence. The original value is the lesser of the sales price or the appraised value at the time the single family mortgage loan transaction was consummated. In order to effect such cancellation, the borrower must request in writing that the cancellation be initiated, must have a good payment history with respect to the mortgage loan (i.e., no mortgage payment was, during the year beginning two years prior to cancellation, 60 or more days delinquent, and no mortgage payment was, during the year beginning one year prior to cancellation, 30 or more days delinquent), and must satisfy any requirements of the lender for evidence that the value of the residence has not declined below its original value and for certification that the borrower’s equity in the residence is not encumbered by a subordinate loan. The 1998 Act further provides for automatic termination of private mortgage insurance on the date on which the principal balance of the single family mortgage loan is scheduled to reach 78% of the original value of the residence, or if the borrower is not then current on his mortgage loan payments, on the date on which the borrower subsequently becomes current on such payments. These termination and cancellation provisions do not apply to single family mortgage loans characterized as high risk loans. Even if the private mortgage insurance is not canceled or terminated as described above, private mortgage insurance must be terminated on the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan if the mortgagor is then current on his mortgage loan payments. The 1998 Act also requires that borrowers be provided with certain disclosures and notices regarding termination and cancellation of private mortgage insurance. The 1998 Act applies to single family mortgage loans closed on or after July 29, 1999. The Authority provides the same right to borrowers whose single family mortgage loans closed prior to such effective date. The Authority has also previously provided the same rights to borrowers of FHA-insured mortgage loans, however, on February 1, 2013, FHA announced that, in the case of new mortgage loans assigned an FHA case number after June 3, 2013, the mortgage insurance premium for FHA mortgage insurance must continue to be collected until the earlier of the end of the mortgage term or (i) 11 years in the case of a mortgage loan having an original loan-to-value ratio not greater than 90%, or (ii) 30 years in the case of a mortgage loan having an original loan-to-value ratio of greater than 90%, and as a result, the Authority will not be permitting the cancellation of FHA mortgage insurance prior to the termination of the applicable period for collection of the premium. The Authority also permits the cancellation of mortgage insurance if the balance of the single family mortgage loans (other than FHA-insured mortgage loans described in the preceding sentence) is equal to or less than 80%, or such lesser percentage determined by the Authority, of the current property value, subject to the satisfaction of such criteria, requirements and conditions as the Authority may impose for such cancellation. The Authority cannot currently predict what will be the effect, if any, on future losses incurred on single family mortgage loans as a result of this Act or as a result of its application of the 1998 Act to mortgage loans closed prior to

July 29, 1999 or to FHA-insured single family mortgage loans (when permitted by FHA) or of the cancellation of mortgage insurance described in the preceding sentence.

The Authority has previously financed and currently finances Self-Insured Mortgage Loans having a loan-to-value ratio at or below 80%. Prior to April 1, 2008, the Authority also financed Self-Insured Mortgage Loans with loan to value ratios above 80% but not in excess of 100%. The Authority's regulations authorize the financing of an additional 5% for closing costs and fees (but the Authority has not provided such financing for closing costs and fees) and for rehabilitation and improvements to be completed after the closing of the Self-Insured Mortgage Loan as described above and an additional 5% may be financed for costs of retrofitting or adding accessibility features to accommodate the needs of a disabled occupant as described above. Effective April 1, 2008, the Authority suspended the financing of Self-Insured Mortgage Loans, except FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans (see "Single Family Second Mortgage Loans Currently and Previously Financed" above regarding the subsequent suspension of the financing of such Homebuyer Tax Credit Plus Mortgage Loans) and mortgage loans having a loan-to-value ratio at or below 80%. However, the mortgage loans that are being financed through Fannie Mae, including those having a loan-to-value ratio above 80%, are not insured or guaranteed by a federal government entity or private mortgage insurance company, and such mortgage loans if repurchased by the Authority from Fannie Mae would be Self-Insured Mortgage Loans (see "Fannie Mae Financing" below). In addition, the single family mortgage loans that have refinanced the Authority's Interest Only Mortgage Loans as described in "Single Family Mortgage Loan Terms" below are Self-Insured Mortgage Loans. No assurance can be given whether the Authority again will expand the financing of other Self-Insured Mortgage Loans.

Pursuant to changes to the Authority's regulations, the Authority may impose minimum ratings on the issuers of private mortgage insurance policies; however, no assurance can be given whether the Authority will commence requiring such ratings.

#### *Single Family Mortgage Loan Terms*

Substantially all existing single family mortgage loans have, and future single family mortgage loans are expected to have, original terms of approximately 30 years and bore or are expected to bear, interest at fixed rates. The Authority has previously financed Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans which bore a 0% interest rate during an initial period of 12 months and three years, respectively, and no monthly payments were due during such initial periods. The Authority has suspended the financing of Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans. Also, the Authority has previously financed Step Rate Mortgage Loans which bore interest rates approximately one and one-half percentage points below the customary fixed rates and such initial interest rate increased by one percentage point at the end of the first year of the Step Rate Mortgage Loan and by another percentage point at the end of the second year of the Step Rate Mortgage Loan and remain at that rate for the remaining life of the Step Rate Mortgage Loan. However, effective April 1, 2008, the Authority suspended the financing of such Step Rate Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of such Step Rate Mortgage Loans.

In September 2004, the Authority implemented a program to finance single family mortgage loans on which interest only will be payable for seven years and which will thereafter be fully amortized over the remainder of the 30-year term of the mortgage loan (each an "Interest Only Mortgage Loan"). The interest rate on each such Interest Only Mortgage Loan is fixed during its term. The maximum principal amount of each Interest Only Mortgage Loan is 100% of the lesser of sales price or appraised value. Interest Only Mortgage Loans are Self-Insured Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of Interest Only Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Interest Only Mortgage Loans in the future. The Authority made restructuring offers to all mortgagors of Interest Only Mortgage Loans which were scheduled to commence principal payments in 2011, which was the first year that any Interest Only Mortgage Loans were scheduled to commence principal payments. Such restructuring offers, if accepted by the mortgagors, modified their Interest Only Mortgage Loans and resulted in Level Payment Mortgage Loans with new full 30 year terms or extensions of the periods during which interest only is payable. The Authority has offered and anticipates continuing to offer, on a case-by-case basis, similar restructuring on Interest Only Mortgage Loans that were or are scheduled to commence principal payments in the years 2012 and later. As of September 30, 2013, approximately \$42.8 million of outstanding principal balance of Interest Only Mortgage Loans which were scheduled to commence principal payments in 2011, 2012 and 2013 had been restructured. In addition, the Authority commenced on July 1, 2013, the implementation of a program that offered to the mortgagors of Interest Only Mortgage Loans new single family mortgage loans that would refinance the principal balance (regardless of the loan-to-value ratio) of their Interest Only Mortgage Loans (plus an amount not to exceed \$5,000 to be applied to no more than \$3,000 of closing costs and no more than two months of delinquent monthly payments, if any) at lower fixed interest rates and for amortization terms of 30 years. Such refinancing mortgage loans are Self-Insured Mortgage Loans. On September 30, 2013, the Authority terminated this refinancing program but can give no assurance that it will not recommence such program in the future. The Authority expects to fund such refinancing mortgage loans with assets of the Commonwealth Mortgage Bonds Resolution and proceeds of Commonwealth Mortgage Bonds that have been issued and are to be hereafter issued. The approximate outstanding principal balance (in millions of dollars and as of September 30, 2013) of Interest Only Mortgage Loans scheduled to commence principal payments are shown below by calendar year in which such principal payments will commence (excluding those restructured into Level Payment Mortgage Loans and including those restructured with extensions of the periods during which interest only is payable):

<u>Year</u>	<u>Outstanding Principal Balance</u>
2013	\$33.3
2014	93.0
2015 and later	<u>14.0</u>
Total	\$140.3

See Appendix B for the amount of Non-Level Payment Mortgage Loans (including Interest Only Mortgage Loans and other single family mortgage loans that were modified to provide for a period during which interest only is payable) that the Authority has outstanding. All of the Interest Only Mortgage Loans are financed by Commonwealth Mortgage Bonds.

The Authority requires the applicant to pay, at the time of closing, between 0 and 3 points, with each point being equal to 1% of the principal amount of the First Mortgage Loan. The number of points depends on the interest rate option selected by the applicant (the applicants have the option of paying less or more points in exchange for having a higher or lower interest rate on the mortgage loan). The yield that the Authority realizes on First Mortgage Loans is affected by the amount of points paid and the rate of prepayments of such First Mortgage Loans. If the First Mortgage Loan is originated by an Originating Lender (as defined in “Single Family Mortgage Loan Origination Procedures and Underwriting” below) and the applicant pays less than 1 point, the Authority will pay the difference between 1 point and the amount paid by the applicant to the Originating Lender so that such Originating Lender receives the equivalent of 1 point.

Some single family mortgage loans are funded entirely from a single source of funding (e.g., proceeds of Tax Exempt Bonds, Taxable Bonds or net assets of the Authority) and other single family mortgage loans are funded from a combination of such sources. The interest rate (or, if multiple sources of funding, the blended interest rate) on any single family mortgage loan is expected to be higher than the interest rate cost (or, if multiple sources of funding, the blended interest rate costs) of the corresponding source or sources of funds. The Code imposes limits on the interest rates that can be charged on single family mortgage loans that are funded, in whole or in part, with the proceeds of Tax Exempt Bonds (see Appendix D).

#### *Security for Single Family Mortgage Loans*

In addition to the requirements with regard to the loan to value ratio and mortgage loan insurance or guarantees, the Authority relies upon the following security elements in the making and purchasing of single family mortgage loans: (i) mortgage loan underwriting and servicing procedures, (ii) an equity buildup through mortgage loan principal repayments and appreciation, if any, in the value of the properties securing the mortgage loans and (iii) geographical diversification of the mortgage loan portfolio within the Commonwealth.

The mortgages which are to secure the single family mortgage loans made or purchased by the Authority are to be in the form of deeds of trust, in accordance with Virginia practice, and are to constitute and create first liens (except in the case of Second Mortgage Loans that are secured by second liens) on single family residential housing.

#### *Other Financing of Single Family Mortgage Loans*

The Authority’s single family mortgage loan program has financed single family mortgage loans under the Commonwealth Mortgage Bonds Resolution and the Homeownership Mortgage Bonds Resolution described in “New Issuance Bond Program and Homeownership Mortgage Bonds” below. The Authority also has financed, and expects to continue to finance, single family mortgage loans through the issuance of securities securitized by Ginnie Mae (see “Ginnie Mae Financing” below). Beginning June 16, 2012, the Authority commenced the financing of single family mortgage loans to be sold to, or securitized through, Fannie Mae, as hereinafter defined, for which the Authority will have certain repurchase obligations as hereinafter described (see “Fannie Mae Financing” below).

The Authority’s single family mortgage loans are financed principally under the Commonwealth Mortgage Bonds Resolution (the mortgage loans so financed under the Commonwealth Mortgage Bonds Resolution and the mortgage loans securitized through Ginnie Mae securities held under the Commonwealth Mortgage Bonds Resolution are referred to herein as the “Commonwealth Bond Mortgage Loans”). The single family mortgage loans financed under the Homeownership Mortgage Bonds Resolution are referred to herein as the “Homeownership Bond Mortgage Loans.”

The Authority has financed, and expects to continue to finance, single family mortgage loans using net assets in the General Fund.

#### *New Issuance Bond Program and Homeownership Mortgage Bonds*

From December 2009 through September 27, 2011, the Authority issued Homeownership Mortgage Bonds under its Homeownership Mortgage Bonds Resolution in connection with the New Issuance Bond Program (“NIBP”) of the U.S. Department of the Treasury (the “Treasury”) by which Fannie Mae and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) (collectively, the “GSEs”) accepted bonds (the “GSE Bonds”) from state and local housing agencies.

On December 23, 2009, the Authority issued the Homeownership Mortgage Bonds, 2009 Series B Taxable (the “2009 B Bonds”) in the principal amount of \$482,960,000 as GSE Bonds. Under the NIBP, in connection with releases of proceeds of the



GSE Bonds from escrow, fixed rate bonds were issued in the total principal amount of \$321,980,000 and sold to the general public (the "Market Bonds").

All of the proceeds of the 2009 B Bonds have been released from escrow and the initial short-term interest rates on all of the 2009 B Bonds have been converted to permanent rates. Although no additional GSE Bonds or Market Bonds will be issued under the NIBP, the Authority can issue and has issued other bonds under the Homeownership Mortgage Bonds Resolution.

The proceeds of the 2009 B Bonds and the Market Bonds have been used to finance single family mortgage loans that were eligible to be financed with Tax Exempt Bonds. Such proceeds of the 2009 B Bonds and the Market Bonds have been so used to finance such single family mortgage loans alone or in combination with any net assets in the Homeownership Mortgage Bonds Resolution and proceeds of other bonds. As of July 1, 2013, all of the 2009 B Bonds have been redeemed.

#### *Ginnie Mae Financing*

In 2009, the Authority commenced the financing of single family mortgage loans through the issuance of Ginnie Mae securities backed by single family mortgage loans originated or purchased by the Authority and insured or guaranteed by FHA, VA or RD. Such securities are held under the Commonwealth Mortgage Bonds Resolution and/or in the General Fund or are sold at market prices in order to provide funds for the origination of such single family mortgage loans or for other programs and operations of the Authority. If held under the Commonwealth Mortgage Bonds Resolution, the securities are pledged as security under such Resolution.

Each Ginnie Mae security represents an undivided ownership interest in a pool of single family mortgage loans. The Authority has no ownership interest in the single family mortgage loans represented by Ginnie Mae securities that the Authority sells to third parties. The Authority expects to retain the servicing rights on all the single family mortgage loans securitized by the Ginnie Mae securities the Authority originates. As the servicer of the mortgage loans, the Authority guarantees the timely payment of principal and interest on the mortgage loans so financed. All of the total outstanding principal balance of such loans are insured or guaranteed by federal government entities such as FHA, VA, and RD, as defined above.

For information concerning single family mortgage loans financed by Ginnie Mae securities held by the Authority under the Commonwealth Mortgage Bonds Resolution, see "Data on Single Family Mortgage Loans" below.

As of September 30, 2013, the Authority had financed single family mortgage loans in the approximate outstanding principal amount of \$118 million through the issuance of Ginnie Mae securities held by the General Fund. For information concerning single family mortgage loans financed by Ginnie Mae securities held by the Authority in the General Fund, see "General Fund and Other Net Assets" in "The Authority."

As of September 30, 2013, approximately \$680.6 million aggregate principal amount of single family mortgage loans financed by Ginnie Mae securities sold to third parties and not held by the Authority was outstanding, of which approximately \$19.5 million aggregate principal balance was more than two months delinquent in monthly payments, and approximately \$2.7 million aggregate principal balance was in foreclosure, representing 2.9% and 0.4%, respectively, of the aggregate principal balance of such mortgage loans.

No assurance can be given as to whether the Authority will continue the financing of single family mortgage loans through the issuance of Ginnie Mae securities or, if continued, as to the amount of such financings.

#### *Fannie Mae Financing*

Pursuant to agreements with Fannie Mae, beginning June 16, 2012, the Authority commenced the financing of single family mortgage loans to be sold to Fannie Mae or securitized through Fannie Mae's issuance of Fannie Mae guaranteed certificates ("Fannie Mae Mortgage Loans").

Under such agreements, the Fannie Mae Mortgage Loans will finance the acquisition, or will refinance the ownership (including the refinancing of existing Authority mortgage loans), of single family homes and related costs in amounts not to exceed 97% of the lesser of (a) the sales price (if applicable) or (b) the appraised value of the single family homes. The amount of cash, if any, receivable by the borrower at the closing of a refinancing loan is limited by Fannie Mae to the lesser of 2% of the principal amount of the refinancing loan or \$2,000. The Authority does not expect to finance any rehabilitation or repairs subsequent to closing.

Pursuant to the Authority's agreements with Fannie Mae, the Authority may sell Fannie Mae Mortgage Loans to Fannie Mae under Fannie Mae's whole loan purchase program or may securitize such loans through Fannie Mae's Mortgage Backed Securities ("MBS") program. Once sold to, or securitized through, Fannie Mae, the Fannie Mae Mortgage Loans are not assets of the Authority and are not pledged under the Commonwealth Mortgage Bonds Resolution or the Homeownership Mortgage Bonds Resolution. The sale or securitization of a Fannie Mae Mortgage Loan, in either case, is subject to a repurchase agreement in the event the mortgage loan becomes delinquent within certain parameters (generally four full months delinquent during the repurchase obligation period, which is six to seven months unless a default exists at the end of that period in which case it is extended until the loan is no longer delinquent). In addition Fannie Mae may require the Authority to repurchase any Fannie Mae Mortgage Loan, at any time such loan is outstanding, if the Authority is in breach of any covenant, representation or

warranty by the Authority with respect to such loan. Any Fannie Mae Mortgage Loan repurchased by the Authority would be a Self-Insured Mortgage Loan. The Authority expects to retain the servicing rights on all Fannie Mae Mortgage Loans.

Such agreements permit the Authority to apply income limits for the borrowers that do not exceed the income limits applicable to single family mortgage loans financed by Tax Exempt Bonds and requires that at least fifty percent (50%) of the single family mortgage loans sold to Fannie Mae pursuant to the agreement meet at least one of the then current housing goals for loans to low and moderate income households, as established for Fannie Mae by its regulator which are subject to change from time to time. Such agreements do not establish maximum sales prices and, for the Fannie Mae Mortgage Loans, the Authority expects to limit the principal amount of such loans to the maximum loan amount permitted by Fannie Mae but does not expect to apply any maximum sales prices.

The original agreement, which expired on June 30, 2013, was for the sale or securitization of a maximum of \$100 million in principal amount of Fannie Mae Mortgage Loans, plus or minus 5%. The Authority entered into a new agreement with Fannie Mae that will expire on June 30, 2014, for the sale or securitization of a maximum of \$125 million in principal amount of Fannie Mae Mortgage Loans, plus or minus 5%. Pursuant to such agreements, the Authority purchased, and accepted loan reservations for, Fannie Mae Mortgage Loans. As of September 30, 2013, the Authority had sold no Fannie Mae Mortgage Loans to Fannie Mae. However, as of September 30, 2013, there was outstanding approximately \$77.3 million aggregate principal balance amount of single family mortgage loans that were securitized by the Authority through the issuance of Fannie Mae securities that were sold to third parties and not held by the Authority. The Authority expects to continue to sell any such future Fannie Mae securities to third parties and not to retain and hold any such securities under any bond resolutions or the General Fund, but the Authority can give no assurance that it will not so retain and hold such securities in the future. As of September 30, 2013, none of such Fannie Mae Mortgage Loans was one or more months delinquent or had been repurchased by the Authority because of delinquency or breach of any covenant, representation or warranty as described above. No assurance can be given as to whether the Authority will continue the financing of Fannie Mae Mortgage Loans or, if continued, as to the amount of such financings. The Authority may also sell or securitize single family mortgage loans through Fannie Mae under the standard Fannie Mae programs available to mortgage lenders.

#### *FHA and VA Streamline Refinance Programs*

Effective September 24, 2012, the Authority commenced the financing of FHA insured First Mortgage Loans that refinance existing Authority FHA insured First Mortgage Loans pursuant to FHA's guidelines (each such refinancing FHA insured First Mortgage Loan is referred to herein as a "FHA Streamline Refinance Loan"). FHA Streamline Refinance Loans may be made by the Authority without regard to the current loan-to-value ratio of the properties (if there is no subordinate financing) or the credit score and maximum debt-to-income ratios otherwise applicable to FHA insured mortgage loans if such borrowers have not been delinquent on their mortgage loan payments in the prior three months nor more than once in the prior 12 months. However, if subordinate financing is to remain in place, the maximum combined loan-to-value ratio (CLTV) applicable to FHA Streamline Refinance Loans is 125% based on the original appraised value of the properties. The Authority's maximum income limits for FHA Streamline Refinance Loans range from \$119,400 to \$161,250. On February 8, 2013, the Authority implemented a similar VA program that provides refinancing of existing Authority VA guaranteed First Mortgage Loans (each such refinancing VA guaranteed First Mortgage Loan is referred to herein as a "VA Streamline Refinance Loan"). The Authority expects to finance FHA Streamline Refinance Loans and VA Streamline Refinance Loans primarily by securitizations through Ginnie Mae.

#### *Data on Single Family Mortgage Loans*

The following data on Commonwealth Bond Mortgage Loans and Homeownership Bond Mortgage Loans, as well as single family mortgage loans financed through the issuance of Ginnie Mae and Fannie Mae securities that were sold to investors or that were held in the General Fund, are set forth in Appendix B:

- a. Outstanding balance, delinquency and foreclosure statistics;
- b. Data on single family real estate owned;
- c. Distribution by lien status and by program status;
- d. Distribution by year of origination;
- e. Distribution by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans;
- f. Distribution by types of mortgage insurance;
- g. Distribution and delinquency and foreclosure status by calendar year of origination;
- h. Distribution by credit score and by type of mortgage insurer or guarantor; and
- i. Outstanding balances and delinquency and foreclosure status for each Metropolitan Statistical Area of the Commonwealth.

### *Future Funding of Single Family Programs*

The Authority is considering a number of alternative means of funding its single family programs. If conditions in the tax exempt bond market and mortgage market will permit the financing of single family mortgage loans at interest rates and on other terms superior to or competitive with mortgage loans offered by other lenders, the Authority would expect to continue to finance its single family programs primarily through the sale and issuance of Tax Exempt Bonds. If such conditions do not exist, the Authority expects to continue the financing of single family mortgage loans primarily through the issuance of Ginnie Mae securities as described above and the financing of Fannie Mae Mortgage Loans as described above. The Authority is also considering the issuance of federal Mortgage Credit Certificates ("MCCs") authorized by the Code. As required by the Code, such MCCs would use a portion of the Authority's Tax Exempt Bond issuance allocation, thereby reducing the allocation available to issue Tax Exempt Bonds. MCCs provide recipients with a credit against federal income tax liability for a portion of their home mortgage interest and would be available to individuals meeting the eligibility requirements for mortgage loans financed by Tax Exempt Bonds, whether or not their loan was financed by the Authority; however, MCCs may not be issued to borrowers if their mortgage loans are financed with proceeds of Tax Exempt Bonds. Because of future uncertainties about the foregoing financing methods, the Authority can give no assurance as to whether or not any of such financing methods will be available to the Authority or will enable the Authority to finance the single family programs or as to the amount of funding that such financing method will provide.

### *Single Family Mortgage Loan Origination Procedures and Underwriting Criteria*

Single family mortgage loans have been and are expected to be, except as noted below, originated for the Authority by commercial banks, savings and loan associations, private mortgage bankers and local redevelopment and housing authorities approved by the Authority to act as its originating lenders ("Originating Lenders"). The Originating Lenders originate and close the single family mortgage loans in their own names and with their own funds, and pursuant to purchase agreements ("Purchase Agreements") the Authority purchases such single family mortgage loans upon compliance with the terms and conditions of the Purchase Agreements.

The Authority also utilizes its own employees to receive applications for single family mortgage loans in certain areas of the Commonwealth in which the Authority desires to increase lending activity under the single family program (such loans are referred to herein as "Direct Origination Loans"). In the case of Direct Origination Loans, the Authority processes and originates the single family mortgage loans and retains all fees which would otherwise be available to Originating Lenders with respect to such mortgage loans. Direct Origination Loans are committed and closed in the name of the Authority and funded by the Authority at loan closing upon compliance with all terms and conditions of the Authority's mortgage loan commitment.

Under the origination system, a prospective mortgagor submits a single family mortgage loan application to an Originating Lender or the Authority. In the case of a single family mortgage loan to finance the purchase of a residence, the application is submitted after the prospective mortgagor has contracted for the purchase of the residence. If a preliminary review indicates that the prospective mortgagor and single family mortgage loan will qualify under the Authority's underwriting criteria and the Code, the Authority reserves funds, such as bond proceeds or net assets for a period of 60 days for the financing of the mortgage loan, although extensions may be granted by the Authority. The Authority expects to continue to accept such reservations on a first-come, first-served basis up to pre-authorized limits. The Authority has allocated, and may in the future allocate, funds in a manner other than as described above.

The Authority establishes maximum sales prices (except in the case of Fannie Mae Mortgage Loans, the FHA Streamline Refinance Loans, the VA Streamline Refinance Loans and the single family mortgage loans that have refinanced the Authority's Interest Only Mortgage Loans) and maximum annual gross incomes which vary depending principally upon location within the Commonwealth. The maximum sales prices currently range from \$231,700 to \$450,000, and the maximum annual gross incomes currently range from \$72,000 to \$140,000 (except the limits range from \$119,400 to \$161,250 in the case of the FHA Streamline Refinance Program discussed above). In certain federally designated Targeted Areas (see Appendix D), the Authority has established (as permitted by the Code) maximum sales prices that range from \$275,200 to \$498,800 and maximum annual gross incomes that range from \$86,400 to \$140,000. All of the Authority's current maximum sales prices and maximum annual gross incomes that are applicable to single family mortgage loans financed by Tax Exempt Bonds comply with the limits currently established by the Internal Revenue Service pursuant to the Code for single family mortgage loans financed by Tax Exempt Bonds. The maximum sales price limits so established by the Internal Revenue Service are currently calculated based on the maximum principal amounts of mortgage loans that FHA will insure. Such maximum principal amounts, ranging from \$271,050 to \$729,750 in Virginia, would have declined on October 1, 2011 to a range of \$271,050 to \$625,500 but federal legislation was enacted to extend the current limits. Any future declines would be expected to result in declines in the maximum sales prices established by the Internal Revenue Service pursuant to the Code at such time as the Internal Revenue Service thereafter updates its Revenue Procedure regarding such limits. Any such reductions in maximum sales prices could have a material adverse impact on the Authority's single family programs then financed with proceeds of Tax Exempt Bonds. For the Fannie Mae Mortgage Loans, the Authority applies the above described maximum income limits and limits the principal amount of such loans to the maximum loan amount permitted by Fannie Mae but does not apply any maximum sales prices. For single family mortgage loans previously financed, in whole, by Taxable Bonds or Authority net assets, the Authority established maximum annual gross incomes equal to 150% of the applicable median family incomes, had no maximum sales prices, and established a maximum principal amount equal to the maximum loan amount permitted by Fannie Mae and the Federal Home Loan Mortgage Corporation. However, effective April 1, 2008, the financing of such single family mortgage loans, all of which are Self-Insured Mortgage Loans, was suspended by the Authority. In the case of single family mortgage loans that have

refinanced the Authority's Interest Only Mortgage Loans, the mortgagors were not required to meet the Authority's current income limits but were deemed eligible based on their incomes and the Authority's income limits at the time of the origination of the Interest Only Mortgage Loan. The Authority's regulations permit the Executive Director to establish the maximum sales prices and maximum annual gross incomes that will enable the Authority to effectively and efficiently allocate its current and anticipated financial resources. The Authority can currently give no assurance as to whether or when the Executive Director may in the future approve increases or decreases in such limits or as to the amount of any such increases or decreases, subject to compliance with the limits, if applicable, established by the Internal Revenue Service pursuant to the Code.

All Originating Lenders are required to enter into Purchase Agreements setting forth the conditions and requirements for origination and purchase of single family mortgage loans. The Originating Lenders must process, settle and disburse the single family mortgage loans in accordance with the underwriting standards and administrative procedures in such Purchase Agreements. For each such single family mortgage loan, the Originating Lender receives an origination fee of 1% of the principal amount of the First Mortgage Loan and a service release fee of 1% of the principal amount of the First Mortgage Loan. In the case of Direct Origination Loans, the Authority charges and retains any origination fee and discount points paid by the mortgagor, and the service release fee is not applicable.

The Authority has delegated to certain of its Originating Lenders the loan underwriting functions described below. Loans underwritten by the Originating Lenders pursuant to such delegation are referred to herein as "Delegated Loans." Currently approximately 90% of the single family loans being originated are Delegated Loans. In the case of Delegated Loans, the Authority will, subsequent to the closing of the single family mortgage loans, review the loan applications and documentation and determine compliance of the mortgage loans with the Code and, on a test basis, with the Authority's underwriting requirements and criteria. For loans other than Delegated Loans, applications for single family mortgage loans are submitted to the Authority for review and approval prior to loan commitment.

The Authority may require the Originating Lender to repurchase or retain any single family mortgage loans which are not subject to mortgage insurance or guaranty (if required) in accordance with the requirements of the Authority, which fail to comply with the provisions of the Code (if applicable), which do not conform with the Authority's sales price and income limits, which are not properly or timely documented as required by the Authority, which were originated based upon any misrepresentation known to the Originating Lender, or (in the case of Fannie Mae Mortgage Loans) which do not comply with Fannie Mae's requirements due to gross negligence or fraud.

The single family mortgage loans are underwritten based on income eligibility, credit and other criteria relating to the proposed mortgagor's ability to meet payments and compliance with the Code, the Act and the Authority's regulations. The Authority requires the applicants to provide usual and customary documentation in support of their applications. The Originating Lender and, in the case of loans other than Delegated Loans, the Authority's staff review the loan application, credit report, verifications of employment, bank deposits, the appraisal and other characteristics of the individual dwelling unit proposed to be financed as security for such loan. In the case of single family mortgage loans to be insured or guaranteed by the FHA, VA or Rural Development, the application and documentation are reviewed for compliance with the credit and property standards of the FHA, VA or Rural Development; however, in the case of FHA Streamline Refinance Loans and VA Streamline Refinance Loans, certain underwriting criteria and documentation normally applicable to FHA insured and VA guaranteed First Mortgage Loans are not required by FHA or VA, as applicable. FHA Plus Second Mortgage Loans are (and Homebuyer Tax Credit Plus Mortgage Loans as described above were prior to the suspension thereof) processed and underwritten in conjunction with the related FHA insured First Mortgage Loan and in accordance with applicable FHA credit and property standards. Single family mortgage loans to be insured by private mortgage insurance are underwritten to comply with the standards of the private mortgage insurance companies. Fannie Mae Mortgage Loans are required to be underwritten in accordance with Fannie Mae's requirements. In the case of single family mortgage loans that have refinanced the Authority's existing Interest Only Mortgage Loans, the Authority required that the mortgagors be the occupants of the property and current (or no more than 2 months delinquent) in their monthly payments, but the Authority did not otherwise underwrite the credit or income of the mortgagors or require an appraisal of the property.

In the case of the above-described Step Rate Mortgage Loans bearing interest during the first and second years of the mortgage loans at interest rates two percentage points and one percentage point, respectively, lower than the final interest rate at the beginning of the third year of the Step Rate Mortgage Loan, the Authority required that the interest rate to be charged during the second year (or the first year in the case of Step Rate Mortgage Loans that have a loan to value ratio below 80% or Step Rate Mortgage Loans insured by private mortgage insurance or FHA) of the Step Rate Mortgage Loan be used in underwriting the proposed mortgagor's ability to meet payments on the Step Rate Mortgage Loan. In the case of Interest Only Mortgage Loans on which interest only will be payable during the initial seven (7) years, the Authority required the underwriting of the proposed mortgagor on the basis of his ability to make the interest only payments. For Home Stride Second Mortgage Loans, the Authority required the underwriting of the mortgagor on his ability to make payments on the Authority financed First Mortgage Loan without regard to the payments of principal and interest on the Home Stride Second Mortgage Loan that commence three years thereafter. As stated above, effective July 1, 2008, the Authority suspended the financing of Step Rate Mortgage Loans, Interest Only Mortgage Loans, and Home Stride Second Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Step Rate Mortgage Loans, Interest Only Mortgage Loans or Home Stride Second Mortgage Loans.

Prior to August 1, 2009, the Authority did not impose a minimum credit score requirement for proposed mortgagors. Effective as of August 1, 2009, the Authority established a minimum credit score of 620 for proposed mortgagors to be eligible

for FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans. Effective as of December 1, 2009, the Authority established a minimum credit score of 620 for proposed mortgagors to be eligible for all mortgage loans. Effective as of May 1, 2010, the Authority established a minimum credit score of 680 for proposed mortgagors to be eligible for the maximum principal amount of FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans, and proposed mortgagors with credit scores between 620 and 679 are eligible for reduced maximum principal loan amounts of such loans. The minimum credit score for proposed mortgagors for Fannie Mae Mortgage Loans is 660. No minimum credit score is required for FHA Streamline Refinance Loans and VA Streamline Refinance Loans, and no minimum credit score was required for single family mortgage loans that refinanced the Authority's existing Interest Only Mortgage Loans.

The maximum ratios of debt to income vary depending on whether the single family mortgage loan is insured and depending upon the requirements of the mortgage insurer, if any. The ratios are of two types. The first type is the ratio of the total monthly payment on the single family mortgage loan to the monthly income of the applicant (this ratio is referred to as the "front end ratio"). The total monthly payment on the single family mortgage loan includes principal, interest, homeowner's association dues, if applicable, and escrows for real estate taxes, hazard insurance, mortgage insurance, if applicable, and flood insurance, if applicable. The second type is the ratio of all monthly debt payments (including such total monthly payment on the single family mortgage loan) to monthly income (this ratio is referred to as the "back end ratio"). The VA loans have only a back end ratio. The current maximum front end ratio, if applicable, and back end ratio are as follows, respectively: FHA- 31% and 43%; VA- 41%; RD- 31% and 43%; private mortgage insurance- 32% and 40% and Fannie Mae Mortgage Loans - 35% and 45%. The Authority may permit higher front end and back end ratios in the event the application receives approval through an automated underwriting system (e.g., Fannie Mae's Desktop Underwriter system). No maximum ratios of debt to income are required for FHA Streamline Refinance Loans and VA Streamline Refinance Loans, and no maximum ratios of debt to income were required for single family mortgage loans that refinanced the Authority's existing Interest Only Mortgage Loans.

When an application is approved, a mortgage loan commitment is issued to the applicant. Upon compliance with the terms and conditions of the mortgage loan commitment, the single family mortgage loan is closed. The mortgagor is responsible for the payment of the closing costs; provided, however, that, in the case of a single family mortgage loan that has refinanced an existing Interest Only Mortgage Loan, the mortgagor received a 1% lender's credit (paid from Authority funds) that was applied to the closing costs, and the mortgagor was responsible for payment of the balance of the closing costs (the Authority financed up to \$3,000 of such closing costs in the principal amount of such single family mortgage loan). The Originating Lender disburses the proceeds of the single family mortgage loan at closing, and upon compliance by the Originating Lender with the terms and conditions of the Purchase Agreement, the Authority purchases the single family mortgage loan from the Originating Lender.

#### *Servicing of Single Family Mortgage Loans*

Each single family mortgage loan is serviced by the Authority. Fannie Mae Mortgage Loans are required to be serviced in accordance with Fannie Mae's requirements. Single family mortgage loans which are insured or guaranteed by third parties are required to be serviced in accordance with the applicable insurer or guarantor's requirements. The Authority collects monthly payments of principal and interest and escrows. All such funds are deposited in segregated trust or custodial accounts or other accounts approved by the Authority in state or national banks or savings and loan associations, the deposits in which are fully collateralized. From the funds so deposited the Authority pays to the proper parties, when and if due, mortgage insurance premiums, real estate taxes and special assessments and hazard insurance premiums. The Authority remits the balance to the applicable resolution, in accordance with agreements with Ginnie Mae or Fannie Mae, or to the General Fund, as applicable. The hazard and casualty insurance policies which are required by the Authority to be maintained on the mortgaged premises insure the Authority as mortgagee to the full extent of its interest in the mortgaged premises.

Effective June 5, 2009, the Authority's single family mortgage loans are assumable only if permitted by the Authority. An exception is provided for loans (such as mortgage loans insured or guaranteed by FHA and VA) that are assumable in accordance with insurer or guarantor guidelines or applicable law.

In the case of default under any single family mortgage loan that is not cured, the Authority takes actions to obtain the full benefits of any mortgage insurance or guarantee. If foreclosure proceedings are instituted, the Authority manages and protects the mortgaged premises under foreclosure, including maintenance of insurance on the premises, management and supervision of repairs and maintenance of the premises. In lieu of foreclosure, the Authority may, if deemed to be in its best interests and if acceptable to the mortgage insurer or guarantor (if any), accept a deed of the property from the mortgagor or approve a sale of the property that will not provide sufficient proceeds to pay the mortgage loan in full, and in such cases the lien of the deed of trust securing the mortgage loan will be released.

#### *Loan Modifications*

In the case of delinquencies of single family mortgage loans insured or guaranteed by FHA, VA or Rural Development or by any private insurance companies, the Authority modifies the terms of such mortgage loans in accordance with the requirements of the mortgage insurer or guarantor. Such modifications may include the deferral of monthly payments of principal and interest, the extension of the maturity dates and re-amortization of the outstanding principal balances of the mortgage loans, and, in the case of FHA insured mortgage loans, the payment by FHA of partial insurance claims. In the case of delinquencies of Self-Insured Mortgage Loans, the Authority modifies the terms of the Self-Insured Mortgage Loans generally in accordance with the guidelines applicable to FHA insured mortgage loans (other than the guidelines for partial insurance

claims) or as otherwise determined by the Authority to mitigate any potential losses. Any modification of Fannie Mae Mortgage Loans must be made by the Authority in accordance with Fannie Mae requirements.

Since September 23, 2009, FHA has required lenders holding FHA insured mortgage loans in default to modify such mortgage loans by reducing the interest rates to current market rates and by extending the term to a full 30 years from the date of loan modification. The Authority has received a letter from FHA waiving such requirement with respect to FHA insured mortgage loans financed by bonds; however, no assurance can be given as to whether FHA will continue such waiver or, if not continued, what the impact will be on the Authority as a result of any such modifications of the Authority's FHA insured mortgage loans.

The Authority is offering loan modifications that will assist its mortgagors who are experiencing hardship and cannot refinance their Self-Insured Mortgage Loans (other than Second Mortgage Loans) due to the fact that the outstanding balance of their Self-Insured Mortgage Loans exceeds the current fair market value of their residences by at least 10%. Any such loan modification may include a delay in the commencement of principal payments on an Interest Only Mortgage Loan, an extension of the term of the Self-Insured Mortgage Loans, and/or a reduction in the interest rate for all or a portion of the term of the Self-Insured Mortgage Loans. The Authority does not offer the loan modifications to potentially eligible mortgagors by direct solicitations but may do so in the future. As of September 30, 2013, under this loan modification program, the Authority had modified 76 Self-Insured Mortgage Loans with an aggregate principal balance of approximately \$13.6 million. Under a prior program, the Authority had modified approximately 60 Self-Insured Mortgage Loans with an aggregate outstanding principal balance as of the respective dates of modification, of approximately \$12.1 million. The implementation of such loan modifications may negatively impact the revenues of the Authority but may reduce potential losses on the Self-Insured Mortgage Loans that are so modified; however, at this time the Authority can not give any assurance as to any potential impact on revenues and losses as a result of such loan modifications.

#### *Declining Markets; Risk of Loss*

Since 2007, the residential mortgage loan market in Virginia has experienced higher levels of delinquencies, defaults, and losses than the levels typically seen in prior years. The House Price Index of the Federal Housing Finance Agency (such Index measures average price changes on single family properties whose mortgages have been purchased or securitized by Fannie Mae and Freddie Mac) indicates that home values in Virginia are substantially below their peak in the second quarter of 2007 despite some gains reported in recent quarters; however, the data used in such report may not be representative of the Authority's portfolio of single family mortgage loans, and, therefore, the Authority can give no assurance as to whether or not the values of properties financed by the Authority in its single family mortgage loan programs have experienced a similar decline. This decline and flattening of values has resulted and may continue to result in additional increases in delinquencies, defaults and losses on residential mortgage loans generally, particularly with respect to residential mortgage loans whose aggregate loan amounts (including any subordinate liens) are close to or greater than the related property values. Upon a default on a single family mortgage loan, a decline in property value will affect the Authority's risk of loss depending upon the type of mortgage loan. In the case of a FHA insured mortgage loan, any loss to the Authority is usually limited to approximately 2-3% of the principal balance of the mortgage loan, regardless of any decline in property value. However, the Authority may suffer greater losses on FHA insured single family mortgage loans if the Authority is required by FHA to indemnify FHA for losses on FHA insured single family mortgage loans because of failure by the Authority to comply with FHA requirements relating to the origination or servicing of such FHA insured single family mortgage loans. To date, the Authority has paid approximately \$1.8 million to FHA in reimbursement for losses on FHA insured single family mortgage loans because of failure by the Authority to comply with FHA servicing requirements; however, the Authority received repayment from FHA of approximately \$1.5 million of such \$1.8 million reimbursement. In the case of a mortgage loan insured by VA, RD or a private mortgage insurance company, the Authority experiences minimal loss due to any such decline in property value, except to the extent that the amount owed on such mortgage loan exceeds the value of the property by an amount greater than the maximum insurance amount (generally 20-25% of the original loan amount). In the case of a Self-Insured Mortgage Loan that is a FHA Plus Second Mortgage Loan or a Homebuyer Tax Credit Plus Mortgage Loan, the Authority will usually suffer a full loss of the amount owed on such FHA Plus Second Mortgage Loan or Homebuyer Tax Credit Plus Mortgage Loan. In the case of a Self-Insured Mortgage Loan that is a Home Stride Second Mortgage Loan, the Authority will suffer a loss to the extent that the value of the property minus the amount owed on the Authority financed First Mortgage Loan is less than such Home Stride Second Mortgage Loan; therefore, any decline in property value may increase the risk of loss on such Home Stride Second Mortgage Loan. In the case of any other Self-Insured Mortgage Loan, the Authority will suffer a loss to the extent that the value of the property is less than the amount owed on such Loan and, as a result, any decline in property value may increase the risk of loss on such Self-Insured Mortgage Loan.

The Authority conducts quarterly analyses of the risk of loan loss on its portfolio of single family mortgage loans in order to determine the amount to be included in the calculation of the Authority's allowance for loan loss (the "Authority's Allowance for Loan Loss") for anticipated losses on single family mortgage loans under the single family programs of the Authority. As of June 30, 2013, the amount included in the Allowance for Loan Loss for the single family mortgage loans that are insured by private mortgage insurance companies was \$11.6 million, which is equal to 3.0% of the principal balances of such single family mortgage loans. As of June 30, 2013, the amount included in the Allowance for Loan Loss for the Self Insured Mortgage Loans was \$106.7 million, which is equal to 7% of the principal balances of such single family mortgage loans. As of June 30, 2013, the amount included in the Allowance for Loan Loss for single family mortgage loans that are insured or guaranteed by agencies of the federal government, including FHA, VA and RD, was \$10.9 million, which is equal to 0.5% of the principal balances of such single family mortgage loans (such amount includes estimated liability for reimbursements that

would be paid by the Authority to such agencies for their losses on such single family mortgage loans because of any failure by the Authority to comply with their requirements relating to the origination or servicing of such loans). As of June 30, 2013 the Authority included in the Allowance for Loan Loss \$4.2 million which is equal to 0.5% of the principal balances of the single family mortgage loans financed through the issuance of Ginnie Mae securities and Fannie Mae Securities. The total of all of the foregoing amounts that were included in the Authority's Allowance for Loan Loss as of June 30, 2013 is \$133.5 million (the Authority's total Allowance for Loan Loss which includes such total amount and amounts for possible losses on multi-family mortgage loans financed by the Authority was \$190.9 million as of June 30, 2013).

In response to increased delinquencies and losses with respect to single family mortgage loans, Fannie Mae, Freddie Mac and many other mortgage loan originators have implemented more conservative underwriting criteria for loans, particularly in the subprime, Alt-A and other nonprime sectors. This may result in reduced availability of financing alternatives for mortgagors seeking to refinance their single family mortgage loans. The reduced availability of refinancing options for a mortgagor may result in higher rates of delinquencies, defaults and losses on the single family mortgage loans, particularly mortgagors with adjustable rate mortgage loans or interest only mortgage loans that experience significant increases in their monthly payments following the adjustment date or the end of the interest only period, respectively.

The general market conditions discussed above may affect the performance of the Authority's single-family loans and may adversely affect the Authority's financial condition.

See Appendix B for the outstanding balances and delinquency and foreclosure status of single family mortgage loans for each Metropolitan Statistical Area of the Commonwealth for the three general bond resolutions.

See "Geographic Concentration in Virginia" in "Certain Programmatic Considerations" for a discussion of the risk from the concentration of single family mortgage loans in Virginia.

See "Changes in Federal or State Law and Programs" in "Certain Programmatic Considerations" for a discussion of the risk to the Authority's single family loans as a result of changes in federal or state law or programs.

## **THE MULTI-FAMILY PROGRAM**

The information that follows is provided to explain the Authority's program of making or purchasing multi-family mortgage loans and financing Authority owned multi-family developments. The Authority has made or purchased mortgage loans on multi-family developments with proceeds of bonds issued pursuant to its bond resolutions and with other moneys of the Authority. This information does not purport to be comprehensive or definitive, and the limits, amounts of financial reserves, rules and criteria described are not required by any bond resolutions and are subject to modification, change or waiver by the Authority, in whole or in part at any time, and with respect to any particular multi-family development proposal or any particular type of multi-family development (such as multi-family developments containing a small number of units intended for occupancy by person with disabilities).

New mortgage loans to be originated under the Authority's multi-family program are expected to be financed primarily with the proceeds of Rental Housing Bonds and pursuant to the program described below. The Authority also expects to utilize other moneys of the Authority to finance other mortgage loans under its multi-family program as set forth in "General Fund and Other Net Assets" in "The Authority." The underwriting, terms and requirements for multi-family mortgage loans financed by other moneys of the Authority are substantially the same as they are for mortgage loans financed by Rental Housing Bonds, if and to the extent applicable as described below.

### *General*

Substantially all of the multi-family mortgage loans currently financed by the Authority are secured by first liens, and the Authority expects that the multi-family mortgage loans hereafter financed by the Authority will be secured by first liens; however, the Authority may, in its discretion, finance mortgage loans secured by liens that are not first liens and cannot, therefore, provide any assurance that such mortgage loans will always be secured by first liens. It is the policy of the Authority that the security for the multifamily mortgage loans be a full fee simple ownership interest; however, under the Act the Authority may finance a leasehold estate if the term of the lease is at least twice the term of the multi-family mortgage loan. The Authority has financed, and may in the future finance, multi-family mortgage loans secured by leasehold estates of the land and/or the development if the landlord is unwilling or unable to convey its interest as security for the multi-family mortgage loan.

Generally, the multi-family mortgage loans bear interest at fixed interest rates (although the multi-family mortgage loan may bear interest at a variable rate during the construction period, if any) and are fully amortizing over the term of the multi-family mortgage loan, although the Authority has occasionally structured the mortgage loan (and may do so in the future) to have a balloon principal payment due on the maturity date of the mortgage loan if the amount of such balloon principal payment is expected to be less than the projected value of the development on the maturity date of such mortgage loan.

### *Federal Programs and Requirements*

Neither the Act nor the Rental Housing Bonds Resolution requires that multi-family mortgage loans be insured by the federal government or private mortgage insurance companies or that multi-family developments financed under the multi-family

program be entitled to or eligible for federal assistance (see Appendix F for a description of certain federal programs under which the Authority has previously financed multi-family developments). The Authority has financed, and expects to finance in the future, multi-family developments assisted under the Low Income Housing Tax Credit Program described in Appendix F. The Authority does not expect to finance substantial principal amounts of new multi-family developments assisted under the other federal programs described in Appendix F; however, the Authority has refinanced, and expects to refinance in the future, mortgage loans (of the Authority or other governmental entities) which are then financing such multi-family developments. The Authority has financed, and expects to finance in the future, increases in the outstanding principal amounts of the Authority's existing mortgage loans on multi-family developments that are assisted under such federal programs. In addition, the Authority has financed, and may finance in the future, mortgage loans on multi-family developments which are not currently financed by the Authority and which, prior to financing by the Authority, were assisted under the Section 236 Interest Reduction Payments Program or the Section 8 Program described in Appendix F and, after such financing, may receive assistance under the terms of the agreements related to the applicable program and be subject to the rental and occupancy requirements under such program.

The Housing Assistance Payments Contracts ("Payments Contracts") providing the federal subsidies for the multi-family developments under the Section 8 Program described in Appendix F have original terms of approximately 30 or 40 years and have expired or are scheduled to expire on or about the maturity dates of their original mortgage loans, the latest of which is in 2022. Under current federal policy, upon such expiration, the mortgagor and a Section 8 contract administrator designated by HUD may, with the approval of HUD, enter into new Payments Contracts with terms not exceeding 20 years, but the annual funding of the subsidy under such new Payments Contracts will be subject to annual appropriations by the federal government. See "Renewal Contracts" in "Section 8 Program" in Appendix F for information concerning recent cuts to such appropriations. If the mortgagor enters into such new Payments Contract, the Authority may provide a new multi-family mortgage loan to finance the development, including the costs of any rehabilitation. Because the continuation of the subsidy under the new Payments Contract is subject to annual federal appropriations, the Authority underwrites such new multi-family mortgage loans using the lesser of the contract rents under the new Payments Contract or the estimated market rents for the multi-family development. The Authority has financed, and expects to finance in the future, such new multi-family mortgage loans. In addition, for certain of the Section 8 assisted multi-family developments, the Authority has provided, prior to the expiration of the original Payments Contract, additional mortgage loan financing that will mature after the scheduled expiration of such original Payments Contract, and in certain cases the monthly payments of principal and interest on such additional mortgage loan financing may not commence until the maturity date of the original mortgage loan or the expiration of the original Payments Contract. In underwriting such additional multi-family mortgage loan financing, the Authority uses the lesser of the contract rents under the original Payments Contract or the estimated market rents for the multi-family development for the period that the additional mortgage loan will be outstanding after the expiration of the original Payments Contract. The Authority may provide, and expects to provide in the future, such additional multi-family mortgage loan financing for other multi-family developments.

The agreements that provide monthly payments of interest to the Authority under the Section 236 Program Interest Reduction Payments Program, as described in Appendix F, have original terms of 40 years that expire on or about the maturity dates of the mortgage loans. In the case of the multi-family mortgage loans that originally financed the multi-family developments assisted under the Section 236 Program Interest Reduction Payments Program, the terms of these agreements will expire at various times, the latest of which is in 2018, as and when the multi-family mortgage loans are fully paid. However, in the case of certain other multi-family developments assisted under the Section 236 Program Interest Reduction Payments Program, the Authority has refinanced the mortgage loans of other lenders that originally financed such multi-family developments, and the interest reduction payments for those multi-family developments will terminate upon the maturity dates of the multi-family mortgage loans that were so refinanced. These terminations will occur in years 2015 through 2018. In the case of a multi-family development financed by such a mortgage loan, the interest reduction payments will, prior to such termination date, be applied to pay principal and interest on a portion of the original principal amount of the mortgage loan, and the remaining portion of the original principal amount of the multi-family mortgage loan and interest on such portion will be payable over its 30-year term. Also, in those cases, all or substantially all of the units in each of the multi-family developments are assisted under the Low Income Housing Tax Credit Program, and except for one such multi-family development the rental assistance payments described in Appendix F are replaced by rental subsidies under the Section 8 Program pursuant to Payment Contracts having terms of 20 years, subject to annual federal appropriations, for all or most of the units in such multi-family developments.

The Authority has also financed multi-family developments which, at the time of such financing were being financed by a 1% interest rate mortgage loan by Rural Housing Services ("RHS") in the U. S. Department of Agriculture under its Section 515 program and were receiving rental subsidies under its Section 521 program similar to subsidies under the Section 8 program. Upon such financing by the Authority, the lien securing the RHS mortgage loan was subordinated to the lien securing the Authority multi-family mortgage loan, and the rental subsidies were continued. Because the rental subsidy is subject to annual federal appropriations, the Authority underwrites its new mortgage loans for these multi-family developments using the lesser of the contract rents under the RHS 521 program or the estimated market rents for the units in multi-family developments. RHS has notified the owners of four such multi-family developments that, as a result of the sequestration by the federal government of funding in its 2013 fiscal year, RHS will be unable to renew the subsidy contracts during the 2013 fiscal year, resulting in the lack of such funding for those developments toward the end of the 2013 fiscal year on September 30, 2013. However, RHS has indicated to the owners that it intends to assist them by permitting withdrawals from reserve and operating accounts, suspending monthly reserve deposits, allowing borrower loans for the property, and deferral of monthly debt service on the Section 515 mortgage loans. Although retroactive payments of the subsidy will not be allowed, RHS has stated that renewal of the contracts will be a priority when funding is again available in fiscal year 2014. No assurance can be given as to



whether subsidy funding for these four multi-family developments, as well as the other multi-family developments assisted by RHS, will continue, in whole or in part, in future fiscal years or as to the impact on the Authority of any subsidy reductions or terminations, including possible defaults and foreclosures of the Authority's multi-family mortgage loans on such multi-family developments.

See Appendix F for further discussion of the requirements under the Section 8 Program, Section 236 Program and Low Income Housing Tax Credit Program, including the income limits for tenants occupying the units in the developments assisted under those Programs.

*Requirements Applicable to Developments Financed by Tax Exempt AMT Bonds and Tax Exempt Non-AMT Bonds*

The following requirements apply to multi-family developments which are to be or which have been financed, in whole or in part, with proceeds of Tax Exempt AMT Bonds or Tax Exempt Non-AMT Bonds.

Under the Code, multi-family developments financed by Tax Exempt AMT Bonds or Tax Exempt Non-AMT Bonds must meet a requirement that either (i) at least 20% of the units in such multi-family development be occupied during the Qualified Project Period (as defined below) by individuals whose incomes are 50% or less of area median gross income, as adjusted for family size, or (ii) at least 40% of the units in such multi-family development be occupied during the Qualified Project Period (as defined below) by individuals whose incomes are 60% or less of area median gross income, as adjusted for family size. (The foregoing requirement is hereinafter referred to as the "20/50 or 40/60 Requirement," as applicable.)

The term "Qualified Project Period" for the Tax Exempt AMT Bonds and Tax Exempt Non-AMT Bonds is defined in the Code such that its ending date is the latest of (i) the date which is at least 15 years after the date on which 50% of the units in such multi-family development are first occupied, (ii) the first day on which no Tax Exempt Bond issued with respect to such multi-family development is outstanding, or (iii) the date on which any assistance provided with respect to such multi-family development under Section 8 terminates.

In addition to the 20/50 or 40/60 Requirement, all of each such multi-family development's units must remain rental property throughout the applicable Qualified Project Period.

*Requirements Applicable to Developments Financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds*

The following requirements apply to multi-family developments to be financed or which have been financed, in whole or in part, with proceeds of certain Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund certain bonds described below. The Authority may also issue Transitioned 1954 Code Tax Exempt Non-AMT Bonds to finance multi-family developments owned by the Authority, other governmental entities or charitable organizations exempt from federal taxation under Section 501(c)(3) of the Code, and to finance Authority owned property (including its offices).

Multi-family developments financed by certain Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds which were either issued on or after January 1, 1981, and before August 16, 1986 or issued pursuant to a transition rule in the Tax Reform Act of 1986 are subject to certain restrictions as to the use and occupancy of units therein under the Code and the predecessor provisions of the Internal Revenue Code of 1954, as amended (the "1954 Code"). Such multi-family developments consisting of residential rental property, as such term is defined in Section 103(b)(4) of the 1954 Code, are subject to the requirement that (i) at least 20 percent of the units in each multi-family development financed by such bonds (15 percent if the Development is located in certain low income or economically distressed areas) be occupied during the "Qualified Project Period" (defined below) by individuals whose incomes do not exceed 80% of the median income for the area (the "20/80 Requirement"), (ii) all of the units of each multi-family development be rented or available for rental on a continuous basis for the longer of the remaining term of the applicable series of such bonds or the Qualified Project Period for the multi-family development, and (iii) no building in any multi-family development contains less than 5 units if one of such units is occupied by an owner of the units. The 20/80 Requirement does not apply to multi-family developments financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued prior to January 1, 1981.

The term "Qualified Project Period" means (i) for the above described Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued prior to September 4, 1982, a period of 20 years commencing on the date of initial occupancy of the multi-family development or the date of issuance of such bonds, whichever is later, and (ii) for the above described Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued on or after September 4, 1982, a period commencing upon occupancy of 10% of the units in the multi-family development and ending on the later of (a) the date which is 10 years after occupancy of 50% of the units in the multi-family development, (b) the date which is subsequent to initial occupancy of any unit in the multi-family development by a period of time equal to one-half of the sum of the period the refunded bonds were outstanding and the longest term of the Transitioned 1954 Code Tax Exempt Non-AMT Bonds or (c) the date upon which any Section 8 assistance for the multi-family development terminates.

Multi-family developments that are financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds and that are owned by the Authority, by other governmental entities or by charitable organizations exempt from federal taxation under Section 501(c)(3) of the Code are not subject to the 20/50 or 40/60 Requirement or the 20/80 Requirement. However, if any multi-family development that is financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued after August 16, 1986 and

that is owned by such a charitable organization shall not be newly constructed or substantially rehabilitated, such multi-family development shall be subject to the 20/50 or 40/60 Requirement.

#### *Authority Income Limits*

The Authority has established income limits for the admission of families and persons to multi-family developments. Under the Authority's current rules and regulations (which are subject to change), the adjusted family income as defined by the Authority for admission to a rental unit in a multi-family development may not exceed 150% of the area median gross income, except that certain multi-family developments financed by mortgage loans approved by the Authority prior to November 15, 1991 are subject to a maximum income limit of seven times the total annual rent for such unit (including all utilities, except telephone) and except as described below regarding "economically mixed" multi-family developments. In addition, the Authority's rules and regulations authorize the establishment of lower income limits with respect to a multi-family development in the resolution of the Board of Commissioners of the Authority (the "Board") approving, or in the commitment for, the mortgage loan of such multi-family development. In the case of certain multi-family developments financed in whole with Tax Exempt Bonds after March 27, 2002, and prior to January 21, 2004, the Authority established an income limit of 50% of the area median gross income for 50% of the units and an income limit of 100% (150% if the multi-family development is located in a rural area) of the area median gross income for the remaining 50% of the units. In the case of certain multi-family developments financed or to be financed by Subsidized Mortgage Loans described in "General Fund and Other Net Assets" in "The Authority," the Authority has established an income limit between 50% and 100% (50% or 60% in the case of most multi-family developments) of the area median gross income for all or a portion (any such portion generally being 40% or 50%) of the units with any remaining units in such developments subject to an income limit of 150% of area median gross income, except that all of the units in such multi-family developments located in rural areas are subject to an income limit of 150% of the area median gross income. In the case of multi-family developments financed by such Subsidized Mortgage Loans and assisted under the federal Low-Income Housing Tax Credit Program, the Authority will apply the income limits that are applicable under such Program. See "Requirements Applicable to Developments Financed by Tax Exempt AMT Bonds and Tax Exempt Non-AMT Bonds" and "Requirements Applicable to Developments Financed by Transitioned 1954 Tax Exempt Non-AMT Bonds" above for income limitations under the Code or predecessor federal tax law, and see Appendix F for income limitations under certain federal programs.

#### *"Economically Mixed" Multi-Family Developments*

The Authority has financed and expects to finance in the future, "economically mixed" multi-family developments in which a portion of the units (not to exceed 80%) will not be subject to the Authority's income limits. The Authority is also authorized to finance in such multi-family developments non-housing buildings or portions thereof for manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings. The Authority has developed the following guidelines that govern the financing of such "economically mixed" multi-family developments under the program: (i) in the case of multi-family developments receiving mortgage loans financed by Taxable Bonds or net assets of the Authority, (1) for multi-family developments that are 15,000 square feet or larger, the multi-family development must be in a revitalization area determined by the locality, at least 60% of its income must be derived from the residential portion of the multi-family development, 20% of the units must target households earning income of 80% or less of area median income, 20% of the units must target households earning income of 120% or less of area median income, and the remaining 60% of the units have no income restriction; (2) for multi-family developments under 15,000 square feet, the multi-family development must be in a revitalization area determined by the locality, and the percentage of income that must be derived from the residential portion and the incomes targeted will be determined by the Authority on a case-by-case basis; and (3) for multi-family developments receiving mortgage loans financed by Subsidized Mortgage Loans, 30% of the units must target households earning income of 80% or less of area median income, 20% of the units must target households earning income of 120% or less of area median income, and the remaining 50% of the units have no income restriction; and (ii) in the case of multi-family developments receiving mortgage loans financed by Tax Exempt Bonds, 20% of the units must target households earning income of 50% or less of area median income, 20% of the units must target households earning income of 120% or less of area median income, and the remaining 60% of the units have no income restriction.

#### *Underwriting*

When a sponsor submits a proposal for a multi-family development to the Authority, it is assigned to an Authority staff Development Officer, who evaluates the proposed multi-family development concept, the multi-family development site and its location. Based upon the initial screening, the Development Officer will then evaluate the suitability of the site and the adequacy of the market for rental housing in the area. The evaluation will include an analysis of the site characteristics, the surrounding land uses, the available utilities, transportation, employment opportunities, recreation opportunities, shopping facilities and other factors affecting the site. An initial evaluation is made of the experience and financial capacity of the general contractor and the qualifications of the architects, attorneys and rental agent of the proposed multi-family development at this time. The Authority's review includes a projection of rental levels and the adequacy of the rental and other income to sustain the proposed multi-family development based upon the assumed occupancy rate and existing construction and financing costs, as well as the compatibility of such rent levels with Authority programs and goals. During this stage of processing, the Executive Director notifies the Board of the proposed mortgage loan and, absent any objection by the Board, approves the mortgage loan, subject to satisfactory completion of the underwriting as described below.

After the above-described evaluation and review, the sponsor must submit additional information, including an analysis of the multi-family development's costs and operating expenses, marketing and management information and information about the sponsor and the development team. An analysis of the economic feasibility of the multi-family development, including estimates of construction cost and rental and other income necessary to cover mortgage loan amortization and operating expenses, is made. The Authority's Development Officer evaluates overall market conditions, makes a site evaluation, identifies and analyzes competitive projects, and gives an opinion on the present and projected demand for the multi-family development in the market area. The analysis of overall market conditions includes trends and projections of housing production, employment and population for the market area. The site evaluation includes access and topography of the site, the neighborhood environment of the site, facilities serving the site and present and proposed uses of nearby land.

A review of the management and marketing information is made with attention to marketing strategies, operating budgets and affirmative marketing. Particular emphasis is given to determining if the operating costs are realistic and if the proposed managing agent is qualified to manage the multi-family development in conformity with the management standards and procedures established by the Authority. Schematic and preliminary drawings, specifications and site plans are reviewed by the Authority's staff architect for design concept with emphasis being placed on functional use for the residents and marketability over the life of the multi-family development. Energy conservation and economy are emphasized.

The Development Officer reviews the financial statements of both the sponsor and the general contractor and may also obtain independent credit reports on both. All individuals who are principals in the proposed mortgagor must also submit personal financial statements for review.

During its feasibility review, the Authority must determine that, based on the actual or projected interest rate and amortization schedule on the mortgage loan and an operating expense budget, the mortgage loan amount will not result in rents which adversely affect feasibility. Construction costs are reviewed and analyzed by the Authority's staff to determine whether such costs are reasonable based on costs of similar developments. An appraisal of the land is obtained from an independent real estate appraiser. For the purpose of analyzing the feasibility of the multi-family development, the Authority's underwriting policies provide that (i) the loan-to-value ratio may not exceed 90%, in the case of for-profit mortgagors, and 100%, in the case of non-profit mortgagors, (ii) the term of the mortgage loan may not exceed 35 years, and (iii) the debt service coverage, which is calculated as the net operating income (i.e., the rental income less operating expenses) divided by the debt service on the mortgage loan, may not be less than 110%; however, the foregoing policies may be waived or modified by the Authority at any time. If upon completion of these analyses the Executive Director approves the multi-family development, a commitment for a mortgage loan is issued with any terms or conditions specified by the Executive Director.

#### *Commitment and Initial Closing*

Upon receipt and acceptance of a mortgage loan commitment, the sponsor is to direct its attorney to prepare the documents for the initial mortgage loan closing. After review and approval by the Authority of all loan documents and final working drawings and specifications, the initial closing of the multi-family mortgage loan will be held. At this closing the mortgagor and the Authority will execute all documents required by the commitment, and the mortgagor will make any required equity investment and other deposits required by the multi-family mortgage loan commitment.

#### *Construction*

The Authority has established various requirements intended, in particular, to assure timely completion of construction and to provide funds in the event difficulties are encountered during construction. Among these requirements, which may be waived by the Authority, are the following:

- A holdback equal to 10% of construction disbursements until completion;
- Unconditional, irrevocable letters of credit (generally 10-15% of construction costs) to secure completion of construction; and
- Letters of credit to secure correction of latent construction defects (generally 2.5% of construction costs).

Construction of the multi-family development generally commences within 30 days after the initial closing. During construction, the Authority's field inspectors make frequent on-site observations of the progress of construction. The Authority approves or disapproves all construction loan disbursements and construction change orders.

#### *Final Closing and Certifications*

Upon completion of construction, the Authority makes a final review to determine that, based on its inspection of the multi-family development and the representations of the architect, (i) construction of the multi-family development has been completed in accordance with approved plans and specifications and other terms of the multi-family mortgage loan, and in accordance with any applicable zoning, building, housing and other codes and ordinances, and (ii) the multi-family development is in good and tenantable condition. If the final review is satisfactory, the general contractor and the mortgagor submit cost certifications of all actual costs of construction and development. Such cost certificates must be completed by an independent certified public accountant in accordance with the Authority's guidelines, except that in the case of multi-family developments

having limited rehabilitation, the mortgagor is required only to certify that the costs are reasonable, ordinary and necessary for such rehabilitation.

Prior to final closing the Authority's staff reviews and approves the cost certifications, final title insurance policy and certain documents required by the Authority, such as final plans and specifications, as-built survey, waiver of liens and the architect's certification as to completion of the multi-family development. Upon final closing the final multi-family mortgage loan amount is established and disbursement of the remaining mortgage loan proceeds is made.

The final multi-family mortgage loan amount may be reduced from the initial closing amount based upon the certification of actual costs. Although it is the Authority's present policy not to grant multi-family mortgage loan increases at the final closing of a multi-family mortgage loan, a multi-family mortgage loan increase may be granted if deemed justified by the Authority.

#### *Permanent Financing*

In the case of a mortgage loan which is to provide only the permanent financing for a multi-family development, certain of the above described processing procedures relating to the closing of the mortgage loan and the construction of the multi-family development are inapplicable (e.g., the closing of the multi-family mortgage loan is held upon completion of construction, if any, of the multi-family development in accordance with the plans and specifications approved by the Authority and upon satisfaction of the conditions of the commitment, and the proceeds of the multi-family mortgage loan are fully disbursed at such closing).

#### *Regulation and Management*

Generally, each multi-family development is subject to a regulatory agreement between the Authority and the mortgagor, which regulates the occupancy, management and operations of the multi-family development. However, the rents to be charged for units in a multi-family development are established by the mortgagor without the approval of the Authority. The management of the multi-family development is also governed by a housing management agreement between the mortgagor and its management agent or, if the mortgagor and the management agent are the same entity, between the mortgagor and the Authority. In the case of a multi-family development that is not financed by Tax Exempt Bonds and that has an original principal amount of less than \$2 million, the Authority does not require the execution of a regulatory agreement or housing management agreement but does require the inclusion of covenants in the deed of trust regulating the occupancy, operation and ownership of the multi-family development.

The Authority has the right to terminate the housing management agreement for just cause as determined by the Authority. After completion of construction and occupancy, the Authority periodically inspects the multi-family development and conducts spot audits of the management agent's verification of resident eligibility, receives a report on the multi-family development accounts, accounts payable and receivable and multi-family development bank accounts, and generally observes all management operations. Except in the case of mortgage loans having an outstanding principal balance of less than \$1 million, the mortgagor is required to submit monthly reports to the Authority which include information on the status of accounts payable and receivable for the multi-family development, occupancy of the units, and operating income and expenses. When any potential problems are identified, the Authority attempts to determine the causes in order to facilitate the initiation of appropriate corrective action, which may include management changes, additional equity contributions by the mortgagors, foreclosure, loan modification and other appropriate remedial actions.

After final closing, each mortgagor typically pays a monthly amount to fund a reserve for replacements account for the multi-family development. Such monthly amounts may be discontinued if the balance in such account is maintained at the equivalent of three years of reserve deposits, a capital needs study shows that reserves are at a sufficient level or another party is collecting reserves. In addition, on a case by case basis, the Authority may not require such monthly amount if the Authority determines that such deposit is not warranted. The mortgagor may request the withdrawal of funds from the reserve for replacements account for payment of the cost of major replacement items. Disbursements are to be made in accordance with the Authority's determinations as to what is in the best interest of the multi-family development.

An escrow account for the payment of real estate taxes and hazard insurance premiums is maintained by the Authority for each multi-family development after final closing and is funded by monthly payments by the mortgagor of 1/12 of the estimated annual real estate tax assessments and hazard insurance premiums. The Authority pays real estate taxes and hazard insurance premiums for each multi-family development out of the sums available for each multi-family development from the mortgagor's deposits. The mortgagor is required to contribute additional funds in the event of a deficiency in the escrow account.

See Appendix F for a description of certain additional restrictions imposed by federal law and regulations regarding the use and occupancy of multi-family developments.

#### *Delinquencies and Foreclosures; Risk of Loss*

As of September 30, 2013, all bond financed multi-family mortgage loans in the Authority's multi-family program were current in their payments, except 21 mortgage loans having an aggregate principal balance of approximately \$7.9 million. Since

the inception of the Authority's multi-family program in 1974, the Authority has acquired by foreclosure or deed in lieu of foreclosure 34 developments financed, in whole or in part, with proceeds of bonds (including Rental Housing Bonds). The Authority owns 10 of such developments (the "Owned Developments") and has sold 24 of such developments to third parties. All of such Owned Developments are currently financed and pledged under the Rental Housing Bonds Resolution. Also, since the inception of the multi-family program, the Authority has foreclosed on an additional eight bond financed developments that were purchased by third parties at foreclosure, and the Authority has assigned four FHA insured multi-family mortgage loans to the U.S. Department of Housing and Urban Development. The rental and other income of the Owned Developments is, in many instances, insufficient to provide a market rate return to the Authority on its capital investment in such Owned Developments. For multi-family developments experiencing financial difficulties, the Authority may also restructure the timing of the receipt of the principal and interest payments on the multi-family mortgage loan or reduce the interest rate on a temporary or permanent basis. See "General Fund and Other Net Assets" in "The Authority" for a discussion of the Authority's experience with multi-family mortgage loans the Authority has financed with other sources.

The Authority conducts quarterly analyses of the risk of loan loss on its portfolio of multi-family mortgage loans in order to determine the amount to be included in the calculation of the Authority's Allowance for Loan Loss for estimated losses on multi-family mortgage loans. For this analysis, the Authority develops a list of the multi-family developments that are identified as being at risk of foreclosure and assigns one of four levels of risk ("high risk," "medium risk," "low risk" or "possible") to each of those at risk multi-family developments based upon a number of factors, including its mortgage loan payment status and record, its debt service coverage from rental income, the willingness and ability of the mortgagor to fund mortgage loan payment deficiencies, its physical condition, the mortgagor's operation and management of the development, the financial status of any other multi-family developments that the principals in the mortgagor have financed with the Authority and such other factors as the Authority determines to be related to the risk of loss. In addition, the Authority estimates the potential loss for each of the at-risk multi-family developments calculated as the difference between the outstanding principal balance of the mortgage loan and the value of the development financed by such mortgage loan as determined by the Authority based upon the amount of debt financing (assumed to be fully amortizing over 30 years with level payments and at the lesser of the existing interest rate on the Authority's mortgage loan or the average of the multi-family interest rates then being offered by the Authority) which could be supported by the net operating income of the multi-family development. Reductions are made in the potential loss for any operating and replacement reserves of the multi-family development and for the value of federal low-income housing tax credits, if any, that may be taken over the balance of the initial 10 years of the operation of the multi-family development. Based on such level of risk and potential loss, the Authority includes an amount for each such at-risk multi-family development in the Authority's Allowance for Loan Loss. Set forth below is a chart that lists, as of June 30, 2013, the number of such at-risk multi-family developments at each level of risk, the aggregate principal balance of the mortgage loans financing such developments, and the amount included in the Authority's Allowance for Loan Loss for the multi-family developments at such risk level.

<u>Foreclosure Risk Level</u>	<u>Number of Developments</u>	<u>Principal Balance (in millions)</u>	<u>Amount Included in Allowance for Loan Loss (in millions)</u>
High	23	\$10.8	\$5.0
Medium	11	44.0	10.3
Low	32	113.2	5.9
Possible	<u>56</u>	<u>264.1</u>	<u>6.1</u>
TOTAL	122	\$432.1	\$27.3

The Authority also includes in the Allowance for Loan Loss additional amounts for all other multi-family developments based upon percentages (ranging from 1% to 2%) of the outstanding principal balances of the mortgage loans financing such other developments and may include other additional amounts in the Allowance for Loan Loss to cover risks on multi-family developments not otherwise covered by the above described amounts. The total of all of the foregoing amounts that were included in the Authority's Allowance for Loan Loss as of June 30, 2013 is \$57.5 million. The Authority's total Allowance for Loan Loss which includes such total amount and amounts for possible losses on single family mortgage loans financed by the Authority was \$190.9 million as of June 30, 2013. The Authority may at any time modify the above described analysis and calculations as it shall determine to reflect its risk of loan loss.

#### MISCELLANEOUS PROGRAMS

The Authority makes certain single family and multi-family mortgage loans supported or financed by net assets of the Authority (see "General Fund and Other Net Assets" below for a description of mortgage loan programs effected with assets in the General Fund). The Authority also administers the federal low income housing tax credit program under Section 42 of the Code and federal grant or subsidy programs and assists the Commonwealth's Department of Housing and Community Development in the administration of the federal HOME loan and grant program and state loan and grant programs. Mortgage loans and other assets financed or acquired by money from federal or state grant or subsidy programs are not pledged or available for the payment of any of the Authority's bonds or other obligations.

## CERTAIN PROGRAMMATIC CONSIDERATIONS

### Geographic Concentration in Virginia

Different geographic regions of the United States from time to time will experience weaker regional economic conditions and housing markets, and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Any concentration of the mortgage loans in a region may present risk considerations in addition to those generally present for similar securities without that concentration. If the mortgage loans are concentrated in one or more regions, a downturn in the economy in these regions of the country would more greatly affect the mortgage portfolio than if the mortgage portfolio were more diversified. In particular, all of the Authority's multi-family mortgage loans and single family mortgage loans are secured by mortgaged properties in Virginia.

Because of the geographic concentration of the mortgaged properties within Virginia, losses on the Authority's multi-family mortgage loans and single family mortgage loans may be higher than would be the case if the mortgaged properties were more geographically diversified. For example, some of the mortgaged properties may be more susceptible to certain types of special hazards (such as hurricanes, floods, fires and other natural disasters) and major civil disturbances than residential properties located in other parts of the country. In addition, the economy of Virginia may be adversely affected to a greater degree than the economies of other areas of the country by certain regional developments. If the residential real estate markets in an area of concentration experience an overall decline in property values after the dates of origination of the respective mortgage loans, then the rates of delinquencies, foreclosures and losses on the mortgage loans may increase and the increase may be substantial.

The concentration of the Authority's multi-family mortgage loans and single family mortgage loans with specific characteristics relating to the types of properties, property characteristics, and geographic location are likely to change over time. Principal payments may affect the concentration levels. Principal payments could include voluntary prepayments and prepayments resulting from casualty or condemnation, defaults and liquidations and from repurchases of mortgage loans due to breaches of representations and warranties by the Authority's Originating Lenders.

The geographic concentration of the Authority's single family mortgage loans and multi-family mortgage loans (including the Mortgage Loans) may increase the risk to the Authority of losses on those loans which, in turn, could affect the financial performance of the Authority.

### Changes in Federal or State Law and Programs

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which contains provisions affecting the Authority's single family programs, was signed into law. Included in the Dodd-Frank Act are provisions that: (i) establish the Consumer Financial Protection Bureau (the "CFPB") within the Federal Reserve with broad authority to protect consumers from unfair or deceptive financial products, acts or practices and reassign to the CFPB responsibility for enforcement of the major federal consumer financial protection laws; (ii) require entities that securitize mortgage loans to retain at least 5% of the credit risk in the assets that they securitize, except for certain "qualified residential mortgages" to be defined by regulations to be promulgated under the Dodd-Frank Act and except for mortgage loans insured or guaranteed by the federal government; (iii) prohibit compensation to loan originators based on the terms of the loan, including the interest rate but excluding the principal amount of the loan, and prohibit compensation to loan originators from any person other than the consumer, subject to certain exceptions; (iv) prohibit a creditor from making a mortgage loan unless the creditor makes a good faith determination, based on verified and documented information, that the applicant has a reasonable ability to repay the loan; (v) prohibit steering of loan applicants to loans that the applicants lack a reasonable ability to repay or that have predatory characteristics or effects and prohibit steering from a "qualified mortgage" (defined as a mortgage loan that satisfies certain requirements as to loan terms and underwriting set forth in regulations issued by the CFPB which take effect January 10, 2014) for which the applicant is qualified to a loan that is not a "qualified mortgage;" (vi) prohibit acts or practices that violate appraiser independence; (vii) establish new loan servicing standards, including requirements for prepayment penalties, requirements for forced placed insurance that is obtained by the loan servicer upon termination of hazard insurance, and time requirements for pay-off statements and crediting of loan payments; and (viii) authorize various damages for violations by loan originators and creditors of the Dodd-Frank Act.

With regard to the requirement for retention of 5% of the credit risk described in (ii) above, the Dodd-Frank Act authorizes a total or partial exemption by regulation for asset-backed securities issued by public instrumentalities of states that are exempt under Section 3(a)(2) of the Securities Act of 1933, and the federal regulatory agencies responsible for issuance of regulations under the Dodd-Frank Act have, pursuant to such authorization, issued proposed regulations that provide a total exemption for asset-backed securities that are issued or guaranteed by any state or any political subdivision or instrumentality of a state. Under such proposed regulations, the bonds issued by the Authority to finance single family and multi-family housing would be exempt from the risk retention requirement described in (ii) above. In addition, the proposed regulations would exempt from such risk retention requirement securities (a) that are secured by mortgage loans insured or guaranteed by FHA, VA or RD or are secured by "Qualified Residential Mortgages" (defined as "qualified mortgages" under the Truth in Lending Act, which are mortgage loans that finance one-to-four family property and that satisfy certain requirements as to loan terms and underwriting, including no negative amortization, interest only periods or balloon payments, terms of 30 years or less, points and fees no more than 3% of the loan amount, and debt-to-income ratios of 43% or less) (b) that are guaranteed by Fannie Mae or Freddie Mac while in conservatorship. As a result, the Authority does not anticipate, based on current facts and

circumstances, that the proposed regulations in their present form, if enacted, implementing the risk retention requirement will have a material impact on the Authority or its current programs and operations.

On January 10, 2013, the CFPB issued its final regulations implementing the requirement that the applicant have a reasonable ability to repay the loan. These final regulations, which take effect January 10, 2014, require the lender to make a reasonable good faith determination of the borrower's ability to repay and to consider and verify certain factors, such as (i) income or assets (other than real estate securing the loan), (ii) current employment status, (iii) monthly payment on the covered transaction, (iv) monthly payment on any simultaneous loan, (v) monthly payment for mortgage-related obligations, (vi) current debt obligations, alimony and child support, (vii) monthly debt-to-income ratio or residual income, and (viii) credit history. These final regulations provide for a rebuttable presumption of compliance with the ability to repay requirement if the loan meets certain requirements, including full amortization over a period not to exceed 30 years, a debt-to income ratio equal to or less than 43%, and points and fees of 3% or less and further provide that, if the annual percentage rate (referred to as the "APR") does not exceed 1.5 percentage points above the average prime offer rate for first lien loans, the loan is deemed to comply with the ability to repay requirement. (The final regulations include a temporary exception to the 43% limitation for up to seven years for loans that are eligible for purchase by Fannie Mae or Freddie Mac while in conservatorship or that are insured or guaranteed by FHA, VA or RD pending issuance of their own ability to repay regulations.) On May 29, 2013, the CFPB issued a final regulation which will exempt the Authority and other state housing finance agencies from the ability to repay regulations described above. On September 30, 2013, FHA issued proposed regulations defining the standards that FHA-insured loans would have to meet to be considered "qualified mortgages" for purposes of meeting the ability to repay requirement of the Dodd-Frank Act. New loans that do not meet the proposed definition would no longer be eligible for FHA-insurance as of January 10, 2014. Even though the Authority and other state housing finance agencies are exempt from the CFPB's ability to repay regulations, the proposed FHA regulations do not contain a similar exemption. Therefore, under the proposed FHA regulations, the Authority would have to meet the FHA qualified mortgage definition for all mortgage loans to be insured by FHA. The proposed FHA regulations provide for a rebuttable presumption of compliance with the ability to repay requirement if the loan meets FHA underwriting requirements and has points and fees that do not exceed 3% of the total loan amount, and further provide that, if the APR does not exceed the average prime offer rate by more than the combined annual mortgage insurance premium and 1.15 percentage points for a first-lien mortgage, the loan is deemed to comply with the ability to repay requirement.

On January 10, 2013, the CFPB issued its final regulations regarding high-cost mortgages, but the regulations exempt from their application all loans originated by state housing finance agencies.

On January 17, 2013, the CFPB issued its final regulations regarding loan servicing standards. Such servicing regulations exempt the Authority and other state housing finance agencies from the provisions therein, except the requirement for notices of interest rate changes of adjustable rate mortgage loans, the requirement for prompt crediting of payments by the borrower, the restrictions on force-placed insurance purchased by lenders upon a failure to maintain the hazard insurance on the property, the procedures for resolution of errors by lenders and for responses to information requests by borrowers, and the prohibitions against foreclosure if the borrower is less than 120 days delinquent or if the borrower is performing pursuant to the terms of a loss mitigation agreement.

Because of its loan underwriting and servicing practices, the Authority does not anticipate, based on current facts and circumstances, that compliance with the final CFPB regulations and proposed FHA regulations (if enacted in the proposed form) described above will have a material impact on the Authority or its current programs and operations. However, no assurance can be given that the Dodd-Frank Act and any future regulations to be promulgated thereunder or the consideration or enactment of any other such legislation or regulations will not have an adverse effect on the Authority's single family programs, its financial condition, the value of, the timing or amount of payments of, or the security for the Commonwealth Mortgage Bonds or the Homeownership Mortgage Bonds or other risks to the Authority or the owners of such Bonds.

In recent years, a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress may pass additional consumer protection and bankruptcy legislation (including legislation that would allow bankruptcy courts to reduce or "cram down" the principal amounts and/or interest rates on mortgage loans on principal residences) as a result of the adverse effects of certain existing mortgages, mortgage origination, and mortgage servicing on individuals and families in the United States. Likewise, the Virginia General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. Such legislation, if enacted, could have an adverse effect on the Authority's single family mortgage programs, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans.

Legislation or regulations may be enacted or promulgated or governmental programs may be implemented or enhanced that would facilitate the refinancing of single family mortgage loans at lower interest rates, particularly in situations in which the principal balance of the existing single family mortgage loan is greater than the market value of the residence being financed. Under two such programs, described herein, the Authority finances FHA Streamline Refinance Loans and VA Streamline Refinance Loans. Such refinancing programs and any other programs authorized by future legislation or regulation could result in substantial prepayments of the mortgage loans, including the single family mortgage loans financed by the Authority. Except to the extent that such prepayments are the result of the refinancing by the Authority of its single family mortgage loans, such prepayments will have the effect of reducing the outstanding principal balance of the Authority's single family loan portfolio and thereby adversely affect the Authority's revenues. The failure to receive full payment of the principal

balances on any of the Authority's mortgage loans in connection with any such refinancings (if acceptance of less than full payment is required by any such legislation, regulations or programs) would result in losses on such mortgage loans and would have an adverse impact on the Authority's revenues. No assurance can be given as to whether or not any such legislation or regulations will be enacted or promulgated or as to the impact on the Authority's revenues.

A number of federal and state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of federal and state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the federal government or the Commonwealth of Virginia could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the Authority's single-family loans could adversely affect the Authority's ability to collect amounts due on such loans and could impair the value of such loans.

Legislation or regulations, other than as described above, affecting the Authority's single family or multi-family mortgage loan programs or its bonds may be considered and enacted or issued by the federal government or the Commonwealth. No assurances can be given as to the likelihood, content or impact on the Authority of any such legislation or regulations.

### **Prepayments**

A decline in mortgage interest rates will generally result in an increase in prepayments on mortgage loans. Such prepayments on the mortgage loans may have the effect of reducing the outstanding principal balances of the Authority's mortgage loan portfolio and thereby adversely affecting the Authority's revenues. No assurances can be given as to future changes in mortgage interest rates or prepayments or the financial impact of such prepayments on the Authority's revenues. See "Changes in Federal or State Law and Programs" above for a discussion of possible legislation or regulations that also may have an impact on prepayments.



## PART III – THE AUTHORITY

### THE AUTHORITY

The Authority is a political subdivision of the Commonwealth constituting a public instrumentality. It was established in 1972 to assist in meeting the needs and achieving the objectives of the Commonwealth with respect to housing for persons and households of low and moderate income. The principal office of the Authority is located at 601 South Belvidere Street, Richmond, Virginia 23220, telephone: (804) 782-1986. The Authority's website address is [www.vhda.com](http://www.vhda.com).

#### Commissioners

The Commissioners of the Authority consist of eight members appointed by the Governor and confirmed by the General Assembly and three ex-officio members – a representative of the Virginia Board of Housing and Community Development, the Treasurer of the Commonwealth and the Director of the Virginia Department of Housing and Community Development. The Authority's Commissioners are:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>		<u>Occupation</u>
		<u>June 30</u>		
Kermit E. Hale .....	Commissioner and Chairman	2015		General Manager, MKB Realtors, Roanoke
Timothy M. Chapman.....	Commissioner and Vice Chairman	2014		Managing Member, Chapman Development LLC, Reston
Jacqueline T. Black.....	Commissioner	2014		Section 8 Housing Choice Voucher assisted tenant, Chester
Yvonne Toms Allmond....	Commissioner	2013*		Senior Vice President, TowneBank, Norfolk
Charles L. Krum, Jr. ....	Commissioner	2015		Retired, Pharmacist, Abingdon
H. Richard Ashe .....	Commissioner	2016		Owner, Kiln Creek Golf and Country Club, Yorktown
Douglas R. Fahl .....	Commissioner	2016		Executive Vice President, Dewberry & Davis LLC, Leesburg
Marjorie N. Leon .....	Commissioner	2016		Program Associate, Family and Consumer Sciences, Virginia Cooperative Extension Partnership, Warrenton
Manju Ganeriwala.....	Commissioner	ex-officio		Treasurer, Commonwealth of Virginia, Richmond
William C. Shelton .....	Commissioner	ex-officio		Director, Virginia Department of Housing and Community Development, Richmond
James Hyland.....	Commissioner	ex-officio		Member, Virginia Board of Housing and Community Development, Charlottesville

\* Not eligible for reappointment. Successor to be appointed by the Governor, subject to confirmation by the General Assembly

#### Management Structure; Principal Staff Officers

The Executive Director is appointed by the Board of Commissioners and implements the policies of such Board and manages the operations of the Authority. The Authority has one business unit for multi-family loan origination, servicing and compliance and one business unit for single family loan origination, servicing and compliance. Listed below are the Authority's principal officers directly involved in the single family lending programs and the multi-family lending programs and their responsibilities.

Susan F. Dewey. Executive Director. Ms. Dewey joined the Authority in 1999 as Executive Director. Prior to joining the Authority, Ms. Dewey was employed by the Commonwealth of Virginia as Treasurer, Deputy Treasurer, Director of Debt Management and Director of Financial Policy. Ms. Dewey is a Certified Public Accountant and has an undergraduate degree and a Master of Business Administration degree from The College of William & Mary.

Patrick J. Carey. Managing Director of Finance. Mr. Carey joined the Authority in 1987 as Finance Manager and served as Finance Director or Director of Finance from June 2003 to February 2013. Mr. Carey is a graduate of the University of Richmond and has a Master of Business Administration degree from Virginia Commonwealth University.

J. Judson McKellar, Jr. Deputy of Legal and Finance. Mr. McKellar joined the Authority in 1975 as Associate Counsel and served as the Authority's General Counsel from December 1980 to July 2012. Prior to joining the Authority, Mr. McKellar was engaged in the practice of law in Fairfax County, Virginia. Mr. McKellar is a member of the Virginia State Bar and is a

graduate of Davidson College and the University of Virginia Law School. Mr. McKellar has notified the Authority of his intention to retire on or about January 31, 2014.

Paul M. Brennan. General Counsel. Mr. Brennan joined the Authority in 1990 as Assistant Counsel and served as Deputy General Counsel from January 2006 to July 2012. Prior to joining the Authority, Mr. Brennan was engaged in the practice of law in Richmond, Virginia. Mr. Brennan is a member of the Virginia State Bar and is a graduate of the University of Notre Dame and the University of Notre Dame Law School.

Donald L. Ritenour. Deputy of Programs. Mr. Ritenour joined the Authority in 1974 as a Mortgage Loan Officer and previously served as the Authority's Director of Single Family. Prior to joining the Authority, Mr. Ritenour was employed as an Executive Assistant to the President of Hanover Mortgage Corporation, a wholly-owned subsidiary of the Bank of Virginia, and as an Authorization Manager of Bank of Virginia Master Charge. Mr. Ritenour is a graduate of Virginia Commonwealth University. Mr. Ritenour has notified the Authority of his intent to retire on or about June 30, 2014.

Arthur N. Bowen, III. Managing Director of Rental Housing. Mr. Bowen joined the Authority in 2000 as Public Policy Director and served as Managing Director of Finance and Administration from January 2003 to July 2012. Prior to joining the Authority, Mr. Bowen was employed as Deputy Secretary of Transportation for the Commonwealth of Virginia, and prior to that he served as Deputy Treasurer. Mr. Bowen is a graduate of the University of North Carolina, Chapel Hill.

The position of Managing Director of Homeownership is vacant due to a retirement. The successor for this position has not been selected. In the interim, the responsibilities will be performed by the Deputy of Programs.

### **Program Funds**

The funds for the Authority's mortgage loan programs are derived from the proceeds of its notes and bonds, prepayments and repayments on mortgage loans, excess revenues and net assets. Certain information on such notes and bonds is set forth in footnote 7 of the Authority's financial statements attached hereto as Appendix A. The amount of notes and bonds which the Authority may issue or have outstanding is limited only by the provisions in the Code which restrict the amount of tax exempt bonds which may be issued and by the provision of the Code of Virginia which limits the outstanding principal amount of Authority obligations secured by a capital reserve fund to \$1.5 billion, excluding certain refunding transactions. The Authority is currently in compliance with such limits in the Code and the Code of Virginia. The Authority pays its expenses from the income generated from its operations and has received no funds from the Commonwealth other than an initial advance, which the Authority has repaid.

### **Summary of Revenues, Expenses, and Net Assets**

The following is a summary of the Authority's revenues, expenses and net assets at year end for each of the fiscal years from 2009 through 2013. Pursuant to accounting regulations, beginning with fiscal year 2013 the term net position is and will be used where the term net assets was used previously on the Authority's financial statements. The net assets of certain funds are restricted and are subject to varying valuation methodologies pursuant to contracts with bond owners. The totaling of the accounts does not indicate that the combined net assets are available for the payment of principal of or interest on the Commonwealth Mortgage Bonds, Homeownership Mortgage Bonds or Rental Housing Bonds, for the payment of the Authority's operating expenses or for any other purpose. The summary should be read in conjunction with the financial statements and notes appearing in Appendix A. The amounts in the summary for each year ended June 30 are derived from the audited financial statements for each such year.

Year Ended June 30  
(in millions)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(Not included in independent accountants' report)</i>				
Memorandum Only – Combined totals					
Revenues:					
Interest on mortgage loans.....	\$519	\$513	\$505	\$489	\$456
Investment income .....	2	18	15	17	20
Pass-through grants received.....	69	128	158	120	128
Housing Choice Voucher program .....	61	69	72	37	7
Other .....	<u>23</u>	<u>32</u>	<u>27</u>	<u>44</u>	<u>54</u>
Total revenues.....	<u>674</u>	<u>760</u>	<u>777</u>	<u>707</u>	<u>665</u>
Expenses:					
Interest .....	355	336	321	296	261
Pass-through grants disbursed .....	69	128	158	120	128
Housing Choice Voucher program .....	71	70	69	39	8
Total administrative expenses, etc.....	<u>102</u>	<u>124</u>	<u>133</u>	<u>165</u>	<u>156</u>
Total expenses .....	<u>597</u>	<u>658</u>	<u>681</u>	<u>620</u>	<u>553</u>
Excess of revenues over expenses .....	77	102	96	87	112
Net assets* at beginning of period .....	<u>2,042</u>	<u>2,119</u>	<u>2,221</u>	<u>2,317</u>	<u>2,404</u>
Net assets* at end of period .....	<u>\$2,119</u>	<u>\$2,221</u>	<u>\$2,317</u>	<u>\$2,404</u>	<u>\$2,516</u>
Net assets* of the General Fund at end of period.....					
	\$154	\$167	\$154	\$99	\$144

\* Renamed as net position for the fiscal year ended June 30, 2013.

The decrease in the net assets of the General Fund at the end of the period between June 30, 2011 and June 30, 2012 was due primarily to the Authority paying most of its general operating expenses from the General Fund and, unlike prior fiscal years, not transferring amounts from non-General Fund accounts necessary to offset such expenses. In future years, the Authority expects to continue to pay its general operating expenses from the General Fund and to maintain the General Fund's net asset position at a level determined to be appropriate by the Authority.

*Selected Figures Excluding Effects of GASB 31*

Statement No. 31 of The Governmental Accounting Standards Board (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools ("GASB 31") requires investments, but not liabilities or mortgage loans, held by governmental entities to be reported at fair market value on the balance sheet with changes in fair market value to be included as adjustments to revenues in the statement of revenues, expenses, and changes in net assets. The following summary excludes the effects of GASB 31 and is subject to the qualifications set forth in the previous paragraph.

Year ended June 30  
(in millions)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(Not included in independent accountants' report)</i>				
Memorandum Only – Combined totals					
Excess of revenues over expenses					
excluding GASB 31 adjustments .....	\$79	\$61	\$85	\$78	\$110
Net assets* at end of period					
excluding GASB 31 adjustments .....	\$2,178	\$2,239	\$2,324	\$2,402	\$2,512
Net assets* of the General Fund					
at end of period excluding					
GASB 31 adjustments.....	\$184	\$183	\$166	\$107	\$107

\* Renamed as net position for the fiscal year ended June 30, 2013.

The GASB 31 valuation adjustments to investments owned by the Authority consist of unrealized gains or losses necessary to report investment assets at fair market value on the specified measurement date.

**Prior and Anticipated Financings of the Authority**

As of June 30, 2013 the Authority had approximately \$5.9 billion of notes and bonds outstanding (see Appendix A). Subsequent to such date, the Authority issued (or expects to issue) the following notes and bonds:

<u>Issue</u>	<u>Par Amount</u>	<u>Issuance Date</u>
Rental Housing Bonds, 2013 Series F-Non-AMT	\$58,435,000	October 10, 2013
Commonwealth Mortgage Bonds, 2013 Series C-Taxable (Pass-Through)	\$101,914,483	October 24, 2013
Rental Housing Bonds, 2013 Series G-Non-AMT	\$11,650,000*	December 3, 2013*
Commonwealth Mortgage Bonds, 2013 Series D-Taxable (Pass-Through)	\$81,716,862*	December 19, 2013*

\* Expected

### Investments

Moneys in the General Fund may be invested by the Authority in (i) obligations or securities which are lawful investments for fiduciaries as set forth in Section 26-40 of the Code of Virginia, 1950, as amended, (ii) any investments and deposits authorized by Sections 2.1-327 through 2.1-327.13 of the Code of Virginia 1950, as amended, permitting the investment of the funds of the Commonwealth and its political subdivisions, such as the Authority, in certain other types of investments, and (iii) any other investments permitted under any bond resolution or trust indenture of the Authority which, when acquired, have, or are general obligations of issuers who have, long-term ratings of at least AA or Aa or the highest short-term ratings, as applicable, by two rating agencies, one of which shall be Moody's or Standard & Poor's or any successor thereto. Moneys pledged pursuant to a bond resolution or trust indenture of the Authority may be invested in any manner permitted by such bond resolution or trust indenture. Investment decisions are made by the Authority's staff. It is the Authority's current investment policy not to (i) invest long-term those moneys expected to be utilized in the short-term or (ii) effect leverage transactions (e.g. reverse repurchase agreements or other borrowings) for the principal purpose of profiting from changes in interest rates. The Authority reserves the right to modify its investment policy from time to time.

As of September 30, 2013, the Authority's current investment portfolio consists principally of direct or indirect obligations of the United States of America or of its agencies and instrumentalities, including but not limited to organizations such as Fannie Mae and Ginnie Mae (collectively, "Federal Obligations"), corporate notes, bonds (including municipal bonds) and debentures, asset backed securities, certificates of deposit, repurchase agreements and commercial paper, all of which satisfy the requirements in the above referenced Sections of the Code of Virginia (see footnote 5 of the Authority's financial statements attached hereto as Appendix A). The secondary market for investments which are not Federal Obligations has been in the past and may be in the future very illiquid. No assurances can be given that such investments can be sold prior to maturity or, if sold, can be sold at a price which is not materially less than the Authority's capital investment in such investment.

Footnote 5(b) of the Authority's financial statements attached hereto as Exhibit A sets forth a combined statement of the credit risk of the Authority's investments in the General Fund and under its bond resolutions, which overall is concentrated in the Money Market Securities category. As of September 30, 2013, the Authority's counterparties in the Money Market Securities category were as follows:

<u>Counterparty</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Principal Amount (by Counterparty)</u>
Bank of Nova Scotia YCD	06417F2J	\$30,000,000	\$30,000,000
General Electric Cap CORP CP	36959HXW	19,996,939	19,996,939
JP Morgan Federal MM Fund	48199ZVB	500,000	500,000
Nordea BK Finland YCD	65558ELB	50,000,000	50,000,000
Standard Chartered BK YCD	85325BA4	50,000,000	
Standard Chartered BK YCD	85325BXJ	50,003,264	100,003,264
Toyota Motor Credit CP	89233HA2	49,976,750	
Toyota Motor Credit CP	89233GZK	19,990,783	69,967,533
U S Bank Commercial Paper Fund	02961021	100,621,314	100,621,314
TOTAL		\$371,089,050	\$371,089,050

### The Common Fund

The Authority operates a non-regulated, internal only, pooled investment fund (the "Common Fund") consisting at present of various investments with maturity dates generally not later than 366 days from the date any such investment is allocated to the Common Fund; provided, however, that investments that have variable interest rates which are subject to mandatory market rate adjustment not less frequently than quarterly are permitted if their maturity dates at the time of allocation to the Common Fund do not exceed three years and if such investments do not exceed 10% of the Common Fund at the time of purchase. At present, all of such investments are investments permitted by the Commonwealth Mortgage Bonds Resolution, the Rental Housing Bonds Resolution, and the Homeownership Mortgage Bonds Resolution.

The shares of the Common Fund represent an undivided interest in the investments comprising the Common Fund. The Authority's investment accounting system allocates shares of the Common Fund to various funds of the Authority, including Investment Obligations of the Offered Bonds and the Currently Outstanding Bonds, pro rata based upon the amounts invested in the Common Fund. It is expected that a substantial portion of the Investment Obligations of the Commonwealth Mortgage Bonds, Homeownership Mortgage Bonds and Rental Housing Bonds will be comprised of Common Fund shares.

## General Fund and Other Net Assets

The General Fund contains the net assets of the Authority not pledged as security under the Commonwealth Mortgage Bonds Resolution, Rental Housing Bonds Resolution or Homeownership Mortgage Bonds Resolution. The General Fund is used to pay the operating expenses of the Authority and is a source of payment for all general obligations of the Authority, including the Offered Bonds, although it is not specifically pledged to secure the Offered Bonds. Moneys comprising the General Fund's net assets may be used for any lawful purpose of the Authority. The Authority expects to continue to pay its general operating expenses from the General Fund and to maintain the General Fund's net asset position at a level determined to be appropriate by the Authority. No assurance can be given that moneys will be available in the General Fund for payment of debt service on the Offered Bonds at any particular time.

The Authority has conducted and continues to conduct various subsidized mortgage loan programs financed or supported by the net assets of the Authority, including the net assets of the General Fund. Each mortgage loan so financed or supported is herein referred to as a "Subsidized Mortgage Loan." A mortgage loan is a Subsidized Mortgage Loan if the effective interest rate thereon is at or below the effective cost of the capital (debt or net asset) of the Authority so financing such mortgage loan. For a Subsidized Mortgage Loan financed with net assets, the effective cost of such net assets is assumed to be the effective cost that the Authority would have paid (at the time of the issuance of the Authority's commitment to finance such Subsidized Mortgage Loan) to finance such Subsidized Mortgage Loan with debt capital on which interest is not excluded from gross income for federal income tax purposes.

Prior to July 1, 2005, the Authority made available the amount of \$275.7 million for Subsidized Mortgage Loans, principally for the elderly, disabled, homeless and other low income persons. The Authority implemented, beginning July 1, 2005, a new methodology for determining the amount of its net assets that will be used to provide reduced interest rates for Subsidized Mortgage Loans and otherwise subsidize its programs (the "Subsidized Programs"). Under this new methodology, the annual amount of the Authority's net assets to be dedicated, on a present value basis as determined by the Authority, to provide reduced interest rates or other support for Subsidized Mortgage Loans or to otherwise provide housing subsidies under its programs, including bond financed programs, shall be equal to 15% of the average of the Authority's excess revenue (as unadjusted for the effect of GASB 31 and 53) for the preceding three fiscal years or, commencing with fiscal year 2011, the preceding five fiscal years (the "Percentage Amount"). For example, the present value of the interest rate reductions or other support or subsidies to be made available for fiscal year 2014 programs is \$13.1 million (plus \$14.6 million of unused allocations from prior years) which is equal to 15% of the average unadjusted excess revenues for fiscal years 2008 through 2012. Such annual amounts will, in effect, represent the present values of the costs to the Authority to finance (at interest rates below the Authority's capital costs as described above) or otherwise support the Subsidized Mortgage Loans or to provide other housing subsidies. This use of net assets is expected to reduce the amount available to the Authority for payment of its bonds (including the Offered Bonds) or other purposes permitted by the Act. The principal amount of Subsidized Mortgage Loans that will be available at reduced interest rates under this new methodology will vary depending on such factors as the amount of the interest rate reductions and the expected lives of the Subsidized Mortgage Loans. Furthermore, the Authority may decide to use such annual subsidy amount for purposes other than Subsidized Mortgage Loans, and such uses may affect such principal amount of the Subsidized Mortgage Loans. The amounts to be made available under this new methodology in the future will be subject to review by the Authority of the impact thereof on its financial position. The Authority has financed and expects to finance some, but not all, of such Subsidized Mortgage Loans, in whole or in part, with funds under its various bond resolutions. The Authority may, in its discretion, apply net assets in excess of the Percentage Amount for its Subsidized Programs or may change the percentage or methodology for calculating the amount of net assets to be made available for Subsidized Mortgage Loans, and in 2007 the Authority increased the amount of net assets in excess of the Percentage Amount for fiscal year 2007 Subsidized Programs by approximately \$3.1 million in order to provide additional funds for multi-family rental developments to be financed by the Authority. The total of the annual amounts used or expected to be made available for Subsidized Programs under this new methodology through fiscal year 2014 is \$154.6 million.

As of September 30, 2013, approximately \$70 million aggregate principal balance of multi-family mortgage loans financed by General Fund net assets was outstanding. As of September 30, 2013, all of such multi-family mortgage loans were current in their payments, except five mortgage loans having an aggregate principal balance of approximately \$1.3 million that were delinquent. As of September 30, 2013, the Authority had acquired by foreclosure 12 multi-family developments that were financed, in whole or in part, by General Fund net assets, owned two of such developments and had sold 10 of such developments to third parties. In addition, as of such date, the Authority had foreclosed on three developments that were purchased by third parties at the foreclosure sales. Two of the developments acquired by foreclosure and owned by the Authority and one of the developments purchased by third parties at the foreclosure sales were also financed, in part, with the proceeds of bonds and are included in the developments described in "Delinquencies and Foreclosures; Risk of Loss" in "The Multi-Family Program." The rental and other income of such owned developments is, in many instances, insufficient to provide a market rate return to the Authority on its capital investment in such owned developments. As of September 30, 2013, approximately \$148 million aggregate principal balance of single family mortgage loans financed by General Fund net assets (including approximately \$118 million of such loans financed through the issuance of Ginnie Mae securities held in the General Fund) was outstanding; and 4.3% of such single family mortgage loans having an aggregate principal balance of approximately \$6.4 million were two or more months delinquent in monthly payments, and 1.7% of such single family mortgage loans having an aggregate principal balance of approximately \$2.5 million were in foreclosure.

The Authority has a \$100 million revolving credit agreement (the "Bank of America Agreement") with Bank of America, N.A. ("Bank of America") to provide a source of immediately available funds for the general corporate purposes of the

Authority, including, at the option of the Authority, the payment of the purchase price of bonds which are tendered but are not remarketed. Upon submission of a completed and duly executed request for advance, the Authority may draw funds under the Bank of America Agreement up to the maximum outstanding amount of \$100 million, provided that no default by the Authority under the Bank of America Agreement shall have occurred and be continuing. Defaults include (1) failure by the Authority to pay any amounts due under the Bank of America Agreement; (2) any representation or warranty made by the Authority in or pursuant to the Bank of America Agreement being incorrect or untrue in any material respect as of the date of the Bank of America Agreement or as of the date of any extension thereof; (3) any default by the Authority under any mortgage, indenture, contract, agreement, undertaking or instrument evidencing debt of the Authority that is not remedied within 30 days notice by the Authority to the Bank of America and that could reasonably be expected to have a material adverse effect on the Authority or the ability of the Authority to perform its obligations under the Bank of America Agreement; (4) the bankruptcy of the Authority, certain acts of insolvency by the Authority, or the rendering of any final judgment against the Authority that remains unsatisfied for 60 days; (5) the assignment to the Authority of a rating by Moody's or Standard & Poor's below Baa or BBB, respectively, or a withdrawal by Moody's or Standard & Poor's of their applicable rating of the Authority; (6) failure by the Authority to comply with certain of its covenants in the Bank of America Agreement requiring the Authority (a) not to invest its own funds in a manner which could reasonably be expected to result in a material adverse effect on the Authority or the ability of the Authority to perform its obligations under the Bank of America Agreement, (b) to submit financial records and information, including our official statements, to the Bank of America, (c) to provide notice to the Bank of America of any default by the Authority under the Bank of America Agreement or any default or other event under any instrument evidencing the Authority's debt that may result in the accelerating of the maturity of such debt and could have a material adverse effect on the Authority, (d) to provide notice to the Bank of America of any material litigation pending or threatened against the Authority or of any initiative, referendum, or similar events reasonably expected to have any material adverse effect on the Authority, (e) to maintain adequate and proper books and records, (f) to use best efforts to maintain the Authority's existence and the Authority's rights and privileges material to its ability to repay obligations under the Bank of America Agreement, and (g) to comply with laws and regulations of the Commonwealth of Virginia and the United States; and (7) merger, consolidation or disposition of all or a substantial part of the Authority's property reasonably expected to result in any material adverse effect on the Authority. In the event of any default by the Authority under the Bank of America Agreement, the Bank of America may terminate such Agreement and may demand immediate payment of any and all amounts drawn and outstanding thereunder. Any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent Assets and income therefrom are not sufficient to pay such Bond Amounts. Unless extended by the Bank of America and the Authority, the Bank of America Agreement will terminate on December 1, 2013, subject to any notice of termination by Bank of America due to default or by the Authority. All outstanding amounts are due and payable on the termination date. As of September 30, 2013, \$30.5 million was outstanding under the Bank of America Agreement.

The Authority also has a \$150 million revolving credit agreement (the "Bank of Nova Scotia Agreement") with The Bank of Nova Scotia to provide a source of immediately available funds for the general corporate purposes of the Authority, including, at the option of the Authority, the payment of the purchase price of bonds which are tendered but are not remarketed. Upon submission of a completed and duly executed request for advance, the Authority may draw funds under the Bank of Nova Scotia Agreement up to the maximum outstanding amount of \$150 million, provided that no default by the Authority under the Bank of Nova Scotia Agreement shall have occurred and be continuing. Defaults under The Bank of Nova Scotia Agreement are the same as under the Bank of America Agreement described in the preceding paragraph, except that the Bank of Nova Scotia Agreement contains the following additional events of default: (1) any material and adverse deviation from the investment policies described in the first paragraph of "Investments" above, unless the Authority gives the Bank of Nova Scotia 30 days prior written notice of such deviation, and (2) any failure to pay an amount in excess of \$2 million under any debt of the Authority beyond any applicable grace period, unless contested by the Authority in appropriate legal proceedings. In the event of any default by the Authority under the Bank of Nova Scotia Agreement, The Bank of Nova Scotia may terminate such Agreement and may demand immediate payment of any and all amounts drawn and outstanding thereunder. Any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent Assets and income therefrom are not sufficient to pay such Bond Amounts. The initial term of The Bank of Nova Scotia Agreement expires on November 28, 2013, subject to any notice of termination by the Bank of Nova Scotia due to a default or by the Authority. All amounts due by the Authority are due and payable on the termination date, provided that, if no default shall have occurred and be continuing, all such amounts shall, upon the written request of the Authority, be converted into a five-year term loan. No amounts are currently outstanding under the Bank of Nova Scotia Agreement, and the Authority does not expect to renew or extend the Bank of Nova Scotia Agreement.

The Authority from time to time issues notes to the Federal Home Loan Bank of Atlanta (the "FHLB") under an Advances, Specific Collateral Pledge and Security Agreement for Nonmember Mortgagees dated September 27, 1995 (the "FHLB Agreement"). The proceeds of the notes issued to the FHLB or other qualifying assets are deposited with the FHLB and serve as collateral for the notes. Any such other collateral is periodically marked to market, and the Authority may be required to post additional collateral if the market value falls below thresholds specified in the FHLB Agreement. Each note may be redeemed at par at any time. The proceeds of notes have generally been used to refund tax exempt bonds, and the Authority may refund the notes in the future with tax exempt bonds. The Authority has also previously issued, and may from time to time hereafter issue, notes to the FHLB and utilize the proceeds thereof for any valid corporate purpose. Events of default under the FHLB Agreement include (1) any failure to pay when due the amounts owed under the notes or to perform any other obligation of the Authority under the FHLB Agreement; (2) any failure to maintain adequate qualifying collateral free of encumbrances; (3) bankruptcy and certain other acts of insolvency by the Authority; and (4) any material adverse change in the Authority's

financial condition. In the event of any default by the Authority under the FHLB Agreement, the FHLB may demand immediate payment of any and all amounts outstanding under the notes and may take possession of and sell the collateral. If the collateral shall be insufficient to repay all amounts due under the FHLB Agreement, any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent that Assets and income therefrom are not sufficient to pay such Bond Amounts.

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**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,  
Basic Financial Statements, and  
Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Reports Thereon)

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

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**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Management's Discussion and Analysis

June 30, 2013 and 2012

Management of the Virginia Housing Development Authority (the Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2013 and 2012. Readers are encouraged to consider this information in conjunction with the Authority's basic financial statements, accompanying notes, and supplementary information, which follow this section.

**Organization Overview**

The Authority is a political subdivision of the Commonwealth of Virginia, created under the Virginia Housing Development Authority Act (the Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds and mortgage backed securities to investors. The notes, bonds, and other indebtedness of the Authority are not obligations of the Commonwealth of Virginia (the Commonwealth) and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not draw upon the general taxing authority of the Commonwealth. Operating revenues are generated primarily from interest on mortgage loans, program administration fees, and investment income from bond proceeds and earnings accumulated since inception.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit program, which awards income tax credits for the purpose of developing low-income multi-family housing projects. The Authority also funds Resources Enabling Affordable Community Housing (REACH) initiatives, in which the interest rates on loans are subsidized by the Authority, principally for the elderly, disabled, homeless, and other low-income persons. The amount of net position used to provide reduced interest rates on mortgage loans or otherwise subsidize its programs is equal to 15% of the average of the Authority's change in net position, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding five fiscal years. The Authority may use a higher amount if determined to be appropriate. The amounts made available to provide reduced interest rates on mortgage loans or otherwise provide housing subsidies, including grants, under its programs are subject to review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions.

**Financial Statements**

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying notes.

The *Statements of Net Position* report all of the Authority's assets and liabilities, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and liabilities is presented as net position, and is displayed in three components: net investment in capital assets; restricted portion of net position; and unrestricted portion of net position. Net position is restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net position may serve as a useful indicator of whether the financial status of the Authority is improving or deteriorating.

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The *Statements of Revenues, Expenses, and Changes in Net Position* identify all the Authority's revenues and expenses for the reporting period, distinguishing between operating and nonoperating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loan income, externally funded programs and other revenue sources.

The *Statements of Cash Flows* provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. This statement provides information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Notes to Basic Financial Statements* provide additional information that is essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's basic financial statements.

## **Financial Highlights**

### ***Overview***

The Authority has sustained its loan programs and services and improved its financial condition despite continued federal intervention in the housing and capital markets, higher than normal levels of delinquencies, foreclosures and loan losses, and nominal investment earnings. Net position has increased by approximately 4% for three consecutive years, bringing total net position as of June 30, 2013 to \$2,516 million, or more than one-quarter of the total assets held by the Authority. Cited for key indicators consisting of its strong financial position, sound financial practices and experienced management, both Standard and Poor's Ratings Services (Standard & Poor's) and Moody's Investors Services (Moody's) rating agencies continue to rate the Authority with an AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

In its single family loan program, the Authority has been able, during fiscal year 2013, to offer loans at low interest rates and down-payment assistance for qualified first time homebuyers through the issuance of tax-exempt bonds and through securitization of federally insured and guaranteed loans by the issuance of Government National Mortgage Association (GNMA) securities. The Authority also offered through GNMA securitization Federal Housing Administration (FHA)-insured and Veterans Administration (VA)-guaranteed single family loans that refinanced existing FHA-insured and VA-guaranteed loans under the FHA and VA streamline refinance programs. In addition, the Authority initiated the Federal National Mortgage Association's (FNMA) Housing Finance Agency (HFA) Preferred Risk Sharing Program that allowed the Authority to finance over \$52 million of single family mortgage loans without mortgage insurance and, unlike tax-exempt bonds, permits the funding of refinancing loans and loans to borrowers who are not first time homebuyers. In its multi-family loan program, the Authority has continued to fund developments through the issuance of tax-exempt and taxable bonds.

The Authority's servicing efforts for its single family loan portfolio have been focused on working with troubled single family borrowers and mitigating potential foreclosure losses. The Authority has continued to offer borrowers various means, including loan modifications, to prevent foreclosure for otherwise responsible single family borrowers encountering financial hardships. As long as employment levels, wages, and housing values remain slow to recover in Virginia, challenges for the Authority's single family borrowers are expected to

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continue. In response to higher single family loan losses, the requirements for the loss allowance for those loans have been increased. Additionally, the Authority has provided substantial support to the Commonwealth's foreclosure prevention taskforce and housing policy initiatives, and its homeownership education, underwriting and loss mitigation practices continue to help lessen delinquencies and foreclosures to levels below those for Virginia and the nation.

As part of its servicing of its multi-family loans, the Authority identifies at-risk developments in order to assess and mitigate the risk on such developments and to determine the amount to be included in the Authority's Allowance for Loan Loss for such developments. As in the case of single family loans, the Authority offers loss mitigation, including loan modifications, to mortgagors to reduce the risk of default and loss on the multi-family loans. As a result, the delinquencies and defaults on its multi-family loans have been maintained at relatively low levels.

Due to the low interest rate conditions in the market, the Authority has experienced reduced income on its nonmortgage investments. The Authority's investments are principally in high quality, short-term securities that bear low yields. As long as the market interest rates on such investments remain low, the Authority's revenues will be adversely impacted.

In summary, the Authority continues to face a challenging housing and economic environment but has been able, through capital acquisition initiatives and loss mitigation practices, to continue its lending programs and improve its financial condition despite that environment.

***Year Ended June 30, 2013***

Homeownership loan originations totaled 4,341 in FY 2013 compared to 2,866 for the same period last year, an increase of 51%. The amount of single family mortgage loan production was \$696 million, an increase of \$262 million, or 60%. Mortgage loan production increased year over year, despite a prolonged economic downturn, as Virginia recovered lost jobs at a much greater rate than the nation as a whole. Much of the increase is related to the new FNMA HFA Preferred product and the FHA and VA streamline refinancing products.

As of June 30, 2013, the Authority serviced 55,553 first and second homeownership mortgage loans with outstanding balances totaling \$5 billion. The number of loans serviced, increased since June 30, 2012 by 734 or 1.3%, primarily in the form of FHA guaranteed mortgages with corresponding second mortgages. By contrast, the outstanding loan balances decreased by \$47.2 million or 0.9% as of the same date.

In FY 2013, there were 652 foreclosures valued at \$71.2 million or 1.6% of the homeownership loan portfolio, compared to a year ago with 724 foreclosures valued at \$93.6 million or 1.87% of loan amounts. Recovery rates averaging 60.3% somewhat mitigated the impact of loan losses. Delinquency rates on the portfolio loan count of first mortgage loans averaged 11.23% for FY 2013, compared to 10.70% a year ago. Delinquency rates based on outstanding loan balances averaged 6.30% and 5.58% in FY 2013 and FY 2012, respectively.

Financing commitments for 4,321 rental housing units were made during the year, totaling \$370.8 million, compared to 4,504 units totaling \$338.7 million for the prior year. Rehabilitation of properties within the Authority's rental portfolio using taxable and tax-exempt funding and REACH subsidies and preservation of existing mortgage loans through extended period re-financings provided the majority production. The federal intervention in the housing market continues to hamper the Authority's rental housing production.

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As of June 30, 2013, the Authority serviced 1,433 rental mortgage loans with outstanding balances totaling \$3.34 billion. Compared to June 30, 2012, the number of loans in the portfolio decreased by 44 while loan balances decreased \$7.1 million or 0.2%. Delinquency rates based on portfolio loan count averaged 1.38% in both FY 2013 and FY 2012. The average delinquency rates based on outstanding loan balances were 0.29% or \$9.5 million in FY 2013 compared to 0.61% or \$20.2 million in FY 2012.

***Year Ended June 30, 2012***

Homeownership loan originations totaled 2,866 in FY 2012 compared to 2,604 for the same period last year, an increase of 10.1%. The amount of single family mortgage loan production was \$434.0 million, an increase of \$41.6 million, or 10.6%. Mortgage loan production increased year over year, despite a prolonged economic recession, as Virginia recovered lost jobs at a much greater rate than the nation as a whole.

As of June 30, 2012, the Authority serviced 54,819 first and second homeownership mortgage loans with outstanding balances totaling \$5.0 billion. The number of loans serviced, net of prepayments, increased 978 or 1.8% since June 30, 2011 while outstanding loan balances decreased \$90.6 million or 1.8% as of the same date.

In FY 2012, there were 724 foreclosures valued at \$93.6 million or 1.87% of the homeownership loan portfolio, compared to a year ago with 739 foreclosures valued at \$96.6 million or 1.89% of loan amounts. Recovery rates averaging 56.2% somewhat mitigated the impact of loan losses. Delinquency rates on the portfolio loan count of first mortgage loans averaged 10.70% for FY 2012, compared to 10.29% a year ago. Delinquency rates based on outstanding loan balances averaged 5.58% and 5.72% in FY 2012 and FY 2011, respectively.

Financing commitments for 4,504 rental housing units were made during the year, totaling \$338.7 million, compared to 4,876 units totaling \$277.5 million for the prior year. Rehabilitation of properties within the Authority's rental portfolio using taxable and tax-exempt funding provided the majority production. The federal intervention in the housing market continues to hamper the Authority's rental housing production.

As of June 30, 2012, the Authority serviced 1,477 rental mortgage loans with outstanding balances totaling \$3.35 billion. Compared to June 30, 2011, the number of loans in the portfolio decreased by 27 while loan balances decreased \$10.9 million or 0.3%. Delinquency rates based on portfolio loan count averaged 1.38% and 1.85% in FY 2012 and FY 2011, respectively. The average delinquency rates based on outstanding loan balances were 0.61% or \$20.2 million in FY 2012 compared to 0.80% or \$26.5 million in FY 2011.

**Financial Analysis of the Authority**

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: debt service funds required by bond indenture, escrow and reserve funds held for the benefit of single-family mortgagors and multi-family projects, funding for new mortgage loan originations, working capital for operating costs of the Authority, governmental funds held for disbursement toward Section 8 projects, and other funds held in a fiduciary capacity to support other housing initiatives. Monies on deposit in Virginia banks are secured under the Virginia Security for Public Deposits Act of the Code of Virginia.

Investment objectives are to invest all monies at favorable rates to maximize returns while maintaining short-term liquidity and to manage investments in a prudent manner to enable the Authority to fulfill its financial commitments. Precautions are taken to minimize the risk associated with investments, including monitoring

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creditworthiness of the investment, as determined by ratings provided by S&P and Moody's, concentration risk, and maturity risk. The Authority does not enter into short sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal assets. Mortgage loans are financed through a combination of proceeds of notes and bonds, GNMA and FNMA mortgage loan securitizations, and net position accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bond and mortgage backed securities.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's and AA+ from Standard & Poor's for its general credit rating as well as all bond indentures other than the Commonwealth Mortgage Bonds indenture, which is rated Aaa and AAA, by Moody's and Standard & Poor's, respectively. Net position is comprised of net investment in capital assets, restricted and unrestricted portions of net position. *Net investment in capital assets* represents office buildings, land, furniture and equipment, vehicles and an investment in rental property, less the outstanding applicable debt. *Restricted portion of net position* represents the portion of net position held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond indentures. *Unrestricted portion of net position* represents a portion of net position that has been designated for a broad range of initiatives, such as administration of the Housing Choice Voucher (HCV) program, support for REACH Virginia initiatives, contributions to bond issues, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

**Condensed Statements of Net Position**

(In millions)

	<b>June 30</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 1,132.8	681.6	1,391.1
Investments	271.9	197.4	164.2
Mortgage and other loans receivable, net	7,175.6	7,728.0	7,901.3
Other assets	141.9	174.7	187.4
Total assets	8,722.2	8,781.7	9,644.0
Notes and bonds payable, net	5,893.7	6,054.7	6,972.4
Other liabilities	312.4	321.9	353.4
Total liabilities	6,206.1	6,376.6	7,325.8
Net investment in capital assets	1.0	36.6	19.7
Restricted by bond indentures	2,379.7	2,279.5	2,154.1
Unrestricted	135.4	89.0	144.4
Total net position	\$ 2,516.1	2,405.1	2,318.2

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Management's Discussion and Analysis

June 30, 2013 and 2012

***June 30, 2013 Compared to June 30, 2012***

Total assets decreased \$59.5 million, or 0.7% from the prior year. Cash and cash equivalents, and investments, combined, increased \$525.7 million, or 59.8% from the prior year. Mortgage and other loans receivables, net, decreased by \$552.6 million, or 7.2%, primarily as a result of securitization of loans through GNMA and FNMA and transfers of loans to Real Estate Owned (REO) status.

Total liabilities decreased \$170.5 million, or 2.7% from the prior year. Notes and bonds payable decreased \$161 million or 2.7%, due primarily to bond redemptions. For the year, the Authority issued \$656.2 million in rental housing bonds, \$160 million in homeownership mortgage bonds, and \$891.4 million in commonwealth mortgage bonds, of which \$560.0 million was short term escrow mode (STEM) bond which will become permanent within a year. A net amount of \$41.5 million on notes and lines of credit was used for the year. Bond principal pay downs and redemptions totaled \$1.9 billion, and included bond calls of \$1.6 billion. Proceeds from the rental housing bond group and the commonwealth mortgage bond group and GNMA and FNMA mortgage loan securitizations were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by \$2,516.1 million, representing an increase in net position of \$111 million, or 4.6% from the prior year. As of June 30, 2013, net position invested in capital assets, net of related debt, was \$1.0 million. Net position restricted by bondholders totaled \$2,379.7 million, an increase of \$100.2 million, or 4.4% from the prior year. Unrestricted net position totaled \$135.4 million, an increase of \$46.4 million, or 52.1%.

***June 30, 2012 Compared to June 30, 2011***

Total assets decreased \$862.3 million, or 8.9% from the prior year. Cash and cash equivalents, and investments, combined, decreased \$676.3 million, or 43.5% from the prior year primarily due to the pay down on the note payable to the Federal Home Loan Bank of Atlanta. Mortgage and other loans receivables, net, decreased by \$173.3 million, or 2.2%, primarily as a result of securitization of loans through GNMA and transfers of loans to REO status.

Total liabilities decreased \$949.2 million, or 13.0% from the prior year. Notes and bonds payable decreased \$917.7 million or 13.2%, due primarily to the payment of the note of the Federal Home Loan Bank of Atlanta. For the year, the Authority issued \$74.7 million in single-family homeownership bonds and \$383.9 million in rental housing bonds, converted \$112.0 million in original issue homeownership bonds, and paid down a net \$424.7 million on notes and lines of credit. Bond principal pay downs and redemptions totaled \$1,065.3 million. Proceeds from bond issues in the homeownership bond group and GNMA mortgage loan securitizations were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by \$2,405.1 million, representing an increase in net position of \$86.9 million, or 3.7% from the prior year. As of June 30, 2012, net position invested in capital assets, net of related debt, was \$36.6 million. Net position restricted by bondholders totaled \$2,279.5 million, an increase of \$125.4 million, or 5.8% from the prior year. Unrestricted net position totaled \$89.0 million, a decrease of \$55.4 million, or 38.4%.



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Management's Discussion and Analysis

June 30, 2013 and 2012

**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
(In millions)

	Year ended June 30		
	2013	2012	2011
Operating revenues:			
Interest on mortgage and other loans	\$ 456.2	489.3	505.1
Pass-through grants received	127.7	119.6	157.8
Housing Choice Voucher program income	6.6	36.6	72.7
Other operating revenues	54.3	44.6	26.7
	644.8	690.1	762.3
Total operating revenues			
Operating expenses:			
Interest on notes and bonds payable	261.1	296.1	321.3
Pass-through grants disbursed	127.7	119.6	157.8
Housing Choice Voucher program expense	8.7	39.4	70.9
Other operating expenses	156.7	165.2	131.3
	554.2	620.3	681.3
Total operating expenses			
Operating income	90.6	69.8	81.0
Nonoperating revenues (expenses):			
Investment income, net	17.9	17.8	15.3
Other nonoperating revenues (expenses)	2.5	(0.6)	0.1
	20.4	17.2	15.4
Total nonoperating revenues, net			
Change in net position	\$ 111.0	87.0	96.4

The principal determinants of the Authority's change in net position (more commonly referred to as net revenues) are operating revenues less operating expenses plus nonoperating revenues.

Operating revenues consist primarily of interest earnings on mortgage loans and operating expenses consist predominantly of interest expense on notes and bonds payable and operating expenses of the Authority. Nonoperating revenues consist of investment interest income as well as realized and unrealized gains or losses on investments.

***Fiscal Year 2013***

Operating revenues decreased \$45.3 million or 6.6% from the prior year. The decrease was primarily attributable to the decrease in federal funding of the Housing and Urban Development HCV program (\$30.0 million) and reduced interest on mortgage and other loans which decreased \$33.1 million or 6.8%. Single family mortgage loan rates averaged 5.4% compared to 5.6% the previous year.

Operating expenses decreased \$66.1 million or 10.7% from the prior year due primarily to pass through grant disbursements in the HCV program expense which decreased (\$30.7 million) and interest expense on notes and bonds payable which decreased \$35.1 million or 11.8% from the prior year, due to a lower average interest rate

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on the notes and bonds outstanding. Other operating expenses decreased \$8.5 million or 5.1% over the prior year which was primarily due to an \$8.5 million reduction in loan losses.

Nonoperating revenues, net, increased \$3.2 million from the prior year, due to the recovery of previously written off security of \$9.5 million.

***Fiscal Year 2012***

Operating revenues decreased \$72.2 million or 9.5% from the prior year. The decrease was primarily attributable to the expiration of certain federal pass-through grants (\$38.2 million) and a funding methodology change in the HCV program (\$31.5 million). Interest on mortgage and other loans decreased \$15.8 million or 3.1%. Single family mortgage loan rates averaged 5.60% compared to 5.77% the previous year.

Operating expenses decreased \$61.0 million or 9.0% from the prior year due primarily to pass through grant disbursements decrease (\$38.2 million) and HCV program expense decrease (\$31.5 million). Interest expense on notes and bonds payable decreased \$25.2 million or 7.8% from the prior year, due to a lower average interest rate on the notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased \$33.9 million or 25.8% above last year, of which losses and expenses on other real estate owned accounted for \$18.1 million and provision for loan loss accounted for \$10.8 million.

Nonoperating revenues, net, increased \$1.8 million from the prior year, due to increased investment income of \$2.5 million that was partially offset by investment derivative activity loss of \$0.6 million.

**Other Economic Factors**

The Authority's mortgage loan financing activities are sensitive to the general level of involvement of the federal government in the housing and capital markets, the general level of interest rates, the interest rates and other characteristics of the Authority's loans compared to loan products available in the conventional mortgage markets, and the availability of affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms and the ability to securitize through GNMA and FNMA are key elements in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's main sources of revenues include mortgage loan interest and investment interest income. Short-term investment rates in the United States have declined sharply from a peak of approximately 5.0% in February 2007 to 0.02% in June 2013 and 0.09% in June 2012.

Delinquency and foreclosure rates in the single family loan portfolio, and to a lesser extent the multi-family loan portfolio, are influenced by unemployment and underemployment. Virginia's seasonally adjusted unemployment rate was 5.5% and 5.7% in June 2013 and 2012, respectively. Virginia underemployment rates, which include those no longer seeking employment and those employed only part-time who desire full-time work, were 11.6% and 12.0% in the twelve months ended June 30, 2013 and 2012, respectively.

**Additional Information**

If you have questions about this report or need additional information, please visit the Authority's Web site, [www.vhda.com](http://www.vhda.com), or contact the Finance Division of the Virginia Housing Development Authority.



KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

## Independent Auditors' Report

The Board of Commissioners  
Virginia Housing Development Authority:

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2013 and 2012, and the related notes to the basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the basic financial statements referred to above present fairly, in all material respects, of the financial position of the Virginia Housing Development Authority as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and Schedule of Funding Progress by Plan Valuation Dates on pages 1–8 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The supplementary information included in schedules 2 through 5 on pages 48 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information included in schedules 2 through 5 on pages 48 through 53 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**KPMG LLP**

September 12, 2013

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Statements of Net Position

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 5)	\$ 1,132,830,809	681,660,584
Investments (note 5)	2,641,341	3,711,993
Derivative instruments (note 9)	1,831,652	—
Interest receivable – investments	910,913	780,537
Mortgage loans held for sale (note 1)	18,228,326	—
Mortgage and other loans receivable, net (note 4 and 5)	179,008,673	177,758,546
Interest receivable – mortgage and other loans	34,325,891	36,716,859
Other real estate owned	18,189,684	27,344,659
Other assets	10,541,162	7,429,586
Total current assets	1,398,508,451	935,402,764
<b>Noncurrent assets:</b>		
Investments (note 5)	269,323,930	193,714,399
Mortgage and other loans receivable (note 4)	7,187,276,286	7,727,739,729
Less allowance for loan loss	190,942,569	159,338,711
Less net deferred loan fees	17,976,519	18,175,026
Mortgage and other loans receivable, net	6,978,357,198	7,550,225,992
Investment in rental property, net	38,914,766	69,058,381
Property, furniture, and equipment, less accumulated depreciation and amortization of \$28,447,677 and \$25,756,219 respectively (note 6)	24,327,792	25,442,293
Unamortized bond issuance expenses	2,931,814	4,305,643
Other assets	9,911,961	3,603,369
Total noncurrent assets	7,323,767,461	7,846,350,077
Total assets	\$ 8,722,275,912	8,781,752,841
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Notes and bonds payable (note 7)	\$ 453,826,537	388,377,856
Accrued interest payable on notes and bonds	74,720,188	88,152,455
Housing Choice Voucher contributions payable	85,334	499,436
Escrows (note 8)	46,913,410	45,156,796
Derivative instruments (note 9)	—	636,387
Accounts payable and other liabilities (note 10)	21,642,151	15,410,530
Total current liabilities	597,187,620	538,233,460
<b>Noncurrent liabilities:</b>		
Bonds payable, net (note 7)	5,439,908,808	5,666,295,890
Project reserves (notes 8 and 14)	132,915,870	139,385,475
Other liabilities (notes 10, 12, and 14)	36,118,415	32,689,931
Total noncurrent liabilities	5,608,943,093	5,838,371,296
Total liabilities	6,206,130,713	6,376,604,756
<b>Net position (note 1 and 11):</b>		
Net investment in capital assets	958,436	36,610,245
Restricted by bond indentures	2,379,737,215	2,279,519,231
Unrestricted	135,449,548	89,018,609
Total net position	2,516,145,199	2,405,148,085
Total liabilities and net position	\$ 8,722,275,912	8,781,752,841

See accompanying notes to basic financial statements.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Operating revenues:		
Interest on mortgage and other loans receivable	\$ 456,158,885	489,280,586
Pass-through grants income (note 1)	127,749,666	119,608,753
Housing Choice Voucher program income (note 1)	6,613,190	36,616,431
Investment in rental property income	10,812,861	14,314,843
Gains and recoveries on sale of other real estate owned	6,480,302	17,911,543
Gains on sale of single family mortgage loans	21,746,714	1,145,671
Other	15,268,327	11,167,701
	<b>644,829,945</b>	<b>690,045,528</b>
Total operating revenues		
Operating expenses:		
Interest on notes and bonds payable	261,052,874	296,143,802
Salaries and related employee benefits (notes 12 and 13)	35,384,061	34,530,859
General operating expenses	21,320,657	19,118,047
Note and bond expenses	441,638	393,428
Amortization of bond issuance expenses	2,000,106	843,655
Pass-through grants expenses (note 1)	127,749,666	119,608,753
Housing Choice Voucher program expenses (note 1)	8,678,837	39,416,626
External mortgage servicing expenses	2,009,193	922,512
Investment in rental property expenses	12,067,640	17,296,931
Losses and expenses on other real estate owned	51,871,163	60,204,610
Provision for loan losses (note 1)	31,603,858	31,810,763
	<b>554,179,693</b>	<b>620,289,986</b>
Total operating expenses		
Operating income	<b>90,650,252</b>	<b>69,755,542</b>
Nonoperating revenues (expenses):		
Investment income (note 10)	17,887,569	17,785,982
Unrealized gain/(loss) on derivative instruments (note 9)	2,468,039	(636,387)
Other, net	(8,746)	59,864
	<b>20,346,862</b>	<b>17,209,459</b>
Total nonoperating revenues, net		
Change in net position	<b>110,997,114</b>	<b>86,965,001</b>
Total net position, beginning of year	<b>2,405,148,085</b>	<b>2,318,183,084</b>
Total net position, end of year	<b>\$ 2,516,145,199</b>	<b>2,405,148,085</b>

See accompanying notes to basic financial statements.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows  
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash payments for mortgage and other loans	\$ (1,073,242,701)	(648,238,035)
Principal repayments on mortgage and other loans	1,054,049,284	669,973,083
Sale of mortgage loans	530,364,341	72,511,429
Interest received on mortgage and other loans	428,752,485	478,041,449
Pass-through grants received	127,749,666	119,608,753
Pass-through grants disbursed	(127,749,666)	(119,608,753)
Housing Choice Voucher payments received	6,191,773	36,912,906
Housing Choice Voucher payments disbursed	(8,474,350)	(39,477,243)
Escrow and project reserve payments received	289,197,265	284,105,138
Escrow and project reserve payments disbursed	(293,647,996)	(310,637,522)
Other operating revenues	38,918,161	31,864,669
Cash received for loan origination fees	4,344,177	3,307,090
Cash paid for loan origination fees	(13,884,487)	(6,558,611)
Cash payments for salaries and related benefits	(34,517,658)	(34,254,766)
Cash payments for general operating expenses	(34,712,777)	(25,349,181)
Cash payments for mortgage servicing expenses	(1,083,807)	(284,290)
Proceeds from sale of other real estate owned	25,342,256	34,792,212
Disposition (Acquisition) of rental property	28,865,530	(10,590,737)
Net cash provided by operating activities	<u>946,461,496</u>	<u>536,117,591</u>
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes and bonds	1,910,160,587	1,124,380,150
Principal payments on notes and bonds	(2,056,629,795)	(2,043,868,417)
Interest payments on notes and bonds	(278,778,543)	(301,033,559)
Cash payments for bond issuance expenses	(10,802,067)	(3,750,158)
Net cash used in noncapital financing activities	<u>(436,049,818)</u>	<u>(1,224,271,984)</u>
Cash flows from capital and related financing activities:		
Purchases of property, furniture, and equipment	(2,411,402)	(3,762,171)
Net cash used in capital and related financing activities	<u>(2,411,402)</u>	<u>(3,762,171)</u>
Cash flows from investing activities:		
Purchases of investments	(201,649,542)	(69,336,369)
Proceeds from sales or maturities of investments	136,909,084	45,279,551
Interest received on investments	7,910,407	6,524,054
Net cash used in investing activities	<u>(56,830,051)</u>	<u>(17,532,764)</u>
Net increase (decrease) in cash and cash equivalents	451,170,225	(709,449,328)
Cash and cash equivalents, at beginning of year	<u>681,660,584</u>	<u>1,391,109,912</u>
Cash and cash equivalents, at end of year	<u>\$ 1,132,830,809</u>	<u>681,660,584</u>

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 90,650,252	69,755,542
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of property, furniture, and equipment	3,514,491	3,310,586
Other depreciation and amortization	2,000,106	843,654
Interest on notes and bonds payable	261,052,874	296,143,803
Decrease (Increase) in investment in rental property, net	30,143,615	(7,608,650)
Increase in mortgage loans held for sale	(18,228,326)	—
Decrease in mortgage and other loans receivable	539,213,316	147,608,069
Increase in allowance for loan loss	31,603,858	31,810,763
Decrease in net deferred loan fees	(198,507)	(6,106,029)
Decrease in interest receivable – mortgage and other loans	2,390,968	1,673,824
Decrease in other real estate owned	9,154,975	18,527,554
(Decrease) Increase in Housing Choice Voucher contributions payable	(414,102)	286,531
(Decrease) Increase in other assets	(9,420,168)	2,604,205
Increase in accounts payable and other liabilities	9,660,105	3,800,123
Decrease in escrows and project reserves	(4,661,961)	(26,532,384)
Net cash provided by operating activities	\$ 946,461,496	536,117,591
Supplemental disclosure of noncash activity:		
Increase in other real estate owned as a result of loan foreclosures	\$ 32,525,792	77,098,705

See accompanying notes to basic financial statements.



**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2013 and 2012

**(1) Organization and Summary of Significant Accounting Policies**

**(a) *Organization***

The Virginia Housing Development Authority (the Authority) was created under the Virginia Housing Development Authority Act, as amended (the Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally financed by the proceeds of notes, bonds, or other debt obligations of the Authority or by Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) mortgage backed securities (see Note 1 (h) below). The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (the Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other similar types of funds, are combined to form the Enterprise Funds of the Commonwealth. The Authority reports all of its activities as one enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See note 2 for further discussion.

**(b) *Measurement Focus and Basis of Accounting***

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the authorizing act and the various note and bond resolutions.

**(c) *Use of Estimates***

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets and liabilities and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**(d) *Investments***

Investments are reported at fair market value on the Statements of Net Position, with changes in fair market value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Position. Fair market value, obtained from third party pricing services and reviewed by management, is based on quoted market prices when available or on adjusted value in relation to observable prices on similar investments.

**(e) *Derivative Instruments***

Forward sales securities commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2013 the Authority had outstanding 23 forward sales transactions with a \$44.5 million notional amount with four

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2013 and 2012

counterparties with concentrations and ratings (Standard & Poor's, Moody's Investors Service) as shown in note 9. The forward sales will settle by September 30, 2013. These contracts are treated as investment derivative instruments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

**(f) *Investment in Rental Property***

Investment in rental property represents several multi-family apartment complexes, including the related property, furniture, and equipment. These assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives, which are 30 years for buildings, 15 years for building improvements and from 5 to 10 years for furniture and equipment. The investments are carried net of accumulated depreciation of \$7,962,860 as of June 30, 2013 and \$11,513,873 as of June 30, 2012. These investments are also tested for impairment when triggers are identified.

**(g) *Mortgage loans held for sale***

Loans originated or acquired with the intent to sell on the secondary market are carried at the lower of cost or fair value. Any gains or losses on loan sales are reported on the Statements of Revenue, Expenses, and Changes in Net Position.

**(h) *Mortgage and Other Loans Receivable***

Mortgage and other loans receivable are stated at their unpaid principal balance, net of deferred loan fees and costs and an allowance for loan losses. The Authority charges loan fees to mortgagors. These fees, net of direct costs, are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis and any unamortized net fees on loans fully repaid or restructured are recognized as income in the year in which such loans are repaid or restructured.

The Authority is a participant in the GNMA and FNMA Mortgage-Backed Securities (MBS) programs. Through the MBS programs, GNMA and FNMA guarantee securities that are backed by pools of mortgage loans originated or purchased by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Upon the sale, the Authority no longer recognizes the mortgage loans receivable in the Statements of Net Position.

**(i) *Allowance for Loan Losses***

The Authority provides for losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The provision for loan losses was \$31,603,858 and \$31,810,763 for the years ended June 30, 2013 and 2012, respectively.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2013 and 2012

**(j) *Property, Furniture, and Equipment***

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings and from 3 to 10 years for furniture and equipment. The capitalization threshold for property, furniture, and equipment is \$1,000.

Certain costs associated with internally generated computer software are treated as capital assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The capitalization threshold for internally generated computer software is \$1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

**(k) *Mortgage servicing rights***

The Authority pays servicing release premiums when purchasing loans from participating lenders. These premiums are capitalized at cost and amortized over the estimated life of the related mortgage loans if those are sold to either GNMA or FNMA while the Authority remains the servicer of the loans. Unamortized costs totaling \$2.5 million were included in other assets as of June 30, 2013, and there were none as of June 30, 2012.

**(l) *Bond Issuance Expense***

Costs related to issuing bonds are capitalized in the related bond group and are amortized on the straight-line basis, which approximates the effective interest method, over the lives of the bonds.

**(m) *Other Real Estate Owned***

Other real estate owned represents current investments in single family dwellings and rental property, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Position.

**(n) *Notes and Bonds Payable***

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which are subject to partial redemption, without premium, from mandatory sinking fund installments.

**(o) *Retirement Plans***

The Authority has three defined contribution employees' retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2013 and 2012

terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled.

**(p) *Compensated Absences***

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

**(q) *Pass-Through Revenues and Expenses***

**U.S. Department of Housing and Urban Development – Tenant Based Section 8**

The Authority serves as an administrator for the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher program, consisting of the voucher program as well as other tenant-based assistance programs. The Authority requisitions Section 8 funds, makes disbursements of funds to eligible participants, and recognizes administrative fee income. HUD changed the revenue recognition methodology, effective January 1, 2012, requiring the Authority to record a liability for the Authority's obligation for undisbursed funds to Section 8 participants. Program income and program expenses are recognized as pass-through grants, based upon the amount of allowable Housing Assistance Payments (HAP) disbursements. The Authority received and disbursed HAP funds totaling \$67,878,852 and \$32,641,758 during the years ended June 30, 2013 and 2012, respectively.

Prior to January 1, 2012, receipts and disbursements of the voucher program were recorded in totality as corresponding program income and program expense in the Statements of Revenues, Expenses and Changes in Net Position. Excess HAP or administrative funds disbursed to the Authority were recorded as revenue and unrestricted net position in the Statements of Net Position. Cumulative excess HAP funds totaled \$1,344,308 and \$2,738,104, respectively, as of June 30, 2013 and 2012. As of June 30, 2013, the administrative funds contained a \$17,414 deficit, which has been temporarily covered by the Authority. As of June 30, 2012, the administrative funds contained excess funds of \$654,437. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve as many families up to the number of vouchers authorized by the program.

**U.S. Department of Housing and Urban Development – Project Based Section 8**

As the Commonwealth's administrator for HUD's Section 8 New Construction and Substantial Rehabilitation program, the Authority requisitions Section 8 funds, makes disbursements of HAP funds to landlords of eligible multi-family developments, and recognizes administrative fee income.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Notes to Basic Financial Statements

June 30, 2013 and 2012

The Authority received and disbursed pass-through grants totaling \$59,159,680 and \$69,481,674 during the years ended June 30, 2013 and 2012, respectively.

**U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program**

The Authority serves as an administrator for 33 HUD-approved Housing Counseling Agencies in Virginia. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority received and disbursed pass-through grants totaling \$240,400 and \$120,284 during the years ended June 30, 2013 and 2012, respectively.

**National Foreclosure Mitigation Counseling**

The Authority is a grantee of NeighborWorks America, a national nonprofit organization created by the U.S. Congress to provide financial support, technical assistance, and training for community-based revitalization efforts. As a grantee in the National Foreclosure Mitigation Counseling program, the Authority assists nonprofit agencies by distributing NeighborWorks funds administered by the Authority. The Authority received and disbursed pass-through grants totaling \$250,720 and \$326,180 during the years ended June 30, 2013 and 2012, respectively.

**Emergency Homeowners Loan Program**

The Authority is also a grantee of NeighborWorks America, for the Emergency Homeowners Loan Program which provides mortgage payment relief to eligible homeowners experiencing a decrease in income of at least 15 percent, directly resulting from involuntary unemployment or underemployment due to adverse economic conditions and/or a medical emergency. The Authority received and disbursed assistance of \$19,333 and \$142,367 during the years ended June 30, 2013 and 2012, respectively.

**U.S. Department of the Treasury – Low-Income Housing Grants in Lieu of Tax Credit Allocations for 2009 (Tax Credit Exchange)**

As the housing credit administrator for the Commonwealth, the Authority administered the Tax Credit Exchange program, which was created by the American Recovery and Reinvestment Act of 2009. Grants were received by the Authority and issued to finance the acquisition or construction of qualified low-income housing projects. The program concluded in November 2011. The Authority received and disbursed \$14,603,896 during fiscal year 2012.

**U.S. Department of Housing and Urban Development – Tax Credit Assistance Program**

The Tax Credit Assistance Program (TCAP) provided grant funding for capital investment in Low Income Housing Tax Credit (LIHTC) projects via a formula-based allocation to state housing credit allocation agencies. The housing credit agencies in each state distributed these funds competitively and according to their qualified allocation plan. The program concluded in November 2011. As the housing credit administrator for the Commonwealth, the Authority received and disbursed TCAP funds totaling \$2,136,594 during fiscal year 2012.

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**(r) Commonwealth Priority Housing Fund**

The Commonwealth Priority Housing Fund, established by the 1988 Session of the Virginia General Assembly, uses funds provided by the Commonwealth in that Session to make loans and grants for a wide variety of housing initiatives. The Department of Housing and Community Development develops the program guidelines and the Authority acts as administrator for the Fund. The balances associated with the Commonwealth Priority Housing Fund are recorded in assets and liabilities in the amounts of \$7,390,842 and \$7,960,063 as of June 30, 2013 and 2012, respectively.

**(s) Cash Equivalents**

For purposes of the Statements of Cash Flows, cash equivalents consist of investments with original maturities of three months or less from the date of purchase.

**(t) Rebatable Arbitrage**

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes.

**(u) Statements of Net Position**

The assets presented in the Statements of Net Position represent the total of similar accounts of the Authority's various groups (see note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and thereafter unrestricted resources as needed.

**(v) Operating and Non-operating Revenues and Expenses**

The Authority's Statements of Revenues, Expenses, and Changes in Net Position distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally are a result from financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy and ownership, by families of low or moderate income or as a result from the ownership of certain multi-family rental housing properties. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**(w) New Accounting Standards**

The Authority adopted GASB statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position" effective June 30, 2013. The statement requires the use of the term "net position" rather than "net assets" and thereby changes the titles of the financial statements to the: Statement of Net Position (previously the Statement of Net Assets) and Statement of Revenues, Expenses, and Changes in Net Position (previously the Statement of

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Revenues, Expenses, and Changes in Net Assets). The statement also created two new separate sections of the Statement of Net Position (Deferred Outflows of Resources and Deferred Inflows of Resources); however, currently the Authority has no such activity requiring the use of these new sections so they are not displayed. The statement was applied retroactively to all periods presented herein and had no effect on the Authority's net position or changes in net position for the periods presented.

In March 2012, GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", effective for financial statements for periods beginning after December 15, 2012. The Authority intends to adopt this statement effective July 1, 2013; therefore, changes are not effective for these financial statements presented. Once adopted, the provisions will be applied retroactively for all periods presented and will require a restatement of net position.

**(2) Basis of Presentation**

The accounts of the Authority are presented in a single proprietary fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

**(a) General Operating Accounts**

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

**(b) Rental Housing Bond Groups**

The proceeds of the Rental Housing Bonds are used to finance construction and permanent loans on multi-family rental housing development projects, as well as, permanent financing for owned rental property investments.

**(c) VHDA General Purpose Bond Group**

All outstanding bonds in the VHDA General Purpose Bond Group were redeemed in January 2013. There are no anticipated future bond issuances to be made from the VHDA General Purpose Bond Group. Substantially all of the residual assets of the VHDA General Purpose Bond Group were transferred to the General Operating Accounts or the Rental Housing Bond Group where they are available for funding related housing projects.

Prior to January 2013, the proceeds of the VHDA General Purpose Bonds were used to finance construction and permanent loans on multi-family rental housing projects, loans on single-family dwellings, as well as, permanent financing for owned rental property and the Authority's office facilities.

**(d) Commonwealth Mortgage Bond Group**

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term loans to owner occupants of single-family dwellings, as well as, temporary financing for other single-family real estate owned.

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**(e) Homeownership Mortgage Bond Group**

The Homeownership Mortgage bond group was established to encompass the Authority's participation in the U.S. Department of the Treasury's New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. The proceeds of Homeownership Mortgage Bonds are used to purchase or make long-term loans to owner occupants of single family dwellings.

**(3) Restricted Assets**

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans and investments. Certain assets are held on behalf of federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2013 and 2012 were as follows:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents	\$ 1,121,217,031	677,983,919
Investments	—	868,227
Interest receivable – investments	393,763	540,748
Mortgage loans held for sale	18,228,326	—
Mortgage and other loans receivable	175,913,686	175,125,398
Interest receivable – mortgage and other loans	33,527,036	35,555,714
Other real estate owned	18,017,549	26,944,266
Other assets	2,400,904	4,571,911
Total current assets	<u>1,369,698,295</u>	<u>921,590,183</u>
Noncurrent assets:		
Investments	108,900,144	124,179,493
Mortgage and other loans receivable	7,100,089,586	7,634,961,349
Less allowance for loan loss	177,963,306	152,850,790
Less net deferred loan fees	17,694,764	17,745,323
Mortgage and other loans receivable, net	<u>6,904,431,516</u>	<u>7,464,365,236</u>
Investment in rental property, net	38,914,766	69,058,381
Property, furniture, and equipment, less accumulated depreciation and amortization of \$14,363,995 and \$14,580,700, respectively	15,456,398	15,456,398
Unamortized bond issuance expenses	2,442,277	3,892,310
Total noncurrent assets	<u>7,070,145,101</u>	<u>7,676,951,818</u>
Total restricted assets	<u>\$ 8,439,843,396</u>	<u>8,598,542,001</u>



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**(4) Mortgage and Other Loans Receivable**

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

<u>Loan program/bond group</u>	<u>Interest rates</u>	<u>Initial loan terms</u>
General Operating Accounts	0% to 8.30%	Thirty to forty years
Rental Housing Bond Group	0% to 13.11%	Thirty to forty years
Commonwealth Mortgage Bond Group	1.13% to 10.84%	Thirty years
Homeownership Mortgage Bond Group	2.00% to 5.88%	Thirty years

Commitments to fund new loans and monies available to provide future loans were as follows at June 30, 2013:

	<u>Committed</u>	<u>Uncommitted</u>
General Operating Loan Programs	\$ 22,384,122	—
Rental Housing Bond Group	236,782,037	—
Commonwealth Mortgage Bond Group	164,498,464	25,111,302
Total	<u>\$ 423,664,623</u>	<u>25,111,302</u>

Uncommitted funds represent the excess of net current funds over existing loan commitments.

**(5) Cash, Cash Equivalents, and Investments**

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2013 and 2012, the carrying amount of the Authority's deposits was \$207,234,546 and \$72,663,980, respectively. The associated bank balance of the Authority's deposits was \$200,969,227 and \$71,414,368 at June 30, 2013 and 2012, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. government and agency securities, municipal tax-exempt securities, corporate notes, reverse repurchase agreements and various other investments for which there are no securities as evidence of the investment. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2013 and 2012, total cash equivalents were \$925,596,263 and \$608,996,604, respectively.

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Investments as of June 30, 2013 and 2012 are classified in the statements of net position as follows:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Current investments	\$ 2,641,341	3,711,993
Noncurrent investments	269,323,930	193,714,399
Total investments	\$ 271,965,271	197,426,392

The Investment of Public Funds Act of the Code of Virginia permits political subdivisions of the Commonwealth to invest in open repurchase agreements and money market securities that are collateralized with securities that are approved for direct investment. Within the permitted statutory framework, the Authority's investment policy requires securities collateralizing repurchase agreements to maintain a fair value at least equal to 102% of the cost and accrued interest of the repurchase agreement, and no more than 2% of the Authority's total assets may be invested in any one entity, exclusive of overnight repurchase agreements and short term investments with a maturity not to exceed six months.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

**(a) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

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As of June 30, 2013, the Authority had the following investments (including cash equivalents) and maturities:

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>	<u>Over 10 years</u>	<u>Fair value</u>
Reverse Repurchase agreements	\$ 355,000,000	—	—	—	355,000,000
Municipal securities	10,774,722	6,348,700	—	—	17,123,422
Asset-backed securities	—	—	—	28,163,312	28,163,312
Agency-mortgage backed securities	—	—	736,038	184,368,630	185,104,668
Commercial paper	562,434,650	—	—	—	562,434,650
Corporate notes	—	49,707,250	—	—	49,707,250
Other interest-bearing securities	28,232	—	—	—	28,232
Total investments	<u>\$ 928,237,604</u>	<u>56,055,950</u>	<u>736,038</u>	<u>212,531,942</u>	<u>1,197,561,534</u>

As of June 30, 2012, the Authority had the following investments (including cash equivalents) and maturities:

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>	<u>Over 10 years</u>	<u>Fair value</u>
Corporate notes	\$ 868,227	—	—	—	868,227
Municipal securities	13,152,766	5,063,930	—	—	18,216,696
Asset-backed securities	—	—	—	27,836,860	27,836,860
Agency-mortgage backed securities	—	—	—	160,813,609	160,813,609
U.S. government and agency securities	169,926,700	—	—	—	169,926,700
Money market securities	427,366,300	—	—	—	427,366,300
Other interest-bearing securities	1,394,604	—	—	—	1,394,604
Total investments	<u>\$ 612,708,597</u>	<u>5,063,930</u>	<u>—</u>	<u>188,650,469</u>	<u>806,422,996</u>

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**(b) Credit Risk**

Credit risk is the risk that an issuer or other counterparties to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment exposure to credit risk by investment type as of June 30, 2013:

<u>Investment type</u>	<u>Amount</u>	<u>S &amp; P/ Moody's rating</u>	<u>Percentage of total investments</u>
Money Market Securities	\$ 561,934,650	P-1	46.92%
Reverse Repurchase Agreements	355,000,000	BBB-	29.64%
Agency Mortgage Backed Securities	185,104,668	Aaa	15.46%
Corporate Notes	24,878,250	A1	2.08%
Corporate Notes	24,829,000	Aa2	2.07%
Asset Backed Securities	20,204,361	Caa1	1.69%
Municipal Securities	7,165,404	NR	0.60%
Municipal Securities	5,219,482	Aaa	0.44%
Asset Backed Securities	2,438,830	Caa3	0.20%
Municipal Securities	2,263,280	Aa2	0.19%
Asset Backed Securities	2,173,507	Ca	0.18%
Municipal Securities	2,054,690	Aa1	0.17%
Asset Backed Securities	1,383,558	Caa2	0.12%
Asset Backed Securities	823,549	A1	0.07%
Asset Backed Securities	734,541	Ba2	0.06%
Money Market Securities	500,000	Aaa	0.04%
Municipal Securities	420,566	AA	0.04%
Asset Backed Securities	404,966	Baa2	0.03%
Other Interest Bearing Instruments	28,232	Aaa	0.00%
Total investments	<u>\$ 1,197,561,534</u>		<u>100.00%</u>

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**(6) Property, Furniture, and Equipment**

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2013 was as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2013</b>
Land	\$ 2,935,815	—	—	—	2,935,815
Building	31,118,900	—	—	—	31,118,900
Furniture and equipment	16,047,324	1,134,930	(834,445)	1,007,136	17,354,945
Motor vehicles	487,065	17,721	—	—	504,786
Construction in progress	609,408	1,258,751	—	(1,007,136)	861,023
	<u>\$ 51,198,512</u>	<u>2,411,402</u>	<u>(834,445)</u>	<u>—</u>	<u>52,775,469</u>

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2013 was as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2013</b>
Building	\$ (15,198,296)	(777,933)	—	(15,976,229)
Furniture and equipment	(10,192,535)	(2,690,548)	823,033	(12,060,050)
Motor vehicles	(365,388)	(46,010)	—	(411,398)
	<u>\$ (25,756,219)</u>	<u>(3,514,491)</u>	<u>823,033</u>	<u>(28,447,677)</u>

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2012 was as follows:

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2012</b>
Land	\$ 2,935,815	—	—	—	2,935,815
Building	31,107,556	11,344	—	—	31,118,900
Furniture and equipment	13,042,276	2,255,869	(969,360)	1,718,539	16,047,324
Motor vehicles	421,688	97,979	(32,602)	—	487,065
Construction in progress	930,968	1,396,979	—	(1,718,539)	609,408
	<u>\$ 48,438,303</u>	<u>3,762,171</u>	<u>(1,001,962)</u>	<u>—</u>	<u>51,198,512</u>

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Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2012 was as follows:

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2012</b>
Building	\$ (14,420,363)	(777,933)	—	(15,198,296)
Furniture and equipment	(8,685,510)	(2,467,153)	960,128	(10,192,535)
Motor vehicles	(332,490)	(65,500)	32,602	(365,388)
	<u>\$ (23,438,363)</u>	<u>(3,310,586)</u>	<u>992,730</u>	<u>(25,756,219)</u>

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**(7) Notes and Bonds Payable**

Notes and bonds payable at June 30, 2013 and 2012 and changes for the year ended June 30, 2013 were as follows:

<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
(Amounts shown in thousands)				
General operating accounts:				
Revolving line of credit:				
Bank of America				
floating daily rate (rate of 1.15470% at June 30, 2013) termination date of December 1, 2013	\$ 74,500	40,500	87,500	27,500
Federal Home Loan Bank				
floating daily rate (rate of 0.220% to 0.254% at June 30, 2013) no fixed maturity	35,000	162,147	73,600	123,547
Total general operating accounts	<u>\$ 109,500</u>	<u>202,647</u>	<u>161,100</u>	<u>151,047</u>
Rental housing bond group:				
2002 Series E/F/G, dated December 19, 2002, 3.83% effective interest rate, final due date January 1, 2013	\$ 2,470	—	2,470	—
2003 Series A/B, dated April 24, 2003, 4.56% effective interest rate, final due date June 1, 2028	21,460	—	21,460	—
2003 Series C/D, dated August 5, 2003, 3.87% effective interest rate, final due date November 1, 2028	43,480	—	43,480	—
2003 Series E, dated August 5, 2003, 4.84% effective interest rate, final due date November 1, 2028	61,365	—	61,365	—
2003 Series F/G, dated December 23, 2003, 4.76% effective interest rate, final due date April 1, 2030	42,760	—	27,800	14,960
2004 Series A/B, dated March 17, 2003, 5.25% effective interest rate, final due date March 1, 2030	14,435	—	14,435	—

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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2004 Series C, dated April 29, 2004, 5.53% effective interest rate, final due date May 1, 2029	\$ 61,250	—	61,250	—
2004 Series D/E, dated April 29, 2004, 4.72% effective interest rate, final due date May 1, 2029	43,250	—	43,250	—
2004 Series F/G, dated September 2, 2004, 5.78% effective interest rate, final due date September 1, 2030	49,125	—	1,520	47,605
2004 Series H/I/J, dated December 16, 2004, 5.10% effective interest rate, final due date December 1, 2029	33,315	—	1,355	31,960
2005 Series A, dated April 26, 2005, 5.37% effective interest rate, final due date May 1, 2030	33,870	—	1,430	32,440
2005 Series B/C, dated April 26, 2005, 4.58% effective interest rate, final due date May 1, 2031	51,600	—	2,590	49,010
2005 Series D, dated June 14, 2005, 5.52% effective interest rate, final due date September 1, 2033	37,685	—	990	36,695
2005 Series E/F, dated June 14, 2005, 4.60% effective interest rate, final due date September 1, 2039	41,850	—	815	41,035
2005 Series G, dated October 20, 2005, 5.30% effective interest rate, final due date December 1, 2030	80,790	—	2,710	78,080
2005 Series H/I, dated October 20, 2005, 4.45% effective interest rate, final due date December 1, 2030	34,250	—	1,340	32,910
2005 Series J/K, dated December 14, 2005, 5.30% effective interest rate, final due date February 1, 2035	36,165	—	1,015	35,150



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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2006 Series A, dated May 23, 2006, 4.89% effective interest rate, final due date April 1, 2033	\$ 7,865	—	230	7,635
2006 Series B, dated October 31, 2006, 4.68% effective interest rate, final due date November 1, 2038	22,170	—	440	21,730
2006 Series C, dated December 12, 2006, 5.95% effective interest rate, final due date January 1, 2039	43,040	—	695	42,345
2006 Series D/E/F, dated December 12, 2006, 4.52% effective interest rate, final due date January 1, 2039	77,525	—	1,595	75,930
2007 Series A, dated June 12, 2007, 6.03% effective interest rate, final due date July 1, 2039	115,920	—	1,555	114,365
2007 Series B/C, dated September 20, 2007, 6.16% effective interest rate, final due date November 1, 2038	22,535	—	415	22,120
2008 Series A, dated March 27, 2008, 5.63% effective interest rate, final due date April 1, 2038	191,285	—	191,285	—
2009 Series A, dated February 26, 2009, 6.86% effective interest rate, final due date March 1, 2039	70,775	—	1,140	69,635
2009 Series B, dated March 26, 2009, 5.53% effective interest rate, final due date June 1, 2043	28,250	—	415	27,835
2009 Series C/D, dated March 30, 2009, 5.81% effective interest rate, final due date February 1, 2021	306,780	—	28,770	278,010
2009 Series E, dated September 24, 2009, 4.72% effective interest rate, final due date October 1, 2044.	49,510	—	765	48,745

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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2009 Series F, dated November 25, 2009, 4.85% effective interest rate, final due date December 1, 2044	\$ 48,145	—	735	47,410
2010 Series A, dated March 23, 2010, 4.81% effective interest rate, final due date April 1, 2045	20,355	—	225	20,130
2010 Series B, dated April 27, 2010, 4.74% effective interest rate, final due date June 1, 2045	22,505	—	365	22,140
2010 Series C, dated July 28, 2010, 4.62% effective interest rate, final due date August 1, 2045	11,790	—	170	11,620
2010 Series D, dated August 26, 2010, 4.30% effective interest rate, final due date September 1, 2040	33,000	—	720	32,280
2010 Series E, dated October 7, 2010, 4.177% effective interest rate, final due date October 1, 2045	38,405	—	705	37,700
2010 Series F, dated December 2, 2010, 4.85% effective interest rate, final due date January 1, 2041	19,700	—	175	19,525
2011 Series A, dated May 24, 2011 4.93% effective interest rate, final due date May 1, 2041	11,700	—	230	11,470
2011 Series B, dated September 27, 2011, 4.21% effective interest rate, final due date October 1, 2041.	17,480	—	—	17,480
2011 Series C, dated December 8, 2011, 4.25% effective interest rate, final due date December 1, 2038	19,500	—	—	19,500
2011 Series D, dated December 8, 2011, 4.933% effective interest rate, final due date January 1, 2039	155,800	—	1,500	154,300
2011 Series E, dated December 22, 2011, 4.348% effective interest rate, final due date March 1, 2028	156,115	—	7,210	148,905

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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2012 Series A, dated February 28, 2012, 3.63% effective interest rate, final due date March 1, 2042	\$ 35,000	—	—	35,000
2012 Series B, dated August 21, 2012, 3.71% effective interest rate, final due date August 1, 2042.	—	114,075	—	114,075
2012 Series D dated October 30, 2012, 4.04% effective interest rate final due date October 1, 2042	—	221,925	—	221,925
2012 Series E dated November 2, 2012 3.25% effective interest rate final due date November 1, 2042	—	10,700	—	10,700
2013 Series A/B dated April 11, 2013 3.99% effective interest rate final due date April 1, 2043	—	35,105	—	35,105
2013 Series C dated May 2, 2013 3.82% effective interest rate final due date February 1, 2043	—	163,025	—	163,025
2013 Series D dated May 30, 2013 4.06% effective interest rate final due date June 1, 2043	—	111,330	—	111,330
	<u>\$ 2,214,270</u>	<u>656,160</u>	<u>528,615</u>	<u>2,341,815</u>
Unamortized premium	4,941			1,578
Total rental housing bonds	<u>\$ 2,219,211</u>			<u>2,343,393</u>
VHDA General purpose bonds group:				
2002 Series X/Y/Z, dated October 31, 2002, 4.87% effective interest rate, final due date January 1, 2043	\$ 152,510	—	152,510	—
2003 Series Q, dated October 30, 2003, 5.65% effective interest rate, final due date October 1, 2028	23,950	—	23,950	—

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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2003 Series R/S/T/U, dated October 30, 2003 4.68% effective interest rate, final due date October 1, 2038	59,540	—	59,540	—
2003 Series V, dated June 26, 2003 4.32% effective interest rate, final due date October 1, 2029	25,825	—	25,825	—
	\$ 261,825	—	261,825	—
Unamortized premium	1,756			—
Total VHDA general purpose bonds	\$ 263,581			—
Commonwealth mortgage bonds group:				
2002 Series B, dated March 20, 2002, 6.18% effective interest rate, final due date August 25, 2030	\$ 19,022	—	3,321	15,701
2002 Series E/F/G, dated December 17, 2002, 5.16% effective interest rate, final due date December 25, 2032	17,467	—	3,295	14,172
2003 Series C, dated October 1, 2003, 5.10% effective interest rate, final due date August 25, 2033	1,315	—	227	1,088
2004 Series A, dated March 18, 2004, 3.53% effective interest rate, final due date October 1, 2029	100,390	—	100,390	—
2004 Series B, dated June 10, 2004, 5.65% effective interest rate, final due date June 25, 2034	4,120	—	716	3,404
2004 Series C, dated November 2, 2004, 4.24% effective interest rate, final due date January 1, 2031	105,420	—	105,420	—
2005 Series A, dated April 21, 2005, 4.31% effective interest rate, final due date October 1, 2031	269,810	—	30,100	239,710

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<b>Description</b>	<b>Balance at June 30, 2012</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance at June 30, 2013</b>
		(Amounts shown in thousands)		
2005 Series B, dated April 21, 2005, 4.92% effective interest rate, final due date July 1, 2042	\$ 46,120	—	46,120	—
2005 Series C/D/E, dated November 3, 2005, 4.41% effective interest rate, final due date October 1, 2032	308,570	—	25,700	282,870
2006 Series A/B, dated April 27, 2006, 5.87% effective interest rate, final due date March 25, 2036	6,611	—	995	5,616
2006 Series C, dated June 8, 2006, 6.16% effective interest rate, final due date June 25, 2034	30,736	—	6,055	24,681
2006 Series D/E/F, dated July 13, 2006 4.55% effective interest rate, final due date January 1, 2033	443,505	—	66,395	377,110
2007 Series A/B/C/D, dated May 18, 2007, 4.69% effective interest rate, final due date January 1, 2036	895,810	—	192,645	703,165
2008 Series A, dated March 25, 2008, 6.06% effective interest rate, final due date March 25, 2038	57,461	—	9,464	47,997
2008 Series B, dated April 10, 2008, 6.10% effective interest rate, final due date March 25, 2038	84,358	—	12,987	71,371
2008 Series C, dated November 18, 2008, 6.40% effective interest rate, final due date June 25, 2038	33,237	—	4,928	28,309
2008 Series D/E, dated December 16, 2008, 6.09% effective interest rate, final due date January 1, 2036	180,755	—	42,855	137,900
2009 Series A, dated November 25, 2009, 4.52% effective interest rate, final due date July 1, 2029	51,750	—	—	51,750
2012 Series A, dated December 20, 2012, 2.25% effective interest rate, final due date July 1, 2026	—	790,000	715,510	74,490

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Description	Balance at June 30, 2012	Issued	Retired	Balance at June 30, 2013
		(Amounts shown in thousands)		
2012 Series B/C (STEM), dated December 20, 2012, 3.10% effective interest rate, final due date July 1, 2039.	—	1,275,510	560,000	715,510
2013 Series B, dated May 21, 2013 3.25% effective interest rate, final due date April 25, 2042	—	101,354	1,749	99,605
	<u>2,656,457</u>	<u>1,451,354</u>	<u>1,213,362</u>	<u>2,894,449</u>
Unamortized premium	24,269			14,652
Total commonwealth mortgage bonds group	<u>\$ 2,680,726</u>			<u>2,909,101</u>
Homeownership mortgage bonds group:				
2009 Series B-1, dated February 10, 2010, 4.42% effective interest rate, final due date November 1, 2041	\$ 160,990	—	154,800	6,190
2010 Series A, dated February 10, 2010, 3.38% effective interest rate, final due date September 1, 2021	94,530	—	10,100	84,430
2009 Series B-2, dated October 29, 2010, 3.16% effective interest rate, final due date November 1, 2041	105,000	—	83,700	21,300
2010 Series B, dated October 29, 2010, 2.948% effective interest rate, final due date March 1, 2022	61,500	—	6,200	55,300
2009 Series B-3, dated June 14, 2011 3.71% effective interest rate, final due date November 1, 2041	105,000	—	88,500	16,500
2011 Series A, dated June 14, 2011 3.27% effective interest rate, final due date March 1, 2024	67,600	—	4,900	62,700
2009 Series B-4, dated September 27, 2011, 2.68% effective interest rate, final due date November 1, 2041	111,970	—	96,900	15,070

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<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2013</u>
		(Amounts shown in thousands)		
2011 Series B, dated September 27, 2011, 3.09% effective interest rate, final due date September 1, 2024	74,650	—	5,000	69,650
2013 Series A, dated March 27, 2013 2.78% effective interest rate, final due date August 25, 2042	—	160,000	1,629	158,371
	781,240	160,000	451,729	489,511
Unamortized premium	416			683
Total homeownership mortgage bonds group	\$ 781,656			490,194
Total	\$ 6,054,674			5,893,735

Notes and bonds payable at June 30, 2012 and 2011 and changes for the year ended June 30, 2012 were summarized as follows (amounts in thousands):

	<u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Change in unamortized premium and compound interest payable</u>	<u>June 30, 2012</u>
General operating accounts	\$ 534,171	553,865	(978,536)	—	109,500
Rental housing bond group	2,280,318	383,895	(443,615)	(1,387)	2,219,211
Homeownership mortgage bond group	723,915	186,620	(129,970)	1,091	781,656
VHDA General purpose bond group	355,623	—	(91,860)	(182)	263,581
Commonwealth mortgage bond group	3,078,343	—	(399,888)	2,271	2,680,726
Total	\$ 6,972,370	1,124,380	(2,043,869)	1,793	6,054,674

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June 30, 2013 and 2012

Current and noncurrent amounts of notes and bonds payable at June 30, 2013 and 2012 were as follows:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
	(Amount in thousands)	
Notes and bonds payable – current	\$ 453,826	388,378
Bonds payable – noncurrent	5,439,909	5,666,296
Total	<u>\$ 5,893,735</u>	<u>6,054,674</u>

From time to time, the Authority has participated in refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. There were \$657,538,820 of bond refundings during the fiscal year ended June 30, 2013 and none for the year ended June 30, 2012.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2013 and thereafter are as follows:

<u>Year ending June 30</u>	<u>Original principal</u>	<u>Current interest</u>	<u>Total debt service</u>
2014	\$ 453,826,537	221,480,983	675,307,520
2015	247,530,000	213,283,313	460,813,313
2016	254,355,000	204,192,554	458,547,554
2017	258,825,000	194,784,789	453,609,789
2018	249,865,000	184,798,274	434,663,274
2019 – 2023	1,133,760,000	772,591,424	1,906,351,424
2024 – 2028	840,555,000	572,292,066	1,412,847,066
2029 – 2033	810,438,168	399,929,172	1,210,367,340
2034 – 2038	743,687,933	252,607,579	996,295,512
2039 – 2043	861,780,141	148,369,474	1,010,149,615
2044 – 2048	22,200,000	1,716,106	23,916,106
Total	<u>\$ 5,876,822,779</u>	<u>3,166,045,734</u>	<u>9,042,868,513</u>

The Authority has a \$100 million revolving credit agreement with Bank of America to provide funds for general corporate purposes. The agreement will terminate on December 1, 2013 unless extended by Bank of America and the Authority. All amounts outstanding are due and payable on the termination date. Interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 95 to 125 basis points per annum based upon the Authority's long-term credit ratings. The Authority is in compliance with all debt covenant requirements. At June 30, 2013 and 2012, there were \$27.5 million and \$74.5 million outstanding, respectively.



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The Authority has a \$150 million revolving credit agreement with the Bank of Nova Scotia to provide funds for general corporate purposes. The term of the agreement expires on November 28, 2013. Interest on any advances is charged at rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 25 basis points to 150 basis points, based upon the Authority's long-term credit ratings and the duration outstanding. All amounts outstanding on the terminated date or upon written request of the Authority may be converted into a 5 year term. At June 30, 2013 and 2012, there were no amounts outstanding under this agreement.

The Authority maintains a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by government agency securities held in FHLB of Atlanta. Interest on any advance can be charged either under a floating daily rate or a fixed rate with a stated maturity not to exceed either 1 year for daily rate or twenty years for fixed rate loans. As of June 30, 2013 there were two 90 day fixed rate borrowings that ranged from 0.22% to 0.254%. The Authority is in compliance with all debt covenant requirements. At June 30, 2013 and 2012, there were \$123.5 million and \$35.0 million outstanding, respectively.

**(8) Escrows and Project Reserves**

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (note 14). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor. At June 30, 2013 and 2012, these escrows and project reserves were presented in the Authority's Statements of Net Position as follows:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Escrows – current	\$ 46,913,410	45,156,796
Project reserves – noncurrent	132,915,870	139,385,475
Total	\$ 179,829,280	184,542,271

**(9) Derivative Instruments**

The Authority has entered into forward sales contracts for the delivery of GNMA securities in order to lock in the sales price for the securitization of certain single-family mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative losses on the Statement of Revenues, Expenses, and Changes in Net Position.

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The outstanding forward contracts, summarized by counterparty as of June 30, 2013, were as follows:

<u>Counterparty rating</u>	<u>Count</u>	<u>Par</u>	<u>Concentration</u>	<u>Notional amount</u>	<u>Market value</u>	<u>Fair value asset (liability)</u>
A-1/A	2	\$ 2,100,000	4.9%	\$ 2,118,965	2,056,625	62,340
A-1/A+	3	8,500,000	19.8%	8,847,234	8,367,734	479,500
Bbb3/BBB	9	12,200,000	28.4%	12,616,004	12,203,766	412,238
A-1+/AA-	9	20,100,000	46.9%	20,882,793	20,005,219	877,574
	<u>23</u>	<u>\$ 42,900,000</u>	<u>100.00%</u>	<u>\$ 44,464,996</u>	<u>42,633,344</u>	<u>1,831,652</u>

The outstanding forward contracts, summarized by counterparty as of June 30, 2012, were as follows:

<u>Counterparty rating</u>	<u>Count</u>	<u>Par</u>	<u>Concentration</u>	<u>Notional amount</u>	<u>Market value</u>	<u>Fair value asset (liability)</u>
BBB/Baa2	1	\$ 1,600,000	2.5%	\$ 1,636,500	1,652,320	(15,820)
A/A2	2	10,500,000	16.6%	10,795,312	10,909,600	(114,288)
BBB/Baa2	1	1,400,000	2.2%	1,463,219	1,488,340	(25,121)
AA-/A2	5	26,100,000	41.2%	27,553,758	27,765,110	(211,352)
A-/Baa2	2	3,300,000	5.2%	3,425,250	3,467,230	(41,980)
BBB+/A2	3	3,900,000	6.2%	4,033,126	4,128,990	(95,864)
BBB/Baa3	2	16,500,000	26.1%	17,404,688	17,536,650	(131,962)
	<u>16</u>	<u>\$ 63,300,000</u>	<u>100.00%</u>	<u>\$ 66,311,853</u>	<u>66,948,240</u>	<u>(636,387)</u>

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**(10) Investment Income and Arbitrage Liabilities**

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, Rental Housing Bond Group, and VHDA General Purpose Bond Group is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. No rebates were paid in the year ended June 30, 2013. Rebates paid during the year ended June 30, 2012 totaled \$1,809,583. Remaining liability balances were \$49,316 and \$47,173 at June 30, 2013 and 2012, respectively.

**(11) Net Position**

Net investment in capital assets, represent property, furniture, and equipment, as well as an investment in rental property, less the current outstanding applicable debt. Restricted net position represents those portions of the total net position in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net position is generally mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service.

Unrestricted net position represents those portions of the total net position set aside for current utilization and tentative plans for future utilization of such net position. As of June 30, 2013 and 2012, such plans included funds to be available for other loans and loan commitments; for over commitments and over allocations in the various bond issues; for support funds and contributions to bond issues; and for working capital and future operating and capital expenditures. Additional unrestricted net position commitments include maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; coverage on the uninsured, unsubsidized multi-family conventional loan program and any unanticipated losses in connection with the uninsured portions of the balance of the single-family and multi-family loans; coverage on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; single-family loan prepayment shortfalls; and other risks and contingencies.

**(12) Employee Benefits Plans**

The Authority incurs employment retirement savings expense under two defined contribution plans equal to between 8%-11% of full-time employees' compensation. Total retirement savings expense for the year ended June 30, 2013 and 2012 was \$2,826,678 and \$2,729,698, respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of June 30, 2013 and 2012, included in other liabilities is an employee compensated absences accrual of \$4,267,174 and \$4,261,506, respectively (note 14).

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**(13) Other Post-Employment Benefits**

At the sole discretion of the Authority, eligible employees may participate in the Virginia Housing Development Authority Retiree Health Care Plan (RHC), a single-employer defined benefit plan. The Authority administers the RHC through the Virginia Housing Development Authority Retiree Health Care Plan Trust (RHC Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the RHC. Assets of the RHC Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment reimbursement of eligible medical and dental expenses to current and eligible future retirees and their spouses in accordance with the terms of the RHC. Employer contributions are recorded in the year in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations.

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). RHC participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost-of-living plus 2% not to exceed 150% of the annual premium for preferred provider organization medical plan offered that year if the participant under age 65 or not to exceed 75% or the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical and dental expenses. For the year ended June 30, 2013, there were approximately 58 participating retirees and spouses and 297 active employees earning service credits in the RHC.

The Authority currently contributes amounts to the RHC Trust sufficient to fully fund the annual required contribution (ARC), an actuarially determined rate in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus an amortized amount of unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2013 of \$447,428 is approximately 1.8% of covered payroll.

The actuarially determined values for disclosure in accordance with GASB 45 are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	ARC	Interest on OPEB liability	ARC adjustment	Amortization factor	Annual OPEB cost
June 30, 2008	\$ —	753,288	—	—	12.41	753,288
June 30, 2009	(29,738)	895,410	(2,082)	2,316	12.84	895,644
June 30, 2010	(106,007)	964,000	(6,625)	5,038	21.04	962,413
June 30, 2011	(39,238)	980,913	(2,452)	1,865	21.04	980,325
June 30, 2012	(8,913)	504,032	(557)	437	21.04	503,912
June 30, 2013	(559,731)	447,428	(34,983)	(26,599)	21.04	439,044

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The OPEB cost to the Authority and its contributions and changes in the RHC plan for fiscal years 2008 through 2013 are as follows:

<u>Fiscal year-end</u>	<u>Beginning net OPEB obligation (asset)</u>	<u>Annual OPEB cost</u>	<u>Contribution</u>	<u>Change in net OPEB obligation (asset)</u>	<u>Net OPEB obligation (asset) balance</u>
June 30, 2008	\$ —	753,288	(783,026)	(29,738)	(29,738)
June 30, 2009	(29,738)	895,644	(971,913)	(76,269)	(106,007)
June 30, 2010	(106,007)	962,413	(895,644)	66,769	(39,238)
June 30, 2011	(39,238)	980,325	(950,000)	30,325	(8,913)
June 30, 2012	(8,913)	503,912	(1,054,730)	(550,818)	(559,731)
June 30, 2013	(559,731)	439,044	(1,116,444)	(677,400)	(1,237,131)

For the year ended June 30, 2013, the Authority's Annual OPEB cost was \$439,044; the percentage of Annual OPEB Cost Contribution was 254%; and the ending Net OPEB asset was \$1,237,131. For the year ended June 30, 2012, the Authority's Annual OPEB cost was \$503,912; the percentage of Annual OPEB Cost Contribution was 209%; and the ending Net OPEB asset was \$559,731.

As of December 31, 2012, the unfunded actuarial accrued liability (UAAL) for benefits was \$78,221. The covered payroll (annual payroll of active employees covered by the RHC) was \$25,286,960 and the ratio of the UAAL to the covered payroll was 0.3%. As of December 31, 2012, the actuarial value of net assets held by the RHC Trust was \$16,224,392, the actuarial accrued liability was \$16,302,613, and the funded ratio was 99.5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the entry age-cost method was used. The actuarial assumptions include a 6.25% long term investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate, 2.5% real rate of return, 4.5% salary scale and a 3.5% salary growth). The projected healthcare cost trend is 8.0% initially for 2012, reduced by decrements to an ultimate rate of 5.0% after 6 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The unfunded actuarial accrued liability was amortized over 30 years in calculating the 2012-13 fiscal year annual required contribution.

The required schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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**(14) Other Long-Term Liabilities**

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Project reserves	\$ 139,385,475	49,510,279	55,979,884	132,915,870
Commonwealth Priority Housing				
Fund liability	7,835,136	94,695	707,622	7,222,209
Other liabilities	20,593,289	23,341,208	19,305,465	24,629,032
Compensated absences payable	<u>4,261,506</u>	<u>1,729,938</u>	<u>1,724,270</u>	<u>4,267,174</u>
Total	<u>\$ 172,075,406</u>	<u>74,676,120</u>	<u>77,717,241</u>	<u>169,034,285</u>

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2012 was as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>
Project reserves	\$ 166,442,678	46,586,914	73,644,117	139,385,475
Commonwealth Priority Housing				
Fund liability	8,005,328	7,536,110	7,706,302	7,835,136
Other liabilities	16,954,686	21,047,469	17,408,866	20,593,289
Compensated absences payable	<u>4,050,459</u>	<u>2,156,124</u>	<u>1,945,077</u>	<u>4,261,506</u>
Total	<u>\$ 195,453,151</u>	<u>77,326,617</u>	<u>100,704,362</u>	<u>172,075,406</u>

**(15) Troubled Debt Restructuring**

Restructuring a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The Authority makes every effort to work with borrowers and grants concessions to debtors if the probability of payment from the debtor increases. As of June 30, 2013 and June 30, 2012, the Authority has granted the following concessions to debtors, which are considered troubled debt restructuring. There are no commitments to lend additional resources to debtors who had a trouble debt restructuring.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Notes to Basic Financial Statements

June 30, 2013 and 2012

<b>Single Family Loans</b>	<b>For the year ended June 30, 2013</b>	<b>For the year ended June 30, 2012</b>
Aggregated recorded balance	\$ 35,142,883	23,798,526
Number of loans	206	139
Gross Interest revenue if loans had been current	\$ 2,152,925	1,258,495
Interest revenue included in changes in net position	\$ 1,489,004	798,462
<b>Multi Family Loans</b>	<b>For the year ended June 30, 2013</b>	<b>For the year ended June 30, 2012</b>
Aggregated recorded balance	\$ 3,688,700	3,688,700
Number of loans	3	3
Gross Interest revenue if loans had been current	\$ 208,341	144,340
Interest revenue included in changes in net position	\$ 80,136	53,424

**(16) Contingencies and Other Matters**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which are the HUD loan guarantee programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Circular A-133, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although

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Notes to Basic Financial Statements

June 30, 2013 and 2012

the Authority does not expect such amounts, if any, to be material in relation to its basic financial statements.

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for these risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**(17) Subsequent Events**

In addition to scheduled issuances and redemptions, the Authority made issuances and redemptions of notes and bonds payable subsequent to June 30, 2013 as follows:

	<u>Issuance/ redemption date</u>	<u>Amount</u>
Issues:		
Rental Housing Bonds 2013 Series E Non-AMT	July 11, 2013	\$ 20,750,000
Bank of America, N.A., Revolving Credit Agreement	July 24, 2013	3,000,000
Rental Housing Bonds 2013 Series F Non-AMT	October 10, 2013	58,435,000
Redemptions:		
Homeownership mortgage Bonds 2009 B-1	July 1, 2013	6,190,000
Homeownership mortgage Bonds 2009 B-2	July 1, 2013	21,300,000
Homeownership mortgage Bonds 2009 B-3	July 1, 2013	16,500,000
Homeownership mortgage Bonds 2009 B-4	July 1, 2013	15,070,000
Remarking		
CMB 2012 Series C Non-AMT Subseries C-5	July 30, 2013	90,000,000



**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Required Supplementary Information

Retiree Healthcare Plan – Schedule of Funding Progress by Plan Valuation Date

Year ended June 30, 2013

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio	Covered payroll	Unfunded as a percent of covered payroll
December 31, 2008	\$ 8,631,596	10,747,191	2,115,595	80.3%	\$ 20,479,198	10.3%
December 31, 2009	7,880,680	12,016,655	4,135,976	65.6	21,830,868	18.9
December 31, 2010	10,333,985	16,280,849	5,946,864	63.5	22,527,041	26.4
December 31, 2011	12,337,427	17,797,668	5,460,241	69.3	22,973,051	23.8
December 31, 2012	13,653,900	15,158,055	1,504,155	90.1	24,701,597	6.1
December 31, 2013	16,224,392	16,302,613	78,221	99.5	25,286,960	0.3

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As of December 31, 2012, the unfunded actuarial accrued liability (UAAL) for benefits was \$78,221. The covered payroll (annual payroll of active employees covered by the RHC) was \$25,286,960 and the ratio of the UAAL to the covered payroll was 0.3%. As of December 31, 2012, the actuarial value of net assets held by the RHC Trust was \$16,224,392, the actuarial accrued liability was \$16,302,613, and the funded ratio was 99.5%. As of June 30, 2013, the RHC Trust had \$17,337,066 in net assets. As of June 30, 2012, the RHC Trust had \$14,241,647 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the entry age-cost method was used. The December 31, 2012 actuarial assumptions include a 6.25% long term investment rate of return per annum and a 3.5% payroll growth rate. The projected healthcare cost trend is 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 6 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The UAAL was amortized over 30 years in calculating the fiscal year 2013 ARC.

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
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Combining Schedule of Net Position

June 30, 2013

<b>Assets</b>	<b>General Operating Accounts</b>	<b>Rental Housing Bond Group</b>	<b>Commonwealth Mortgage Bond Group</b>	<b>Home- ownership Bond Group</b>	<b>Total</b>
Current assets:					
Cash and cash equivalents	\$ 198,888,063	181,932,256	682,185,154	69,825,336	1,132,830,809
Investments	2,641,341	—	—	—	2,641,341
Derivative instruments	—	—	1,831,652	—	1,831,652
Interest receivable – investments	519,489	28,146	354,629	8,649	910,913
Mortgage loans held for sale	—	—	18,228,326	—	18,228,326
Mortgage and other loans receivable	3,094,987	79,673,045	84,149,527	12,091,114	179,008,673
Interest receivable – mortgage and other loans	829,711	17,673,609	14,337,241	1,485,330	34,325,891
Other real estate owned	194,603	6,383,837	11,531,344	79,900	18,189,684
Other assets	8,692,972	342,969	1,505,221	—	10,541,162
Total current assets	<u>214,861,166</u>	<u>286,033,862</u>	<u>814,123,094</u>	<u>83,490,329</u>	<u>1,398,508,451</u>
Noncurrent assets:					
Investments	172,620,777	5,156,263	87,780,605	3,766,285	269,323,930
Mortgage and other loans receivable	99,171,867	3,133,757,480	3,500,811,975	453,534,964	7,187,276,286
Less allowance for loan loss	12,979,263	50,037,857	121,173,236	6,752,213	190,942,569
Less (plus) net deferred loan fees	281,756	40,929,492	(19,515,035)	(3,719,694)	17,976,519
Mortgage and other loans receivable, net	<u>85,910,848</u>	<u>3,042,790,131</u>	<u>3,399,153,774</u>	<u>450,502,445</u>	<u>6,978,357,198</u>
Investment in rental property, net	—	38,914,766	—	—	38,914,766
Property, furniture, and equipment, less accumulated depreciation and amortization of \$28,447,677	8,871,394	15,456,398	—	—	24,327,792
Unamortized bond issuance expenses	489,537	47,514	1,054,034	1,340,729	2,931,814
Other assets	9,911,961	—	—	—	9,911,961
Total noncurrent assets	<u>277,804,517</u>	<u>3,102,365,072</u>	<u>3,487,988,413</u>	<u>455,609,459</u>	<u>7,323,767,461</u>
Total assets	<u>\$ 492,665,683</u>	<u>3,388,398,934</u>	<u>4,302,111,507</u>	<u>539,099,788</u>	<u>8,722,275,912</u>

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2013

<b>Liabilities and Net Position</b>	<b>General Operating Accounts</b>	<b>Rental Housing Bond Group</b>	<b>Commonwealth Mortgage Bond Group</b>	<b>Home- ownership Bond Group</b>	<b>Total</b>
Current liabilities:					
Notes and bonds payable	\$ 151,046,767	71,375,000	142,556,770	88,848,000	453,826,537
Accrued interest payable on notes and bonds	9,698	31,382,074	40,133,276	3,195,140	74,720,188
Housing Choice Voucher contributions payable	85,334	—	—	—	85,334
Escrows	46,913,410	—	—	—	46,913,410
Accounts payable and other liabilities	13,902,404	255,066	7,484,681	—	21,642,151
Total current liabilities	<u>211,957,613</u>	<u>103,012,140</u>	<u>190,174,727</u>	<u>92,043,140</u>	<u>597,187,620</u>
Noncurrent liabilities:					
Bonds payable, net	—	2,272,017,653	2,766,544,252	401,346,903	5,439,908,808
Project reserves	132,915,870	—	—	—	132,915,870
Other liabilities	3,471,258	32,076,258	570,899	—	36,118,415
Total noncurrent liabilities	<u>136,387,128</u>	<u>2,304,093,911</u>	<u>2,767,115,151</u>	<u>401,346,903</u>	<u>5,608,943,093</u>
Total liabilities	<u>348,344,741</u>	<u>2,407,106,051</u>	<u>2,957,289,878</u>	<u>493,390,043</u>	<u>6,206,130,713</u>
Net position:					
Net investment in capital assets	8,871,394	(7,912,958)	—	—	958,436
Restricted by bond indentures	—	989,205,841	1,344,821,629	45,709,745	2,379,737,215
Unrestricted	135,449,548	—	—	—	135,449,548
Total net position	<u>144,320,942</u>	<u>981,292,883</u>	<u>1,344,821,629</u>	<u>45,709,745</u>	<u>2,516,145,199</u>
Total liabilities and net position	<u>\$ 492,665,683</u>	<u>3,388,398,934</u>	<u>4,302,111,507</u>	<u>539,099,788</u>	<u>8,722,275,912</u>

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

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

Year ended June 30, 2013

	<b>General Operating Accounts</b>	<b>Rental Housing Bond Group</b>	<b>VHDA General Purpose Bond Group</b>	<b>Commonwealth Mortgage Bond Group</b>	<b>Home- ownership Bond Group</b>	<b>Total</b>
Operating revenues:						
Interest on mortgage and other loans receivable	\$ 4,149,884	220,400,992	11,811,047	191,193,702	28,603,260	456,158,885
Pass-through grants income	127,749,666	—	—	—	—	127,749,666
Housing Choice Voucher program income	6,613,190	—	—	—	—	6,613,190
Investment in rental property income	—	10,812,861	—	—	—	10,812,861
Gains and recoveries on sale of other real estate owned	12,281	1,864,199	52,529	4,551,293	—	6,480,302
Gains on sale of single family mortgage loans	—	—	—	10,708,851	11,037,863	21,746,714
Other	12,269,855	2,047,491	850,196	100,785	—	15,268,327
Total operating revenues	<u>150,794,876</u>	<u>235,125,543</u>	<u>12,713,772</u>	<u>206,554,631</u>	<u>39,641,123</u>	<u>644,829,945</u>
Operating expenses:						
Interest on notes and bonds payable	816,855	112,968,616	2,544,599	119,695,781	25,027,023	261,052,874
Salaries and related employee benefits	35,384,061	—	—	—	—	35,384,061
General operating expenses	21,320,657	—	—	—	—	21,320,657
Note and bond expenses	441,638	—	—	—	—	441,638
Amortization of bond issuance expenses	83,042	502,432	1,002,734	366,055	45,843	2,000,106
Pass-through grants expenses	127,749,666	—	—	—	—	127,749,666
Housing Choice Voucher program expenses	8,678,837	—	—	—	—	8,678,837
External mortgage servicing expenses	1,831,756	376	456	176,605	—	2,009,193
Investment in rental property expenses	—	12,067,640	—	—	—	12,067,640
Losses and expenses on other real estate owned	1,957,228	15,135,900	1,325,145	33,117,936	334,954	51,871,163
Provision for loan losses	6,445,181	5,545,763	(11,346,108)	27,523,110	3,435,912	31,603,858
Total operating expenses	<u>204,708,921</u>	<u>146,220,727</u>	<u>(6,473,174)</u>	<u>180,879,487</u>	<u>28,843,732</u>	<u>554,179,693</u>
Operating income (expense)	<u>(53,914,045)</u>	<u>88,904,816</u>	<u>19,186,946</u>	<u>25,675,144</u>	<u>10,797,391</u>	<u>90,650,252</u>
Nonoperating revenues (expenses):						
Investment income (loss)	12,087,640	9,825,369	50,939	(4,440,433)	364,054	17,887,569
Investment gain on derivative instruments	—	—	—	2,468,039	—	2,468,039
Other, net	(8,746)	—	—	—	—	(8,746)
Total nonoperating revenues, net	<u>12,078,894</u>	<u>9,825,369</u>	<u>50,939</u>	<u>(1,972,394)</u>	<u>364,054</u>	<u>20,346,862</u>
Income (loss) before transfers	<u>(41,835,151)</u>	<u>98,730,185</u>	<u>19,237,885</u>	<u>23,702,750</u>	<u>11,161,445</u>	<u>110,997,114</u>
Transfers between funds	<u>87,151,589</u>	<u>81,787,824</u>	<u>(202,597,320)</u>	<u>17,214,184</u>	<u>16,443,723</u>	<u>—</u>
Change in net position	<u>45,316,438</u>	<u>180,518,009</u>	<u>(183,359,435)</u>	<u>40,916,934</u>	<u>27,605,168</u>	<u>110,997,114</u>
Total net position, beginning of year	<u>99,004,504</u>	<u>800,774,874</u>	<u>183,359,435</u>	<u>1,303,904,695</u>	<u>18,104,577</u>	<u>2,405,148,085</u>
Total net position, at end of year	<u>\$ 144,320,942</u>	<u>981,292,883</u>	<u>—</u>	<u>1,344,821,629</u>	<u>45,709,745</u>	<u>2,516,145,199</u>

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2012

Assets	General Operating Accounts	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Current assets:						
Cash and cash equivalents	\$ 201,837,095	101,417,693	62,294,154	235,113,444	80,998,198	681,660,584
Investments	2,843,766	—	868,227	—	—	3,711,993
Interest receivable – investments	242,445	31,280	20,631	455,286	30,895	780,537
Mortgage and other loans receivable	2,633,149	63,178,464	20,037,400	76,014,477	15,895,056	177,758,546
Interest receivable – mortgage and other loans	1,193,692	16,716,270	1,822,425	14,709,581	2,274,891	36,716,859
Other real estate owned	422,219	6,146,286	1,981,499	18,794,655	—	27,344,659
Other assets	3,140,655	475,815	856,155	2,956,961	—	7,429,586
Total current assets	<u>212,313,021</u>	<u>187,965,808</u>	<u>87,880,491</u>	<u>348,044,404</u>	<u>99,199,040</u>	<u>935,402,764</u>
Noncurrent assets:						
Investments	72,900,400	—	—	120,813,999	—	193,714,399
Mortgage and other loans receivable	105,481,759	2,909,512,751	365,158,342	3,646,920,776	700,666,101	7,727,739,729
Less allowance for loan loss	6,487,921	44,492,094	11,392,269	93,650,126	3,316,301	159,338,711
Less net deferred loan fees	429,704	38,369,553	1,652,336	(16,256,763)	(6,019,804)	18,175,026
Mortgage and other loans receivable, net	<u>98,564,134</u>	<u>2,826,651,104</u>	<u>352,113,737</u>	<u>3,569,527,413</u>	<u>703,369,604</u>	<u>7,550,225,992</u>
Investment in rental property, net	—	61,862,053	7,196,328	—	—	69,058,381
Property, furniture, and equipment, less accumulated depreciation and amortization of \$25,756,219	9,985,895	7,029,786	8,426,612	—	—	25,442,293
Unamortized bond issuance expenses	413,332	452,821	1,002,734	1,096,928	1,339,828	4,305,643
Other assets	3,603,369	—	—	—	—	3,603,369
Total noncurrent assets	<u>185,467,130</u>	<u>2,895,995,764</u>	<u>368,739,411</u>	<u>3,691,438,340</u>	<u>704,709,432</u>	<u>7,846,350,077</u>
Total assets	<u>\$ 397,780,151</u>	<u>3,083,961,572</u>	<u>456,619,902</u>	<u>4,039,482,744</u>	<u>803,908,472</u>	<u>8,781,752,841</u>

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Position

June 30, 2012

<b>Liabilities and Net Position</b>	<b>General Operating Accounts</b>	<b>Rental Housing Bond Group</b>	<b>VHDA General Purpose Bond Group</b>	<b>Commonwealth Mortgage Bond Group</b>	<b>Home- ownership Bond Group</b>	<b>Total</b>
Current liabilities:						
Notes and bonds payable	\$ 109,500,000	81,295,000	5,850,000	165,532,856	26,200,000	388,377,856
Accrued interest payable on notes and bonds	6,383	32,313,676	5,018,202	46,666,246	4,147,948	88,152,455
Housing Choice Voucher contributions payable	499,436	—	—	—	—	499,436
Escrows	45,156,796	—	—	—	—	45,156,796
Derivative instruments	—	—	—	636,387	—	636,387
Accounts payable and other liabilities	7,980,469	348,157	31,496	7,050,408	—	15,410,530
Total current liabilities	<u>163,143,084</u>	<u>113,956,833</u>	<u>10,899,698</u>	<u>219,885,897</u>	<u>30,347,948</u>	<u>538,233,460</u>
Noncurrent liabilities:						
Bonds payable, net	—	2,137,915,870	257,730,576	2,515,193,497	755,455,947	5,666,295,890
Project reserves	139,385,475	—	—	—	—	139,385,475
Other liabilities	(3,752,912)	31,313,995	4,630,193	498,655	—	32,689,931
Total noncurrent liabilities	<u>135,632,563</u>	<u>2,169,229,865</u>	<u>262,360,769</u>	<u>2,515,692,152</u>	<u>755,455,947</u>	<u>5,838,371,296</u>
Total liabilities	<u>298,775,647</u>	<u>2,283,186,698</u>	<u>273,260,467</u>	<u>2,735,578,049</u>	<u>785,803,895</u>	<u>6,376,604,756</u>
Net position:						
Net investment in capital assets	9,985,895	28,691,090	(2,066,740)	—	—	36,610,245
Restricted by bond indentures	—	772,083,784	185,426,175	1,303,904,695	18,104,577	2,279,519,231
Unrestricted	89,018,609	—	—	—	—	89,018,609
Total net position	<u>99,004,504</u>	<u>800,774,874</u>	<u>183,359,435</u>	<u>1,303,904,695</u>	<u>18,104,577</u>	<u>2,405,148,085</u>
Total liabilities and net position	<u>\$ 397,780,151</u>	<u>3,083,961,572</u>	<u>456,619,902</u>	<u>4,039,482,744</u>	<u>803,908,472</u>	<u>8,781,752,841</u>

See accompanying independent auditors' report.

## VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

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

Year ended June 30, 2012

	General Operating Accounts	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Home- ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans	\$ 4,092,714	208,349,006	29,980,525	219,045,082	27,813,259	489,280,586
Pass-through grants income	119,608,753	—	—	—	—	119,608,753
Housing Choice Voucher program income	36,616,431	—	—	—	—	36,616,431
Investment in rental property income	—	11,206,327	3,108,516	—	—	14,314,843
Gains and recoveries on sale of other real estate owned	—	13,210,104	1,942,869	2,758,570	—	17,911,543
Gains on sale of single family mortgage loans	—	—	—	1,145,671	—	1,145,671
Other	9,491,024	850,699	780,657	45,321	—	11,167,701
Total operating revenues	<u>169,808,922</u>	<u>233,616,136</u>	<u>35,812,567</u>	<u>222,994,644</u>	<u>27,813,259</u>	<u>690,045,528</u>
Operating expenses:						
Interest on notes and bonds	1,237,449	118,053,603	14,897,691	136,776,818	25,178,241	296,143,802
Salaries and related employee benefits	34,530,859	—	—	—	—	34,530,859
General operating expenses	19,118,047	—	—	—	—	19,118,047
Note and bond expenses	393,428	—	—	—	—	393,428
Amortization of bond issuance expenses	6,250	490,506	213,138	92,657	41,104	843,655
Pass-through grants expenses	119,608,753	—	—	—	—	119,608,753
Housing Choice Voucher program expenses	39,416,626	—	—	—	—	39,416,626
External mortgage servicing expenses	921,342	—	1,170	—	—	922,512
Investment in rental property expenses	—	13,537,012	3,759,919	—	—	17,296,931
Losses and expenses on other real estate owned	806,360	7,207,017	3,136,283	48,888,867	166,083	60,204,610
Provision for loan losses	(1,907,652)	(5,083,180)	1,259,732	35,408,645	2,133,218	31,810,763
Total operating expenses	<u>214,131,462</u>	<u>134,204,958</u>	<u>23,267,933</u>	<u>221,166,987</u>	<u>27,518,646</u>	<u>620,289,986</u>
Operating income (expense)	<u>(44,322,540)</u>	<u>99,411,178</u>	<u>12,544,634</u>	<u>1,827,657</u>	<u>294,613</u>	<u>69,755,542</u>
Nonoperating revenues (losses):						
Investment income	6,372,109	314,284	116,445	10,576,532	406,612	17,785,982
Unrealized loss on derivative instruments	—	—	—	(636,387)	—	(636,387)
Other, net	59,864	—	—	—	—	59,864
Total nonoperating revenues (losses)	<u>6,431,973</u>	<u>314,284</u>	<u>116,445</u>	<u>9,940,145</u>	<u>406,612</u>	<u>17,209,459</u>
Income (loss) before transfers	<u>(37,890,567)</u>	<u>99,725,462</u>	<u>12,661,079</u>	<u>11,767,802</u>	<u>701,225</u>	<u>86,965,001</u>
Transfers between funds	(17,018,712)	73,049,218	7,053,045	(68,110,074)	5,026,523	—
Change in net position	<u>(54,909,279)</u>	<u>172,774,680</u>	<u>19,714,124</u>	<u>(56,342,272)</u>	<u>5,727,748</u>	<u>86,965,001</u>
Total net position, beginning of year	<u>153,913,783</u>	<u>628,000,194</u>	<u>163,645,311</u>	<u>1,360,246,967</u>	<u>12,376,829</u>	<u>2,318,183,084</u>
Total net position, end of year	<u>\$ 99,004,504</u>	<u>800,774,874</u>	<u>183,359,435</u>	<u>1,303,904,695</u>	<u>18,104,577</u>	<u>2,405,148,085</u>

See accompanying independent auditors' report.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Commissioners  
Virginia Housing Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Virginia Housing Development Authority (The Authority), a component unit of the Commonwealth of Virginia, which comprise the statement of net position as of June 30, 2013 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated September 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The





results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

September 12, 2013

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## DATA ON SINGLE FAMILY MORTGAGE LOANS

Defined terms used and not otherwise defined in this Appendix B have the meaning set forth in the body of this Official Statement. Numbered notations refer to end notes that are located at the end of this Appendix.

Data on Commonwealth Bond Mortgage Loans

The outstanding balance, delinquency and foreclosure statistics for single family mortgage loans financed under the Authority's single family mortgage loan program (including single family mortgage loans which have been financed under the Commonwealth Mortgage Bonds Resolution since July 15, 1986) have been as set forth below. Commencing in 2008 such statistics include only the Commonwealth Bond Mortgage Loans. Such statistics on the Commonwealth Bond Mortgage Loans do not include single family mortgage loans (i) financed under the Homeownership Mortgage Bonds Resolution (see "New Issue Bond Program and Homeownership Mortgage Bonds" in the body of this Official Statement), (ii) financed through the issuance of Ginnie Mae and Fannie Mae securities sold by the Authority to third parties (see "Ginnie Mae Financing" and "Fannie Mae Financing" in the body of this Official Statement), or (iii) financed by the General Fund, including single family mortgage loans financed through the issuance of Ginnie Mae securities held in the General Fund (see "General Fund and Other Net Assets" in the body of this Official Statement). All loan balances are expressed in millions.

	Outstanding Balance of Single Family <u>Mortgage Loans</u>	Outstanding Balance of Delinquent* Single Family <u>Mortgage Loans</u>	Percentage of Single Family Mortgage Loans <u>Delinquent*</u>	Outstanding Balance of Single Family Mortgage Loans <u>in Foreclosure</u>	Percentage of Single Family Mortgage Loans <u>in Foreclosure</u>
June 1986	\$1,195.9	\$ 4.2	0.3%	\$2.2	0.2%
June 1987	1,237.4	4.4	0.4	2.5	0.2
June 1988	1,537.4	5.4	0.4	3.5	0.2
June 1989	1,801.4	8.1	0.5	3.6	0.2
June 1990	1,905.6	10.3	0.5	3.5	0.2
June 1991	1,973.3	16.5	0.8	7.1	0.4
June 1992	2,029.4	22.8	1.1	7.0	0.3
June 1993	2,015.6	23.8	1.2	7.6	0.4
June 1994	1,877.9	20.7	1.1	6.4	0.3
June 1995	2,590.1	26.3	1.0	5.3	0.2
June 1996	2,926.0	45.8	1.6	10.9	0.4
June 1997	3,212.3	71.3	2.2	12.2	0.4
June 1998	3,306.2	72.6	2.2	14.1	0.4
June 1999	3,343.5	69.3	2.1	12.2	0.4
June 2000	3,467.7	77.8	2.2	11.9	0.3
June 2001	3,691.5	67.4	1.8	10.0	0.3
June 2002	3,688.1	67.3	1.8	10.3	0.3
June 2003	2,895.0	63.3	2.2	8.9	0.3
June 2004	2,443.5	52.2	2.1	6.2	0.3
June 2005	2,606.2	44.2	1.7	5.2	0.2
June 2006	3,276.3	44.5	1.4	2.8	0.1
June 2007	4,183.8	56.6	1.4	6.6	0.2
June 2008	4,690.2	92.1	2.0	17.2	0.4
June 2009	4,862.3	223.4	4.6	22.4	0.5
June 2010	4,599.3	254.7	5.5	50.0	1.1
June 2011	4,156.9	215.2	5.2	56.2	1.4
June 2012	3,830.6	207.2	5.4	43.3	1.1
June 2013	3,651.4	183.3	5.0	56.9	1.6
September 2013	3,595.4	189.6	5.3	51.2	1.4

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

As of September 30, 2013 the Authority held title to 141 single family properties which were financed by Commonwealth Bond Mortgage Loans and had been foreclosed upon, but not yet sold. The aggregate principal balance of the mortgage loans that financed such properties was approximately \$19.7 million as of their dates of foreclosure. During the preceding 12 months, the average period of time to sell such properties was approximately 270 days.

The following seven charts show the distribution of Commonwealth Bond Mortgage Loans in different ways. All seven charts are as of September 30, 2013, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The following chart shows the distribution of the Commonwealth Bond Mortgage Loans by lien status and by program status.

<u>Type of Single Family Mortgage Loan</u>	<u>Program Status</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
<b>First Mortgage Loans</b>			
Insured Mortgage Loans	Active	\$ 2,188.1	60.9%
Self-Insured Mortgage Loans*	Suspended - April 1, 2008 <sup>1</sup>	<u>1,332.0</u>	<u>37.0</u>
Subtotal		<u>3,520.1</u>	<u>97.9</u>
<b>Second Mortgage Loans (all Self-Insured)</b>			
FHA Plus Second Mortgage Loans	Active	63.3	1.8
Homebuyer Tax Credit Plus Mortgage Loans	Suspended - September 30, 2010 <sup>2</sup>	1.3	0.0
Home Stride Second Mortgage Loans	Suspended - July 1, 2008	<u>10.8</u>	<u>0.3</u>
Subtotal		<u>75.3</u>	<u>2.1</u>
<b>Total Single Family Mortgage Loans</b>		\$ 3,595.4	100.0%

\* Includes single family mortgage loans that refinanced single family homes. Also, includes the portions of single family mortgage loans that financed costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home. Does not include Second Mortgage Loans.

The distribution of the outstanding balances of Commonwealth Bond Mortgage Loans in the above chart is further shown by year of origination in the below chart.

<u>Type of Single Family Mortgage Loan</u>	<u>Calendar Year of Origination</u>								<u>Total</u>
	<u>Through 2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Through September 30, 2013</u>	
<b>First Mortgage Loans</b>									
Insured Mortgage Loans	\$ 658.7	\$ 304.5	\$ 329.6	\$ 237.0	\$ 93.7	\$ 152.5	\$ 92.9	\$ 319.6	\$ 2,188.1
Self-Insured Mortgage Loans* <sup>1</sup>	<u>794.1</u>	<u>281.0</u>	<u>60.6</u>	<u>14.3</u>	<u>4.8</u>	<u>3.3</u>	<u>3.6</u>	<u>170.3</u>	<u>1,332.0</u>
Subtotal	<u>1,452.9</u>	<u>585.5</u>	<u>390.2</u>	<u>251.4</u>	<u>98.4</u>	<u>155.8</u>	<u>96.0</u>	<u>490.0</u>	<u>3,520.1</u>
<b>Second Mortgage Loans (all Self-Insured)</b>									
FHA Plus Second Mortgage Loans	7.5	4.1	9.8	14.4	2.4	3.9	11.0	10.1	63.3
Homebuyer Tax Credit Plus Mortgage Loans <sup>2</sup>	-	-	-	1.2	0.1	-	-	-	1.3
Home Stride Second Mortgage Loans**	<u>4.7</u>	<u>3.6</u>	<u>2.5</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.8</u>
Subtotal	<u>12.2</u>	<u>7.7</u>	<u>12.3</u>	<u>15.7</u>	<u>2.5</u>	<u>3.9</u>	<u>11.0</u>	<u>10.1</u>	<u>75.3</u>
<b>Total Single Family Mortgage Loans</b>		\$ 1,465.0	\$ 593.2	\$ 402.5	\$ 267.1	\$ 101.0	\$ 159.7	\$ 500.0	\$ 3,595.4

\* Includes single family mortgage loans that refinanced single family homes. Also, includes the portions of single family mortgage loans that financed costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home. Does not include Second Mortgage Loans.

\*\* Suspended on July 1, 2008.

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The following chart shows the distribution of Commonwealth Bond Mortgage Loans shown by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans.

<u>Type of Single Family Mortgage Loan</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
Level Payment Mortgage Loans	\$ <u>3,448.1</u>	<u>95.9%</u>
Non-Level Payment Mortgage Loans *	<u>147.4</u>	<u>4.1</u>
<b>Total Single Family Mortgage Loans</b>	<b>\$ 3,595.4</b>	<b>100.0%</b>

\* Includes both Interest Only Mortgage Loans (as defined in "Single Family Mortgage Loan Terms" in "The Single Family Programs") and single family mortgage loans that were modified to provide for a period during which interest only is payable. Excludes single family mortgage loans which were initially Non-Level Mortgage Loans but currently have substantially equal principal and interest payments for the balance of the term of the single family mortgage loan. Such single family mortgage loans are included in Level Payment Mortgage Loans. The Authority has suspended the financing of Non-Level Payment Mortgage Loans.

The following chart shows the outstanding balances of Commonwealth Bond Mortgage Loans by type of mortgage insurance.

<u>Type of Mortgage Insurance</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
Securitized by Ginnie Mae	1.3%	\$ 48.4	\$ 1.2	2.5%	\$ 0.4	0.9%
FHA	40.7	1,463.1	101.2	6.9	30.3	2.1
VA	4.6	166.2	10.4	6.3	2.5	1.5
RD	<u>4.1</u>	<u>147.6</u>	<u>9.1</u>	<u>6.2</u>	<u>1.8</u>	<u>1.2</u>
Subtotal Government Insurance	<u>50.8</u>	<u>1,825.3</u>	<u>121.9</u>	<u>6.7</u>	<u>35.0</u>	<u>1.9</u>
MGIC Mortgage Insurance Co.	3.5	127.6	4.9	3.9	1.4	1.1
Republic Mortgage Insurance Co. <sup>3</sup>	1.7	62.5	2.7	4.2	0.4	0.7
Genworth Mortgage Insurance	1.6	57.2	2.2	3.8	0.4	0.6
PMI Mortgage Insurance Co. <sup>4</sup>	1.2	44.1	1.8	4.1	0.6	1.3
AIG United Guaranty	1.1	37.8	0.8	2.1	0.0	0.1
Radian Mortgage Insurance	0.3	11.7	0.8	6.6	0.3	2.6
Triad Guaranty Insurance Corp. <sup>5</sup>	0.6	22.1	0.6	2.6	0.1	0.2
Other companies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Private Mortgage Ins.	<u>10.1</u>	<u>362.8</u>	<u>13.7</u>	<u>3.8</u>	<u>3.2</u>	<u>0.9</u>
Self-Insured <sup>1</sup>	<u>39.1</u>	<u>1,407.3</u>	<u>54.0</u>	<u>3.8</u>	<u>13.0</u>	<u>0.9</u>
<b>Total Single Family Mortgage Loans</b>	<b>100.0%</b>	<b>\$ 3,595.4</b>	<b>\$ 189.6</b>	<b>5.3%</b>	<b>\$ 51.2</b>	<b>1.4%</b>

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

Many providers of private mortgage insurance, including the providers set forth above, are experiencing financial difficulties and have had their credit ratings downgraded, placed on watch for a future downgrade, suspended or withdrawn. The Authority makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to the Authority of claims on the single family mortgage loans on which the Authority may experience losses. Pursuant to changes to the Authority's regulations, the Authority may impose minimum ratings on the issuers of private mortgage insurance policies for new single family mortgage loans; however, no assurance can be given whether the Authority will commence requiring such ratings.

The following chart shows the distribution and the delinquency and foreclosure status of Commonwealth Bond Mortgage Loans by calendar year of origination.

<u>Year of Origination</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
<u>All Loans</u>						
2006 and earlier	\$ 1,463.6	40.7%	\$ 78.6	5.4%	\$ 23.2	1.6%
2007	593.8	16.5	35.3	5.9	10.5	1.8
2008	402.9	11.2	35.8	8.9	9.6	2.4
2009	267.4	7.4	25.0	9.4	6.0	2.2
2010	101.0	2.8	4.8	4.7	0.2	0.2
2011	159.7	4.4	7.4	4.6	1.4	0.9
2012	107.0	3.0	1.8	1.7	0.3	0.3
2013 to September 30	<u>500.0</u>	<u>13.9</u>	<u>1.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>
Total	\$ 3,595.4	100.0%	\$ 189.6	5.3%	\$ 51.2	1.4%

Self-Insured<sup>1</sup> Only

2006 and earlier	\$ 804.8	57.2%	\$ 35.3	4.4%	\$ 9.3	1.2%
2007	289.4	20.6	12.5	4.3	3.0	1.0
2008	73.3	5.2	3.6	4.8	0.7	0.9
2009	30.4	2.2	2.0	6.7	0.0	0.0
2010	7.3	0.5	0.2	2.7	0.0	0.0
2011	7.2	0.5	0.3	3.9	0.0	0.0
2012	14.5	1.0	0.2	1.3	0.0	0.0
2013 to September 30	<u>180.4</u>	<u>12.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$ 1,407.5	100.0%	\$ 54.0	3.8%	\$ 13.0	0.9%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

The following chart shows the distribution of outstanding balances of Commonwealth Bond Mortgage Loans by credit score and by type of mortgage insurer or guarantor.

<u>Credit Score as of July 1, 2013*</u>	<u>Outstanding Balance of FHA Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of VA Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of RD Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of PMI Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of Self Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of All Single Family Mortgage Loans</u>
300 through 539	\$ 214.2	\$ 16.4	\$ 17.6	\$ 18.5	\$ 64.7	\$ 331.4
540 through 579	129.6	14.4	12.0	16.1	52.6	224.7
580 through 619	144.3	12.6	11.7	16.8	66.9	252.2
620 through 659	228.7	20.7	21.7	27.6	117.2	416.1
660 through 699	233.0	24.3	24.2	43.7	165.3	490.5
700 through 739	184.3	21.1	19.5	51.6	222.7	499.1
740 through 779	189.9	25.0	24.2	83.5	309.5	632.0
780 through 850	130.1	27.9	19.4	95.8	390.9	664.2
Not available**	<u>50.2</u>	<u>3.8</u>	<u>4.5</u>	<u>9.3</u>	<u>17.6</u>	<u>85.4</u>
Total	\$1,504.3	\$166.2	\$154.8	\$362.8	\$1,407.3	\$3,595.4

\* Or credit score at origination for loans originated after this date.

\*\* Current credit score not available.

The following chart shows, for each Metropolitan Statistical Area (“MSA”) of the Commonwealth, the outstanding balances and delinquency and foreclosure status of Commonwealth Bond Mortgage Loans.

Metropolitan Statistical Area	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
Big Stone Gap	\$ 14.0	\$ 0.6	4.6%	\$ 0.3	2.0%
Blacksburg					
Christiansburg-Radford	24.8	0.5	1.9	0.3	1.1
Bluefield	6.2	0.2	3.5	0.1	1.7
Charlottesville	63.7	1.4	2.2	0.5	0.8
Danville	44.5	2.7	6.1	0.6	1.4
Harrisonburg	60.6	3.1	5.2	1.2	2.1
Kingsport-Bristol-Bristol	6.5	0.7	10.4	0.1	1.2
Lynchburg	102.4	5.4	5.3	1.3	1.3
Martinsville	29.5	1.4	4.7	0.1	0.5
Richmond	895.9	54.2	6.0	17.5	2.0
Roanoke	127.8	7.8	6.1	1.7	1.3
Staunton-Waynesboro	77.7	5.1	6.5	1.2	1.6
Virginia Beach-Norfolk- Newport News	1,163.5	62.0	5.3	15.7	1.3
Washington-Arlington- Alexandria	809.0	33.0	4.1	8.7	1.1
Winchester	19.2	0.7	3.5	0.2	0.9
Balance of State	<u>150.2</u>	<u>10.8</u>	<u>7.2</u>	<u>1.6</u>	<u>1.1</u>
Total	\$ 3,595.4	\$ 189.6	5.3%	\$ 51.2	1.4%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

#### **Data on Homeownership Bond Mortgage Loans**

The outstanding balance, delinquency and foreclosure statistics for Homeownership Bond Mortgage Loans have been as set forth below. Such statistics on the Homeownership Bond Mortgage Loans do not include single family mortgage loans (i) financed under the Commonwealth Mortgage Bonds Resolution, (ii) financed through the issuance of Ginnie Mae and Fannie Mae securities sold by the Authority to third parties (see “Ginnie Mae Financing” and “Fannie Mae Financing” in the body of this Official Statement), or (iii) financed by the General Fund, including single family mortgage loans financed through the issuance of Ginnie Mae securities held in the General Fund (see “General Fund and Other Net Assets” in the body of this Official Statement). All loans balances are expressed in millions.

	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
June 2010	\$236.7	\$0.3	0.1%	\$0.0	0.0%
June 2011	517.4	7.9	1.5	1.0	0.2
June 2012	716.6	21.5	3.0	3.4	0.5
June 2013	467.6	33.0	7.0	7.5	1.6
September 2013	455.9	32.0	7.0	7.9	1.7

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

As of September 30, 2013, the Authority held title to three single family properties which were financed by a Homeownership Bond Mortgage Loan and were foreclosed upon, but not yet sold. The outstanding balance on those mortgage loans was \$429,302.

The following seven charts show the distribution of Homeownership Bond Mortgage Loans in different ways. All seven charts are as of September 30, 2013, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The Authority has not financed any Home Stride Second Mortgage Loans, Step Rate Mortgage Loans, or Interest Only Mortgage Loans under the Homeownership Mortgage Bonds Resolution due to the suspension by the Authority of the financing of such loans as described above; therefore, such loans are not included in any of the charts below for the Homeownership Bond Mortgage Loans. None of the Homeownership Bond Mortgage Loans refinance single family homes or finance costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home.

The following chart shows the distribution of the Homeownership Bond Mortgage Loans by lien status and by program status.

<u>Type of Single Family Mortgage Loan</u>	<u>Program Status</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
<b>First Mortgage Loans</b>			
Insured Mortgage Loans	Active	\$397.0	87.1%
Self-Insured Mortgage Loans*	Suspended – April 1, 2008 <sup>1</sup>	<u>37.8</u>	<u>8.3</u>
Subtotal		<u>434.8</u>	<u>95.4</u>
<b>Second Mortgage Loans (all Self-Insured)</b>			
FHA Plus Second Mortgage Loans	Active	20.0	4.4
Homebuyer Tax Credit Plus Mortgage Loans	Suspended – September 30, 2010 <sup>2</sup>	<u>1.0</u>	<u>0.2</u>
Subtotal		<u>21.0</u>	<u>4.6</u>
<b>Total Single Family Mortgage Loans</b>		\$455.9	100.0%

\* Does not include Second Mortgage Loans.

The distribution of the outstanding balances of Homeownership Bond Mortgage Loans in the above chart is further shown by year of origination in the below chart.

<u>Type of Single Family Mortgage Loan</u>	<u>Calendar Year of Origination</u>					
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>	
<b>First Mortgage Loans</b>						
Insured Mortgage Loans	\$3.2	\$214.7	\$113.9	\$65.3	\$397.0	
Self-Insured Mortgage Loans* <sup>1</sup>	<u>0.1</u>	<u>11.8</u>	<u>10.1</u>	<u>15.8</u>	<u>37.8</u>	
Subtotal	3.3	226.0	124.0	81.0	434.8	
<b>Second Mortgage Loans (all Self-Insured)</b>						
FHA Plus Second Mortgage Loans	0.2	10.9	5.7	3.3	20.0	
Homebuyer Tax Credit Plus Mortgage Loans <sup>2</sup>	<u>0.0</u>	<u>1.0</u>	-	-	<u>1.0</u>	
Subtotal	<u>0.2</u>	<u>11.9</u>	<u>5.7</u>	<u>3.3</u>	<u>21.0</u>	
<b>Total Single Family Mortgage Loans</b>		\$3.5	\$238.3	\$129.7	\$84.4	\$455.9

\* Does not include Second Mortgage Loans.

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The following chart shows the distribution of Homeownership Bond Mortgage Loans by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans.

<u>Type of Single Family Mortgage Loan</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
Level Payment Mortgage Loans	<u>\$455.9</u>	<u>100%</u>
Non-Level Payment Mortgage Loans	<u>0</u>	<u>0</u>
Total Single Family Mortgage Loans	\$455.9	100.0%

The following chart shows the distribution of Homeownership Bond Mortgage Loans by types of mortgage insurance.

<u>Type of Mortgage Insurance</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
Securitized by Ginnie Mae	0.0%	\$0.0	\$0.0	0.0%	\$0.0	0.0%
FHA	77.5	353.4	29.1	8.2	7.6	2.1
VA	1.7	7.8	0.6	7.4	0.0	0.0
RD	<u>3.4</u>	<u>15.7</u>	<u>0.9</u>	<u>5.5</u>	<u>0.3</u>	<u>2.1</u>
Subtotal Government Insurance	<u>82.7</u>	<u>376.8</u>	<u>30.5</u>	<u>8.1</u>	<u>7.9</u>	<u>2.1</u>
MGIC Mortgage Insurance Co.	1.7	7.8	0.0	0.0	0.0	0.0
Republic Mortgage Insurance Co. <sup>3</sup>	0.0	0.1	0.0	0.0	0.0	0.0
Genworth Mortgage Insurance	0.2	0.8	0.0	0.0	0.0	0.0
PMI Mortgage Insurance Co. <sup>4</sup>	0.0	0.1	0.0	0.0	0.0	0.0
AIG United Guaranty	1.5	6.9	0.0	0.0	0.0	0.0
Radian Mortgage Insurance	1.0	4.4	0.0	0.0	0.0	0.0
Other companies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Private Mortgage Ins.	<u>4.4</u>	<u>20.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Self-Insured <sup>1</sup>	<u>12.9</u>	<u>58.8</u>	<u>1.5</u>	<u>2.6</u>	<u>0.1</u>	<u>0.1</u>
Total Mortgage Loans	100.0%	\$455.9	\$32.0	7.0%	\$7.9	1.7%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

Many providers of private mortgage insurance, including the providers set forth above, are experiencing financial difficulties and have had their credit ratings downgraded or placed on watch for a future downgrade. The Authority makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to the Authority of claims on the mortgage loans on which the Authority may experience losses. Pursuant to changes to the Authority's regulations, the Authority may impose minimum ratings on the issuers of private mortgage insurance policies; however, no assurance can be given whether the Authority will commence requiring such ratings.

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The following chart shows the distribution and the delinquency and foreclosure status of Homeownership Bond Mortgage Loans by calendar year of origination.

<u>Year of Origination</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
<u>All Loans</u>						
2009	\$3.5	0.8%	\$0.5	13.9%	\$0.3	9.4%
2010	238.3	52.3	17.9	7.5	5.2	2.2
2011	129.7	28.4	11.1	8.5	2.2	1.7
2012	<u>84.4</u>	<u>18.5</u>	<u>2.6</u>	<u>3.0</u>	<u>0.2</u>	<u>0.3</u>
Total	\$455.9	100.0%	\$32.0	7.0%	\$7.9	1.7%

Self-Insured<sup>1</sup> Only

2009	\$0.3	0.5%	\$0.0	5.6%	\$0.0	0.0%
2010	23.6	40.2	1.0	4.1	0.0	0.0
2011	15.8	26.9	0.5	2.9	0.1	0.4
2012	19.1	32.5	0.1	0.4	0.0	0.0
Total	\$58.8	100.0%	\$1.5	2.6%	\$0.1	0.1%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

The following chart shows the distribution of outstanding balances of Homeownership Bond Mortgage Loans by credit score and mortgage insurer or guarantor.

<u>Credit Score as of July 1, 2013*</u>	<u>Outstanding Balance of FHA Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of VA Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of RD Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of PMI Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of Self Insured Single Family Mortgage Loans</u>	<u>Outstanding Balance of All Single Family Mortgage Loans</u>
300 through 539	\$ 64.1	\$ 1.1	\$ 1.4	\$ 0.0	\$ 3.9	\$ 70.5
540 through 579	26.5	0.4	1.1	0.2	3.2	31.4
580 through 619	28.6	0.4	0.9	0.1	3.4	33.3
620 through 659	42.9	0.8	2.1	1.1	5.9	52.9
660 through 699	59.8	1.0	3.4	2.1	9.1	75.4
700 through 739	56.9	1.1	2.4	4.3	11.5	76.3
740 through 779	47.0	1.7	2.4	5.9	11.9	69.0
780 through 850	26.8	1.2	1.9	6.4	9.6	45.9
Not available**	<u>0.8</u>	-	-	<u>0.2</u>	<u>0.3</u>	<u>1.3</u>
Total	\$353.4	\$7.8	\$15.7	\$20.2	\$58.8	\$455.9

\* Or credit score at origination for loans originated after this date.

\*\* Current credit score not available.

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The following chart shows, for each Metropolitan Statistical Area (“MSA”) of the Commonwealth, the outstanding balances and delinquency and foreclosure status of Homeownership Bond Mortgage Loans.

Metropolitan Statistical Area	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
Big Stone Gap	\$ 1.0	\$ 0.2	16.8%	\$ 0.0	0.0%
Blacksburg					
Christiansburg-Radford	2.8	0.1	2.8	0.0	0.0
Bluefield	0.5	0.0	0.0	0.0	0.0
Charlottesville	5.6	0.2	4.4	0.0	0.0
Danville	3.2	0.0	0.0	0.0	0.0
Harrisonburg	4.7	0.0	0.3	0.0	0.0
Kingsport-Bristol-Bristol	1.7	0.0	0.0	0.0	0.0
Lynchburg	7.8	0.5	5.8	0.1	0.8
Martinsville	0.9	0.1	15.4	0.0	0.0
Richmond	113.3	8.6	7.6	1.8	1.6
Roanoke	17.7	1.9	11.0	0.2	1.1
Staunton-Waynesboro	5.6	0.2	4.2	0.4	6.8
Virginia Beach-Norfolk-Newport News	150.3	12.8	8.5	4.3	2.8
Washington-Arlington-Alexandria	125.6	6.4	5.1	1.0	0.8
Winchester	2.0	0.2	8.0	0.0	0.0
Balance of State	<u>13.1</u>	<u>0.7</u>	<u>5.4</u>	<u>0.3</u>	<u>2.3</u>
Total	\$ 455.9	\$ 32.0	7.0%	\$ 7.9	1.7%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

**Data on Securitized Single Family Mortgage Loans Sold to Investors or held in the Authority’s General Fund**

The outstanding balance, delinquency and foreclosure statistics for securitized single family mortgage loans sold to investors or held in the General Fund have been as set forth below. All loan balances are expressed in millions. For additional information, see “Ginnie Mae Financing” and “Fannie Mae Financing” in “The Single Family Programs.”

	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
June 2010	\$171.2	\$ 4.4	2.6%	\$ 0.2	0.1%
June 2011	245.0	9.7	4.0	2.2	0.9
June 2012	270.5	12.9	4.8	2.1	0.8
June 2013	792.2	15.5	2.0	3.3	0.4
September 2013	875.9	22.6	2.6	3.1	0.3

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

The following seven charts show the distribution of securitized single family mortgage loans sold to investors or held in the General Fund in different ways. All seven charts are as of September 30, 2013, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The following chart shows the distribution of the securitized single family mortgage loans sold to investors or held in the General Fund by lien status and by program status.

<u>Type of Single Family Mortgage Loan</u>	<u>Program Status</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
<b>First Mortgage Loans</b>			
Insured Mortgage Loans	Active	\$798.6	91.2%
Self-Insured Mortgage Loans*	Suspended – April 1, 2008 <sup>1</sup>	<u>77.3</u>	<u>8.8</u>
Subtotal		<u>875.9</u>	<u>100.0</u>
<b>Second Mortgage Loans (all Self-Insured)</b>			
FHA Plus Second Mortgage Loans	Active	0.0	0.0
Homebuyer Tax Credit Plus Mortgage Loans	Suspended – September 30, 2010 <sup>2</sup>	0.0	0.0
Home Stride Second Mortgage Loans	Suspended – July 1, 2008	<u>0.0</u>	<u>0.0</u>
Subtotal		<u>0.0</u>	<u>0.0</u>
<b>Total Single Family Mortgage Loans</b>		<b>\$875.9</b>	<b>100.0%</b>

\* Includes single family mortgage loans that refinanced single family homes. Also, includes the portions of single family mortgage loans that financed costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home. Does not include Second Mortgage Loans.

The distribution of the outstanding balances of securitized single family mortgage loans sold to investors or held in the Authority's General Fund in the above chart is further shown by year of origination in the below chart.

<u>Type of Single Family Mortgage Loan</u>	<u>Through</u>							<u>Through</u>	<u>Total</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>September 30, 2013</u>	
<b>First Mortgage Loans</b>									
Insured Mortgage Loans	\$25.3	\$ -	\$7.0	\$147.6	\$103.4	\$ 42.4	\$348.1	\$124.7	\$798.6
Self-Insured Mortgage Loans* <sup>1</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29.0</u>	<u>48.2</u>	<u>77.3</u>
<b>Total Single Family Mortgage Loans</b>	<b>\$25.3</b>	<b>\$ -</b>	<b>\$7.0</b>	<b>\$147.6</b>	<b>\$103.4</b>	<b>42.4</b>	<b>\$377.2</b>	<b>\$172.9</b>	<b>\$875.9</b>

\* Includes single family mortgage loans that refinanced single family homes. Also, includes the portions of single family mortgage loans that financed costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home. Does not include Second Mortgage Loans.

The following chart shows the distribution of securitized single family mortgage loans sold to investors or held in the General Fund and broken down by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans.

<u>Type of Single Family Mortgage Loan</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage</u>
Level Payment Mortgage Loans	\$875.9	100.0%
Non-Level Payment Mortgage Loans	<u>0.0</u>	<u>0.0</u>
<b>Total Single Family Mortgage Loans</b>	<b>\$875.9</b>	<b>100.0%</b>

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The following chart shows the distribution of securitized single family mortgage loans sold to investors or held in the General Fund by types of mortgage insurance.

<u>Type of Mortgage Insurance</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
FHA	\$733.6	83.8%	\$21.8	3.0%	\$2.9	0.4%
VA	25.9	3.0	0.0	0.0	0.2	0.8
RD	<u>39.1</u>	<u>4.5</u>	<u>0.8</u>	<u>1.9</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Government Insurance	<u>798.6</u>	<u>91.2%</u>	<u>22.6</u>	<u>0.0</u>	<u>3.1</u>	<u>0.4%</u>
Self-Insured <sup>1</sup>	<u>77.3</u>	<u>8.8%</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Total Mortgage Loans	\$875.9	100.0%	\$22.6	2.6%	\$3.1	0.3%

The following chart shows the distribution and the delinquency and foreclosure status of securitized single family mortgage loans sold to investors or held in the General Fund by calendar year of origination.

<u>Year of Origination</u>	<u>Outstanding Balance of Single Family Mortgage Loans</u>	<u>Percentage of Outstanding Balance</u>	<u>Outstanding Balance of Delinquent* Single Family Mortgage Loans</u>	<u>Percentage of Single Family Mortgage Loans Delinquent*</u>	<u>Outstanding Balance of Single Family Mortgage Loans in Foreclosure</u>	<u>Percentage of Single Family Mortgage Loans in Foreclosure</u>
<u>All Loans</u>						
2006 and earlier	\$25.3	2.9%	\$0.9	3.6%	\$0.2	0.8%
2007	0.0	0.0	0.0	0.0	0.0	0.0
2008	7.0	0.8	0.3	5.0	0.0	0.0
2009	147.6	16.9	7.8	5.3	1.7	1.2
2010	103.4	11.8	3.5	3.4	0.4	0.4
2011	42.4	4.8	0.5	1.2	0.0	0.0
2012	377.2	43.1	9.4	2.5	0.7	0.2
2013 to September 30	<u>172.9</u>	<u>19.7</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>
Total	\$875.9	100.0%	\$22.6	2.6%	\$3.1	0.3%
<u>Self-Insured<sup>1</sup> Only</u>						
2012	\$29.0	37.6%	\$0.0	0.0%	\$0.0	0.0%
2013 to September 30	<u>48.2</u>	<u>62.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$77.3	100.0%	\$0.0	0.0%	\$0.0	0.0%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

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The following chart shows the distribution of outstanding balances of securitized single family mortgage loans sold to investors or held in the General Fund by credit score and mortgage insurer or guarantor.

Credit Score as of July 1, 2013*	Outstanding Balance of FHA Insured Single Family Mortgage Loans	Outstanding Balance of VA Insured Single Family Mortgage Loans	Outstanding Balance of RD Insured Single Family Mortgage Loans	Outstanding Balance of Self Insured Single Family Mortgage Loans	Outstanding Balance of All Single Family Mortgage Loans
300 through 539	\$ 52.5	\$1.0	\$2.7	\$ 0.0	\$ 56.2
540 through 579	33.6	0.5	0.8	0.0	34.9
580 through 619	55.0	1.9	2.9	0.1	59.9
620 through 659	113.0	3.9	7.6	2.5	127.0
660 through 699	146.7	5.8	7.4	10.8	170.6
700 through 739	124.8	3.6	6.6	14.3	149.4
740 through 779	111.4	3.9	5.7	24.1	145.1
780 through 850	60.4	2.5	5.4	10.6	79.0
Not available**	<u>36.2</u>	<u>2.6</u>	<u>0.0</u>	<u>14.9</u>	<u>53.7</u>
Total	\$733.6	\$25.9	\$39.1	\$77.3	\$875.9

\* Or credit score at origination for loans originated after this date.

\*\* Current credit score not available.

The following chart shows, for each Metropolitan Statistical Area (“MSA”) of the Commonwealth, the outstanding balances and delinquency and foreclosure status of securitized single family mortgage loans sold to investors or held in the General Fund.

Metropolitan Statistical Area	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
Big Stone Gap	\$ 2.2	\$ 0.0	0.0%	\$0.0	0.0%
Blacksburg					
Christiansburg-Radford	2.8	0.0	0.0	0.0	0.0
Bluefield	0.6	0.1	19.3	0.0	0.0
Charlottesville	7.1	0.0	0.0	0.1	0.0
Danville	3.9	0.1	2.2	0.0	1.1
Harrisonburg	8.5	0.4	5.1	0.2	0.0
Kingsport-Bristol-Bristol	1.5	0.0	0.0	0.0	0.0
Lynchburg	11.5	0.6	5.2	0.0	0.0
Martinsville	2.4	0.0	2.0	0.0	0.0
Richmond	247.2	5.9	2.4	1.3	0.5
Roanoke	30.1	0.9	3.0	0.1	0.3
Staunton-Waynesboro	11.0	0.5	4.8	0.0	0.0
Virginia Beach-Norfolk- Newport News	305.3	7.7	2.5	1.0	0.3
Washington-Arlington- Alexandria	215.2	4.8	2.2	0.5	0.2
Winchester	1.7	0.0	0.0	0.0	0.0
Balance of State	<u>24.8</u>	<u>1.5</u>	<u>6.0</u>	<u>0.1</u>	<u>0.5</u>
Total	\$875.9	\$22.6	2.6%	\$3.1	0.3%

\* Two or more monthly payments delinquent (excluding loans in foreclosure).

## ENDNOTES

- 1 The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80% and Fannie Mae Mortgage Loans. In addition, from July 1, 2013 to September 30, 2013, the Authority offered the mortgagors of Interest Only Mortgage Loans new Self-Insured Mortgage Loans that refinanced the principal balance of their Interest Only Mortgage Loans regardless of the loan to value ratio. See "Single Family Mortgage Loan Terms" in "The Single Family Programs" for a description of the terms and conditions of such program.
- 2 The Authority suspended originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.
- 3 Republic Mortgage Insurance Company ("RMIC") informed all policyholders and beneficiaries that, on January 19, 2012, the North Carolina Department of Insurance issued an Order of Supervision (the "NCDOI Order") providing for its immediate administrative supervision of RMIC. The primary impact on policyholders and their beneficiaries was the NCDOI Order's requirement that RMIC was not permitted to pay more than fifty percent (the "Payment Percentage") of any claims allowed under any policy of insurance it has issued. The remaining fifty percent (the "Deferral Percentage") was to be deferred and credited to a temporary surplus account on the books of RMIC during an initial period not to exceed one year. Accordingly, all claim payments made on January 19, 2012 and thereafter were therefore to be made at the rate of fifty percent. On November 28, 2012, an order of a hearing officer of the North Carolina Department of Insurance was issued extending such one year period and, retroactively to January 19, 2012, changing the Payment Percentage to 60% and the Deferral Percentage to 40%.
- 4 PMI Mortgage Insurance Co. ("PMI Co.") has informed all policyholders, insureds, and servicers of mortgage loans insured by PMI Co. that the Arizona Department of Insurance obtained an "Order Directing Full and Exclusive Possession and Control of Insurer" (the "Interim Order") dated October 20, 2011 with respect to PMI Co. Under the Interim Order, the Arizona Department of Insurance took full possession, management and control of PMI Co. Pursuant to the Interim Order, the Director of the Arizona Department of Insurance instituted a partial claim payment plan, pursuant to which claim payments were to be made at 55% (the "Cash Percentage"), with the remaining amount deferred as a policyholder claim. On November 23, 2011, The PMI Group Inc., parent of PMI Co., filed a Chapter 11 bankruptcy petition. PMI Co. has not commenced bankruptcy proceedings. On March 14, 2012, the Arizona Superior Court, Maricopa County, entered an Order for Appointment of a Receiver and Injunction, as requested by the Arizona Department of Insurance, appointing the Arizona Director of Insurance as receiver. This order placed PMI Co. into receivership and granted the receiver the sole discretion whether or not to continue, terminate or modify the aforementioned partial claim payment plan.
- 5 Effective June 1, 2009, the Illinois Division of Insurance (the "Department") directed Triad Guaranty Insurance Corporation, In Rehabilitation ("Triad"), to pay and satisfy each claim (the "Full Settlement Payment") as follows: (i) a cash payment equal to 60% of the Full Settlement Payment, and (ii) a deferred payment obligation (the "DPO") equal to 40% of the Full Settlement Payment. On December 11, 2012, the Circuit Court of Cook County, Illinois appointed a rehabilitator for Triad and such rehabilitator petitioned the court for approval of its plan of rehabilitation. A hearing regarding the plan was scheduled for September 24, 2013. Under the plan, to the extent moneys are available, the cash payment amount would be increased to 75% of the Full Settlement Payment. Prior claims which were paid rates lower than 75% of the Full Settlement Payment would receive an additional amount so that their claims payment amount would also equal 75% of the Full Settlement Payment.

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**ADDITIONAL INFORMATION CONCERNING SINGLE FAMILY MORTGAGE INSURANCE POLICIES****Federal Housing Administration Mortgage Insurance**

The United States Department of Housing and Urban Development administers the FHA mortgage insurance programs. In order to receive payment of insurance benefits (other than certain partial claim payments) a mortgagee must normally acquire title to the property, either through foreclosure or conveyance, and convey such title to FHA. Generally, the mortgagee must obtain a deed in lieu of foreclosure or commence foreclosure proceedings within six months after a mortgagor's default, subject to extension if the mortgagee pursued certain loss mitigation actions referred to below. Upon recordation of the deed conveying the property to FHA, the mortgagee notifies FHA of the filing and assigns, without recourse or warranty, all claims which it has acquired in connection with the mortgage. A mortgagee may also receive payment of insurance benefits in certain circumstances not involving conveyance of the property to FHA, such as if a pre-foreclosure sale to a third party at a required minimum price is arranged in accordance with FHA regulations and procedures.

Under some FHA programs, FHA has the option at its discretion to pay insurance claims in cash or in debentures, while under others FHA will pay insurance claims in cash unless the mortgagee requests payment in debentures. The current FHA 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. FHA debentures issued in satisfaction of FHA insurance claims bear interest at the debenture interest rate in effect under FHA regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance to FHA, the insurance payment is computed as of the institution of the foreclosure proceeding (or acquisition of possession otherwise), which will occur no earlier than 60 days after the due date of a mortgage payment, and the mortgagee generally is not compensated for mortgage interest accrued and unpaid prior to that date. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan, adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed a specified percentage of the mortgagee's foreclosure costs or costs of acquiring the property (such percentage, which under current FHA policy is periodically determined based upon a mortgagee's loss mitigation performance, currently is two-thirds in the case of the Authority). Unless the mortgagee has not observed certain FHA regulations, an insurance payment to be made in cash itself bears interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property to be conveyed to FHA has been damaged by fire, earthquake, flood or tornado, or the property has suffered damage because of the mortgagee's failure to take required action, it is required that such property be repaired prior to such conveyance.

FHA requires that, absent the consent of the mortgagor, at least three full monthly installments be due and unpaid before the mortgagee may initiate any action leading to foreclosure of the mortgage. FHA also requires a reasonable effort to arrange a face-to-face conference with the mortgagor and requires that the mortgagee consider, and undertake where appropriate, specified loss mitigation actions to avoid foreclosure, including loan modifications in some circumstances (see "Loan Modifications" in "The Single Family Programs").

**Veterans Administration Mortgage Guaranty**

The Veterans Administration 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 and requires no down payment from the purchaser.

The maximum VA guaranty on a loan is the lesser of (i) the veteran's available entitlement (a maximum of \$36,000, or if the original loan amount exceeds \$144,000, the "maximum guarantee amount" described below) or (ii) (1) 50% of the original loan amount if such amount does not exceed \$45,000, (2) \$22,500 if the original loan amount is between \$45,000 and \$56,250, (3) the lesser of \$36,000 or 40% of the original loan amount if such amount is between \$56,250 and \$144,000 or (4) the lesser of the "maximum guarantee amount" described below or 25% of the original loan amount if such amount is in excess of \$144,000. Such "maximum guaranty amount" generally is the dollar amount that is equal to 25 percent of the Freddie Mac conforming loan limit for a single family residence. (Pursuant to the Housing and Economic Recovery Act of 2008, the Veterans Benefit Improvement Act of 2008 and the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, the "maximum guaranty amount" for loans originated from July 30, 2008 through December 31, 2011 and from August 6, 2012 through December 31, 2014 is 25% of the greater of: (a) the Freddie Mac conforming loan limit, and (b) 125% of the area median price for a single family residence, but in no case to exceed 175% of the Freddie Mac conforming loan limit.) 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 a 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 30 days overdue, and the VA requires that the mortgagee consider, and undertake where appropriate, specified loss mitigation actions to avoid foreclosure, including loan modifications in some circumstances (see “Loan Modifications” in “The Single Family Programs”).

Under the single family programs, a VA mortgage loan would be guaranteed in any amount which, together with the down payment by the mortgagor, will at least equal 25% of the lesser of the sales price or the appraised value of the single-family dwelling.

### **Rural Development Mortgage Guarantee**

Rural Development (formerly known as the Farmers Home Administration and later as the Rural Economic and Community Development Service) permits a low or moderate income purchaser of a home in designated rural areas to obtain a mortgage loan guarantee from Rural Development. To qualify as a low or moderate income purchaser, a purchaser's income must not exceed the median income for the area in which the home is located. Loans may not exceed FHA 203(b)(2) loan limits. No down payment is required from the purchaser.

Under the Rural Development Guarantee Program, the mortgagee is entitled to payment of the guarantee only after (i) the property has been sold at foreclosure or otherwise sold to a third party in conformity with Rural Development requirements or (ii) six months have elapsed from the date the mortgagee acquired title to the property. Rural Development guarantees the first 35% of loss and 85% of any additional loss, not to exceed 90% of the loan amount. Loss is defined as (i) the outstanding principal balance and accrued interest of the mortgage loan as of the date of the loss claim settlement, plus reasonable liquidation costs, minus (ii) net proceeds, which are calculated based upon (A) a property's actual sale price, when the claim is made following sale to a third party, and (B) estimated market value, reduced by a credit for estimated holding costs, when no sale has been made within six months from the date the mortgagee acquired title to the property. A mortgagee seeking loss claim payment following sale of a property at foreclosure may be required to first pursue enforcement of any deficiency judgment obtained if there is a reasonable prospect of present recovery. A mortgagee that receives a loss claim payment based upon the estimated value of a property not sold within six months following acquisition may be required to pay Rural Development a proportionate share of future recovery if the property is later sold for more than the estimated value. Rural Development requires that, in the absence of the consent of the mortgagor, payment of the mortgage loan must be at least 90 days delinquent before the mortgagee may initiate foreclosure proceedings. The mortgagee must obtain prior Rural Development approval for any liquidation of the property other than by foreclosure or accepting a deed in lieu of foreclosure. Rural Development also requires that the mortgagee make a reasonable attempt to arrange an interview with the mortgagor before payment on the mortgage loan becomes 60 days delinquent, and requires that the mortgagee consider, and undertake where appropriate, specified loss mitigation actions to avoid foreclosure, including loan modifications in some circumstances with prior Rural Development approval (see “Loan Modifications” in “The Single Family Programs”). Rural Development does not accept assignment of property subject to its guarantee.

### **Private Mortgage Insurance**

Each private mortgage insurance policy with respect to a mortgage loan must contain provisions substantially as follows: (a) the mortgage insurer must pay a claim, including unpaid principal, accrued interest, the amounts equal to deferred interest in connection with mortgage loans with graduated payments schedules, if any, and expenses, within sixty days of presentation of the claim by the Authority; (b) when a claim for the outstanding principal amount, accrued interest and expenses is presented, the mortgage insurer must either (i) pay such claim in full and take title to the mortgaged property and arrange for its sale or (ii) pay the insured percentage of such claim and allow the Authority to retain title to the mortgaged property or (iii) settle a claim for actual losses where such losses are less than the insured percentage of the claim. (See “Single Family Mortgage Loan Insurance” in “The Single Family Programs” for a discussion of federal legislation affecting private mortgage insurance).

**CERTAIN FEDERAL INCOME TAX MATTERS RELATING TO SINGLE FAMILY MORTGAGE LOAN PROGRAMS**

The Code substantially restricts the use of proceeds of tax exempt bonds used to finance mortgage loans for single family housing or to refund such bonds. Under the Code, interest on bonds the proceeds of which are used to provide mortgage loans on owner-occupied housing is not excluded from gross income for federal income tax purposes unless the bonds are part of a “qualified mortgage issue.” An issue of bonds constitutes a “qualified mortgage issue” if all of the following requirements are met: (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve) are to be used to finance owner-occupied residences, (ii) the mortgage loans financed with the issue and the mortgagors meet certain eligibility requirements, (iii) the yield that is earned by the issuer of the bonds from such mortgage loans and from certain non-mortgage investments that are allocable to the issue, including investments that are held as part of a debt service reserve fund, does not exceed specified limitations and (iv) certain other requirements are met relating to the issue itself and the availability of proceeds of the issue for financing housing located in federally designated targeted areas (“Targeted Areas”). These requirements are more fully described below. The Authority has issued and is issuing Tax Exempt Bonds and expects to issue additional Tax Exempt Bonds which are or will be subject to these requirements (“Qualified Mortgage Bonds”). Interest on Taxable Bonds is includable in gross income for federal income tax purposes; therefore, Taxable Bonds are not subject to these requirements. However, some of the single family mortgage loans financed or to be financed by Taxable Bonds have been or are expected to be financed, in part, by certain Qualified Mortgage Bonds which are Tax Exempt Bonds as defined and used in the text of this Official Statement.

**The following requirements apply to single family mortgage loans financed, in whole or in part, with the proceeds of Qualified Mortgage Bonds.**

**Residence Requirements**

As required by the Code, all residences financed with Qualified Mortgage Bonds must be single family residences located within the Commonwealth, and both the Authority and the mortgagor must reasonably expect that the residence will become the mortgagor’s principal residence within a reasonable time after the single family mortgage loan is executed or assumed. These requirements can normally be met by having each mortgagor execute an affidavit stating that the residence is within the Commonwealth and that the mortgagor intends to make the residence his principal residence within such reasonable time period, normally sixty days. The Authority has covenanted to require such an affidavit.

**Absence of Prior Home Ownership**

Except in the case of (i) a mortgagor acquiring a residence in a “targeted area” (as defined below), certain Presidentially-declared disaster areas or with respect to the refinancing of a “qualified subprime loan” as defined below or (ii) a mortgagor who is a qualified veteran the Code requires that 95% of net proceeds of the Qualified Mortgage Bond issue must be loaned to mortgagors who have had no present ownership interest in a principal residence within the three years preceding the date on which the single family mortgage loan is executed. The Code permits the Authority to rely on an affidavit of a mortgagor to the effect that such requirement has been satisfied and an examination of federal income tax returns for three years evidencing compliance with such requirement. In lieu of such tax returns, a mortgagor may provide a letter from the Internal Revenue Service to the effect that he or she filed Forms 1040A or 1040EZ for such three year period. The Authority has covenanted that it will procure and diligently examine each such affidavit and accompanying tax returns, when required.

**Purchase Price Limitations**

The Code requires that the purchase price of each residence being financed with the proceeds of Qualified Mortgage Bonds not exceed 90% (110% in the case of Targeted Areas or Presidentially-declared disaster areas) of the applicable average area purchase price. The Authority has adopted purchase price limitations which are not in excess of 90% (110% in the case of Targeted Areas or Presidentially-declared disaster areas) of the current “safe harbor average area purchase prices” published by the U.S. Treasury which may be relied upon for purposes of compliance with the Code. The Authority may adopt different purchase price limitations in the future in accordance with the Code.

**Income Requirements**

The Code requires that all of the single family mortgage loans made with the proceeds of certain Qualified Mortgage Bonds be provided to borrowers whose annual gross income does not exceed 115% (100% for households of fewer than three persons) of the applicable median family income. An exception is provided for loans made with respect to “targeted area” residences for which two-thirds; and Presidentially-declared disaster areas for which all of such loans to be made with respect to borrowers whose annual gross income does not exceed 140% (120% for households of fewer than three persons) of applicable median family income and, with respect to Targeted Areas, one-third of such loans to be made without regard to any income limitation. The Authority has covenanted to verify compliance with these requirements by requiring each borrower to certify as to the amount of his or her annual gross income.

## **Targeted Areas**

In order to comply with the Code, the Authority must, for at least one year after the date on which lendable proceeds of the Qualified Mortgage Bonds are first available for financing of single family mortgage loans, make available for single family mortgage loans in so-called Targeted Areas within the Commonwealth an amount equal to the lesser of 20% of the proceeds of such Bonds (other than any refunding bonds as to which the original refunded bonds were issued after 1980) which are devoted to providing owner financing or 40% of the average annual aggregate principal amount of mortgages executed in the preceding three years for single family owner-occupied residences in Targeted Areas within the Commonwealth. The Authority's program includes sending periodic program announcements to Originating Agents and not-for-profit service providers serving the Targeted Areas advising them of the availability of such proceeds and including maps of the Targeted Areas in their region. The Authority's efforts to place single family mortgage loans in Targeted Areas includes advertising in pamphlets, brochures and handouts concerning the Program that mortgage funds are available for such areas. The Targeted Areas in which the Authority is to make the mortgage funds available include those census tracts in the Commonwealth in which 70% or more of the families have an income which is 80% or less of the statewide median family income based on the most recent "safe harbor" statistics published by the U.S. Treasury. Targeted Areas also include areas of chronic economic distress designated by the Commonwealth and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code.

## **Other Single Family Mortgage Loan Eligibility Requirements**

Except with respect to loans to refinance "qualified subprime loans," the Code does not allow proceeds of Qualified Mortgage Bonds to be used to acquire existing mortgage loans (thereby requiring the Authority to apply such proceeds only to newly-originated mortgage loans) or to replace existing mortgage loans (thereby precluding refinancings of mortgage loans). This requirement does not prohibit the Authority from acquiring or replacing construction loans, bridge loans or other similar temporary initial financing. The Originating Agreements incorporate these restrictions.

The Code requires that each mortgage loan financed with the proceeds of Qualified Mortgage Bonds may only be assumed if the requirements relating to principal residence, three year lack of prior ownership, income requirements and acquisition cost limitations are met with respect to the assumption. The determinations as to compliance with these requirements are to be made as of the date on which the mortgage loan is being assumed. Accordingly, the Authority must make the required statistical study or otherwise determine (e.g., by reliance on "safe harbor" statistics published by the U.S. Treasury) the relevant average area purchase prices for each statistical area within the Commonwealth on an annual basis, and must assure compliance with the other applicable requirements of the Code as long as a series of bonds is outstanding. The Authority has so covenanted in the Commonwealth Mortgage Bonds Resolution and the Homeownership Bonds Resolution and has required in the single family mortgage loan documents that no single family mortgage loan may be assumed unless the applicable requirements of the Code are satisfied.

## **Limitation on Mortgage Yield**

Under the Code, the yield on single family mortgage loans or portion thereof financed by Qualified Mortgage Bonds may not exceed one and one-eighth percentage points over the yield on the related bonds.

## **Recapture**

The Code provides for an increase in the federal income tax of certain mortgagors upon sale of their homes (the "Recapture Provision"). Under the Recapture Provision, an amount determined to be subsidy provided to the mortgagors by Qualified Mortgage Bond financing (but not in excess of 50 percent of the gain) is recaptured on disposition of the home. The recapture amount increases over the period of ownership, with full recapture occurring if the house is sold between four and five full years after the closing of the mortgage loan. The recapture amount declines ratably to zero with respect to sales between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part of all of the subsidy in the case of assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires that the issuer of Qualified Mortgage Bonds provide at settlement of each mortgage loan a written statement informing the mortgagor of the Recapture Provision and, within 90 days thereafter, a written statement specifying certain information needed by the mortgagor to compute the recapture amount. The Authority has included in its program documentation requirements that such information be provided in the time and manner required by the Code.

The following requirements apply only with respect to Qualified Mortgage Bonds, except as otherwise noted; accordingly, these requirements do not apply to Taxable Bonds.

## **Other Requirements**

For Qualified Mortgage Bonds, the Code requires the Authority to pay to the U.S. Treasury certain amounts earned on investments, which amounts must be computed in accordance with the applicable provisions of the Code. The Authority has covenanted to establish accounting procedures to determine the amount of such excess investment earnings. Such amount, if any, is not subject to the pledge or lien of the Current Resolution and Homeownership Bonds Resolution. This requirement also applies to certain Tax Exempt Non-AMT Bonds that are not otherwise subject to the requirements referenced in the first paragraph of this Appendix D.

The Code provides limits on the maximum amount of certain tax exempt bonds (including Qualified Mortgage Bonds) which may be issued in any state in each calendar year.

The Code requires retirement or redemption of Qualified Mortgage Bonds (other than certain refunding bonds) from unexpended proceeds required to be used to make mortgage loans which have not been used within 42 months (for loans to refinance "qualified subprime loans," 12 months) from the date of issuance of the bonds, except for a \$250,000 de minimis amount.

The Code permits repayments (including prepayments) of principal of mortgage loans financed with the proceeds of Qualified Mortgage Bonds to be used to make additional mortgage loans only for 10 years from the date of issuance of the bonds, after which date such amounts must be used to retire or redeem bonds (except for a \$250,000 de minimis amount) (the "10-Year Rule"). In the case of refunded bonds, the 10 year period is measured from the date of issuance of the original refunded bonds. As a result, the Authority may be required by the Code to retire or redeem Qualified Mortgage Bonds from repayments (including prepayments) of principal of single family mortgage loans financed with proceeds allocable to the Qualified Mortgage Bonds.

### **Good Faith Effort**

An issue of Qualified Mortgage Bonds which fails to meet the mortgage eligibility requirements will be treated as meeting all such requirements if:

(i) the issuer in good faith attempted to meet such requirements before the mortgages were executed;

(ii) 95% of the proceeds devoted to owner-financing were devoted to residences with respect to which (at the time the mortgages were executed) all such requirements were met; and

(iii) any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

The good faith requirement described in (i) will be satisfied by the Authority's establishing reasonable procedures, including reasonable investigations, to ensure compliance with the requirements under the Code. The 95% requirement referred to in clause (ii) above will be considered to have been satisfied by the Authority's procuring and examining affidavits evidencing compliance from the mortgagors and sellers of residences and income tax returns filed by the mortgagors with the Internal Revenue Service for the preceding three years (or statements in the mortgagors' affidavits that one or more of such returns were not required to have been filed or letters from the IRS that Forms 1040A or 1040EZ were filed for such period). Calling the non-qualifying mortgage or replacing it with a qualifying mortgage will constitute the correction of such failure under clause (iii) above.

The failure to meet the arbitrage and other issue-related requirements will not affect the tax-exemption of an issue of Qualified Mortgage Bonds under the Code and the applicable regulations if:

(i) the issuer in good faith attempted to meet all such requirements; and

(ii) any failure to meet such requirements was due to inadvertent error after taking reasonable steps to comply with such requirements.

### **Monitoring for Compliance with the Code**

Under the procedures which the Authority has established to comply with the Code, Originating Lenders will be responsible for reviewing each single family mortgage loan application and the accompanying documentation, including the affidavits and federal tax returns described above, for compliance with the requirements of the Code. Normal and appropriate measures are required to be undertaken to verify the information given, either independently or concurrently with credit reviews, when applicable. All documentation is to be cross-checked to assure that the information presented is complete and consistent.

Originating Lenders are required to represent as to each single family mortgage loan that, among other things, (1) the single family mortgage loan is in compliance with the Authority's processing guide setting forth the procedures and requirements with respect to the processing of single family mortgage loan, (2) the lender has reviewed the mortgagor's application, the affidavits described above, and the mortgagor's federal income tax returns for compliance with the provisions of the Code, and (3) the Mortgage Loan has been closed in accordance with the processing guide.

Prior to financing such single family mortgage loan, the Authority reviews the documents submitted to the Authority, including the mortgagor's application, the affidavits described above and the mortgagor's federal income tax returns, for compliance with the requirements of the Code. The Authority has delegated to certain of its Originating Lenders the review described in the preceding sentence and the Authority also performs such review subsequent to financing each single family mortgage loan originated by such Originating Lender.

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# DEVELOPMENTS AND AUTHORITY PROPERTY FINANCED IN THE RENTAL HOUSING BONDS

Information as of September 30, 2013

<u>Development (11)</u>	<u>Location</u>	<u>Original Mortgage Loan Amount (1)</u>	<u>Program (12)</u>	<u>Type of Occupancy</u>	<u>Total Units</u>	<u>Occupancy Rate (8)</u>	<u>Construction Complete</u>
<b>Developments with Mortgage Loans Funded by, or Scheduled to be Funded By, the Currently Outstanding Bonds</b>							
<b>Developments that have had final closing (permanent loans)</b>							
101 East Madison Street	Fauquier County	\$415,000.00	Conventional	General	8	88%	100%
1011 Hull Street	Richmond City	\$1,000,000.00	MUMI (2)	General	10	70%	100%
10403 Layton Hall Drive	Fairfax City	\$415,000.00	Conventional	Supportive	4	n/a	100%
10452 Armstrong Street	Fairfax City	\$121,000.00	Conventional	Supportive	4	0%	100%
106 Sixth Street	Pulaski County	\$150,000.00	Conventional	General	5	100%	100%
10843 Poacher's Run	Chesterfield County	\$156,150.00	Conventional	Supportive	3	n/a	100%
1131 North Kensington Street	Arlington County	\$710,000.00	Conventional	Supportive	9	100%	100%
115 Berkshire Place	Lynchburg City	\$68,000.00	Conventional	Supportive	1	100%	100%
1245 36th Street	Newport News City	\$94,000.00	Supportive Housing	Supportive	1	n/a	100%
1314 West Johnson Street	Staunton City	\$950,000.00	MUMI (2) / Supportive	Supportive	10	20%	100%
150 Goodman Street	Charlottesville City	\$335,000.00	Supportive Housing	Supportive	4	100%	100%
1504 Waterside Drive	Chesapeake City	\$470,000.00	Supportive Housing	Supportive	1	n/a	100%
1519-1525 North 22nd Street	Richmond City	\$496,000.00	Conventional	General	4	100%	100%
1705 East Main Street	Richmond City	\$465,000.00	MUMI (2)	General	4	0%	100%
1906 Charles Street	Fredericksburg City	\$105,000.00	Conventional	Supportive	1	0%	100%
1907 Charles Street	Fredericksburg City	\$335,000.00	Conventional	Supportive	2	100%	100%
1933 McCulloch Road	Hampton City	\$317,000.00	Conventional	Supportive	8	n/a	100%
2000 Riverside	Richmond City	\$12,750,000.00	Conventional	General	220	96%	100%
2001 East Broad Street	Richmond City	\$8,150,000.00	MUMI (2)	General	75	97%	100%
204 Kove Drive	Hampton City	\$320,000.00	Conventional	Supportive	4	100%	100%
217 Paladin Drive	Virginia Beach City	\$184,500.00	Conventional	Supportive	4	n/a	100%
2208 Jolly Pond	James City County	\$485,000.00	Conventional	Supportive	6	n/a	100%
225 Baugh Lane	Washington County	\$365,000.00	Conventional	General	7	100%	100%
2329 Old Trail Drive	Fairfax County	\$152,000.00	Conventional	Supportive	5	n/a	100%
2401 Flint Hill Road	Powhatan County	\$140,000.00	Conventional	Supportive	3	n/a	100%
2604 Charles Street	Fredericksburg City	\$264,500.00	Conventional	Supportive	2	50%	100%
300 Randolph Street	Richmond City	\$1,808,046.00	Tax Credit, Section 8	Elderly	50	98%	100%
300 South Maple Street	Falls Church City	\$190,000.00	Conventional	General	4	100%	100%
303 Baron Boulevard	Suffolk City	\$312,000.00	Conventional	Supportive	4	n/a	100%
3548 Barry Street	Virginia Beach City	\$177,000.00	Conventional	Supportive	4	n/a	100%
3705 South George Mason Drive	Fairfax County	\$157,500.00	Conventional	Supportive	2	n/a	100%
400 West Main Street	Fauquier County	\$170,000.00	Conventional	General	4	100%	100%

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APPENDIX E

401 Campbell Lofts	Roanoke City	\$1,250,000.00	MUMI (2)	General	23	96%	100%
4024 Hirst Drive	Fairfax County	\$780,000.00	Conventional	Supportive	8	n/a	100%
4378 Majestic Lane	Fairfax County	\$340,000.00	Conventional	Supportive	1	0%	100%
4620 Ardmore Lane	Virginia Beach City	\$285,000.00	Conventional	Supportive	2	n/a	100%
501-503 Kent Street	Winchester City	\$237,000.00	Conventional	Supportive	2	n/a	100%
5409 3rd Street	Arlington County	\$343,000.00	Conventional	Supportive	4	0%	100%
549 Valley Mill Road (7)	Frederick County	\$350,000.00	Conventional	Supportive	26	n/a	100%
549 Valley Mill Road (7)	Frederick County	\$1,200,000.00	Conventional	Supportive	16	n/a	100%
5562 Neddleton Avenue	Prince William County	\$129,200.00	Conventional	Supportive	4	n/a	100%
5612 Dunn Loring Court	Virginia Beach City	\$295,000.00	Conventional	Supportive	3	n/a	100%
565 Old Post Road	Virginia Beach City	\$80,250.00	Conventional	Supportive	4	100%	100%
6 Azalea Drive	Newport News City	\$110,000.00	Conventional	Supportive	1	n/a	100%
607 Notabene	Alexandria City	\$348,050.00	Conventional	Supportive	8	50%	100%
6115 Alexander Street	Norfolk City	\$230,000.00	Conventional	General	8	100%	100%
612 Notabene	Alexandria City	\$351,050.00	Conventional	Supportive	10	40%	100%
6301 Mockingbird Lane	Chesterfield County	\$200,000.00	Conventional	Supportive	4	100%	100%
6422 Centerville Road	James City County	\$484,000.00	Conventional	Supportive	1	n/a	100%
647 Stuart Street	Fredericksburg City	\$80,000.00	Conventional	Supportive	1	100%	100%
6515 Terry Drive	Fairfax County	\$480,000.00	Conventional	Supportive	8	0%	100%
665 Bethune Drive	Virginia Beach City	\$198,900.00	Conventional	Supportive	4	n/a	100%
701 Saint James	Richmond City	\$3,250,000.00	Conventional	General	41	73%	100%
7031 Calamo Street	Fairfax County	\$264,000.00	Conventional	Supportive	4	n/a	100%
7803 Frances Drive	Fairfax County	\$269,158.00	Conventional	Supportive	8	n/a	100%
802 Cynthianna Avenue	Charlottesville City	\$345,000.00	Conventional	General	6	83%	100%
811 Campbell Avenue	Roanoke City	\$117,000.00	Conventional	Elderly	3	100%	100%
824 Madison Avenue	Roanoke City	\$120,000.00	Tax Credit	General	4	100%	100%
8308 Rocky Forge	Fairfax County	\$197,000.00	Conventional	Supportive	1	100%	100%
8406 Georgian Way	Fairfax County	\$450,000.00	Conventional	Supportive	6	n/a	100%
8606 Village Way	Fairfax County	\$125,000.00	Conventional	Supportive	1	100%	100%
8919 Portner Avenue	Manassas City	\$100,000.00	Conventional	Supportive	1	100%	100%
909 Perry	Richmond City	\$4,000,000.00	Conventional	General	44	84%	100%
9525 Pampas Drive	Chesterfield County	\$234,500.00	Conventional	Supportive	5	n/a	100%
Abbey at South Riding	Loudoun County	\$9,350,000.00	Tax Credit	General	168	92%	100%
Abbingdon at Hampton Center	Hampton City	\$9,550,000.00	Conventional	General	176	96%	100%
Abbingdon at Northampton II	Hampton City	\$10,024,500.00	Conventional	General	146	95%	100%
Abbingdon at Northampton III	Hampton City	\$7,006,500.00	Conventional	General	120	93%	100%
Abby I	Fredericksburg City	\$450,000.00	Conventional	Supportive	6	67%	100%
Abby II	Fredericksburg City	\$605,000.00	Conventional	Supportive	8	100%	100%
Acorn Grove	Chesapeake City	\$3,479,000.00	Tax Credit	General	107	98%	100%
Addison at Crater Woods	Petersburg City	\$25,500,000.00	Conventional	General	234	96%	100%
Afton Gardens	Roanoke City	\$2,250,000.00	Tax Credit	General	108	99%	100%



Alexaco	Norfolk City	\$959,000.00	Conventional	General	20	85%	100%
Alexandria Station	Alexandria City	\$28,200,000.00	Tax Credit	General	290	96%	100%
Alleghany Building	Alleghany County	\$200,000.00	Tax Credit	General	20	100%	100%
Amherst Acres I	Amherst County	\$525,000.00	Conventional	General	8	88%	100%
Amherst Acres II	Amherst County	\$300,000.00	Tax Credit	General	5	80%	100%
Amherst Acres III	Amherst County	\$415,000.00	Tax Credit	General	10	100%	100%
Amhurst	Virginia Beach City	\$2,200,000.00	Conventional	General	88	97%	100%
Angel Court	King George County	\$1,425,000.00	Tax Credit	General	24	100%	100%
Ann Wingfield Commons	Culpeper County	\$750,000.00	Tax Credit	General	33	100%	100%
Ansell Gardens	Portsmouth City	\$2,060,000.00	Tax Credit	General	78	99%	100%
Arbor Brook	Portsmouth City	\$1,000,000.00	Conventional	General	28	100%	100%
Arbor Glen	Chesapeake City	\$13,645,000.00	Tax Credit	General	240	95%	100%
Arbors	Richmond City	\$4,566,000.00	Tax Credit	Elderly	85	98%	100%
Armfield	Norfolk City	\$1,215,000.00	Conventional	General	30	97%	100%
Asbury Place	Hampton City	\$7,775,000.00	Conventional	General	262	94%	100%
Ashburn Meadows I	Loudoun County	\$11,340,000.00	Tax Credit	General	176	96%	100%
Ashburn Meadows II	Loudoun County	\$10,525,000.00	Tax Credit	General	160	96%	100%
Ashland Woods I	Hanover County	\$3,750,000.00	Tax Credit	General	75	96%	100%
Ashland Woods II	Hanover County	\$4,000,000.00	Tax Credit	General	75	97%	100%
Ashley Oaks	Richmond City	\$9,228,496.00	Tax Credit, Section 236	General	250	94%	100%
Ashley Trace	Norfolk City	\$3,100,000.00	Conventional	General	132	90%	100%
Ashpone Tavern Village	Franklin County	\$640,000.00	Conventional	General	10	100%	100%
Ashton Hill (7)	Roanoke City	\$5,912,000.00	Conventional	General	0	n/a	100%
Ashton Square	Richmond City	\$14,625,000.00	Conventional	General	372	94%	100%
Aspen Club	Fauquier County	\$6,100,000.00	Tax Credit	General	108	88%	100%
Aspen South	Fauquier County	\$7,875,896.59	Conventional	General	100	95%	100%
Aspen Village	Fauquier County	\$1,980,000.00	Tax Credit	General	30	97%	100%
Atlantic at Brook Run	Henrico County	\$7,000,000.00	Tax Credit	Elderly	120	92%	100%
Atlantic Charter Colony	Chesterfield County	\$7,100,000.00	Tax Credit	Elderly	113	99%	100%
Auburn Pointe	Newport News City	\$7,290,000.00	Tax Credit	General	274	95%	100%
Audubon Village I	Henrico County	\$8,250,000.00	Tax Credit	General	160	96%	100%
Audubon Village II	Henrico County	\$2,685,000.00	Tax Credit	General	54	93%	100%
Autumn Lakes	Newport News City	\$7,300,000.00	Tax Credit	General	296	92%	100%
Autumn Ridge	Roanoke City	\$683,000.00	Tax Credit	General	72	99%	100%
Autumn Wind	Frederick County	\$3,333,000.00	Tax Credit	General	104	99%	100%
Autumnwood Heights	Charlotte County	\$1,105,000.00	Tax Credit, RD515	Elderly	40	100%	100%
Avondale at Kempsville	Virginia Beach City	\$19,250,000.00	Conventional	General	190	96%	100%
Bacon Retirement Community	Richmond City	\$900,000.00	Tax Credit	Elderly	58	83%	100%
Bailey's Ridge	Prince George County	\$6,837,300.00	Tax Credit	General	156	98%	100%
Bainbridge Alta Vista	Charlottesville City	\$875,000.00	Conventional	Supportive	11	91%	100%
Bainbridge Commons	Chesapeake City	\$2,518,640.00	Section 8	General	92	97%	100%

Baker's Home	Franklin City	\$350,000.00	Supportive Housing	Supportive	32	n/a	100%
Barkalow	Arlington County	\$1,000,000.00	Conventional	General	14	79%	100%
Barrington	Prince William County	\$10,275,000.00	Conventional	General	124	98%	100%
Bath Street	Richmond City	\$360,000.00	Conventional	General	8	75%	100%
Battleground	Smyth County	\$335,000.00	Tax Credit, RD515	General	24	100%	100%
Bayberry I	Virginia Beach City	\$950,000.00	Conventional	General	14	93%	100%
Bayberry II	Virginia Beach City	\$1,090,000.00	Conventional	General	14	86%	100%
Bayberry III	Virginia Beach City	\$881,000.00	Conventional	General	10	80%	100%
Bayberry IV	Virginia Beach City	\$788,000.00	Conventional	General	8	100%	100%
Bayberry V	Virginia Beach City	\$1,245,000.00	Conventional	General	10	100%	100%
Bayberry VI	Virginia Beach City	\$475,000.00	Conventional	General	6	83%	100%
Beach Park	Virginia Beach City	\$427,500.00	Conventional	Supportive	18	89%	100%
Beach Park West	Virginia Beach City	\$1,250,000.00	Conventional	Supportive	18	100%	100%
Beachcomber I	Norfolk City	\$1,041,683.28	Conventional	General	32	97%	100%
Beasley Square	Alexandria City	\$1,081,000.00	Conventional	Elderly	8	88%	100%
Beaverdam Creek	Hanover County	\$4,620,000.00	Tax Credit	General	120	95%	100%
Belle Hall	Portsmouth City	\$4,720,000.00	Tax Credit	General	120	95%	100%
Belle Meadows	Bristol City	\$780,000.00	Conventional	General	26	n/a	100%
Bellefonte	Alexandria City	\$514,426.00	Section 8	Supportive	12	100%	100%
Bellevue Seniors	Orange County	\$1,000,000.00	Tax Credit	Elderly	48	98%	100%
Belleville Harbour	Suffolk City	\$4,700,000.00	Tax Credit	General	120	100%	100%
Ben Bolt	Tazewell County	\$590,000.00	Conventional	General	21	100%	100%
Ben Franklin House	Fairfax County	\$700,000.00	Conventional	Supportive	6	100%	100%
Bentley	Portsmouth City	\$2,533,000.00	Conventional	General	76	89%	100%
Berkley South	Newport News City	\$4,485,752.97	Section 8	Elderly	190	99%	100%
Berkshire	Virginia Beach City	\$2,900,000.00	Conventional	General	106	80%	100%
Bettie S. Davis Village (9)	Suffolk City	\$300,000.00	Section 8	Elderly	0	n/a	100%
Beverly Park	Alexandria City	\$3,505,000.00	Tax Credit	General	33	94%	100%
Biznet Supervised	Virginia Beach City	\$138,500.00	Conventional	Supportive	2	n/a	100%
Biznet Village	Virginia Beach City	\$648,000.00	Conventional	Supportive	24	100%	100%
Blackstone Lofts	Nottoway County	\$1,550,000.00	Conventional	General	25	72%	100%
Blue Ridge Estates	Richmond City	\$5,580,000.00	Tax Credit, Section 8	General	182	97%	100%
Bluegrass	Pulaski County	\$600,000.00	Conventional	Elderly	40	92%	100%
Booker T. Washington Plaza	Richmond City	\$1,940,000.00	Tax Credit	Elderly	28	82%	100%
Bowe and Clay	Richmond City	\$660,000.00	Conventional	General	6	100%	100%
Bowler Retirement Community	Richmond City	\$1,000,000.00	Tax Credit	Elderly	62	82%	100%
Brandywine	Virginia Beach City	\$7,274,645.95	Conventional	General	172	92%	100%
Braywood Manor	Norfolk City	\$7,579,911.00	Section 8	Elderly	238	99%	100%
Breezy Point	Norfolk City	\$9,700,000.00	Conventional	General	640	96%	100%
Brentwood Forest	Norfolk City	\$2,392,000.00	Conventional	General	107	96%	100%
Brethren Scattered Sites	Manassas City	\$275,000.00	Conventional	General	3	67%	100%

Brightwood Forest	Prince William County	\$3,115,000.00	Conventional	General	90	93%	100%
Broadwater I	Chesterfield County	\$9,450,000.00	Tax Credit	General	150	91%	100%
Broadwater II	Chesterfield County	\$5,350,000.00	Tax Credit	General	73	92%	100%
Brook Ridge I	Greensville County	\$2,200,000.00	Tax Credit	General	84	87%	100%
Brook Ridge II	Greensville County	\$1,150,000.00	Tax Credit	General	40	98%	100%
BrookeMeade Apartments	Montgomery County	\$625,000.00	Conventional	General	10	70%	100%
Brookfield	Virginia Beach City	\$23,900,000.00	Conventional	General	352	96%	100%
Brookside Square	Southampton County	\$393,000.00	Tax Credit, RD515	General	32	100%	100%
Brookwood	Washington County	\$530,000.00	Conventional	General	12	100%	100%
Brunswick Commons	Brunswick County	\$660,000.00	Tax Credit, RD515	Elderly	24	100%	100%
Brunswick Village	Brunswick County	\$750,000.00	Tax Credit, RD515	General	48	98%	100%
Buchanan Gardens	Arlington County	\$7,690,000.00	Tax Credit	General	111	95%	100%
Buckingham Village III	Arlington County	\$6,800,000.00	Tax Credit	General	92	99%	100%
Burnt Ordinary	James City County	\$1,250,000.00	Tax Credit, RD515	General	80	99%	100%
Burton Creek	Lynchburg City	\$300,000.00	Conventional	General	85	n/a	100%
Bute Street Manor	Suffolk City	\$195,000.00	Conventional	General	8	12%	100%
Calvert Manor (9)	Arlington County	\$990,000.00	Tax Credit	General	0	70%	100%
Cambridge	Hampton City	\$32,367,000.00	Conventional	General	465	96%	100%
Cambridge Square	Montgomery County	\$1,083,844.00	Section 8	General	40	95%	100%
Cameron Commons	Arlington County	\$1,500,000.00	Conventional	General	16	94%	100%
Campostella Commons	Chesapeake City	\$3,200,000.00	Tax Credit	General	133	99%	100%
Cananche Creek	Norton City	\$570,000.00	Tax Credit, RD515	General	36	100%	100%
Cannery Row	Mecklenburg County	\$140,000.00	Tax Credit, RD515	General	9	100%	100%
Canterbury Commons	Waynesboro City	\$110,500.00	Conventional	Supportive	6	100%	100%
Canterbury Commons I	Staunton City	\$225,000.00	Conventional	Supportive	6	100%	100%
Canterbury Commons II	Staunton City	\$211,000.00	Conventional	Supportive	6	100%	100%
Canterbury Crossing	Chesapeake City	\$195,000.00	Tax Credit	General	30	93%	100%
Caroline and Stribling Avenues	Charlottesville City	\$220,000.00	Conventional	General,	8	100%	100%
Caroline Manor I	Caroline County	\$356,000.00	Tax Credit, RD515	General	24	100%	100%
Caroline Manor II	Caroline County	\$135,000.00	Tax Credit, RD515	General	17	100%	100%
Carousel Court	Fairfax County	\$8,680,000.00	Tax Credit	General	90	99%	100%
Carriage House	Petersburg City	\$1,600,000.00	Tax Credit	Elderly	118	57%	100%
Carriage Run	Emporia City	\$1,100,000.00	Tax Credit, RD515	Elderly	40	98%	100%
Carroll House	Carroll County	\$336,354.00	Section 8	Supportive	12	92%	100%
Carter Woods I	Henrico County	\$2,463,000.00	Tax Credit	Elderly	80	92%	100%
Carter Woods II	Henrico County	\$2,250,000.00	Tax Credit	Elderly	72	93%	100%
Cary 2000 II	Richmond City	\$570,000.00	Tax Credit	General	28	82%	100%
Cary 2000 III	Richmond City	\$675,000.00	Tax Credit	General	29	86%	100%
Carybrook	Hampton City	\$7,600,000.00	Conventional	General	182	81%	100%
Cavalier Park/Four Seasons	Fairfax County	\$185,000.00	Conventional	General	3	33%	100%
Cedar Creek	Portsmouth City	\$3,686,251.24	Conventional	General	104	92%	100%

Cedar Crest I	Montgomery County	\$1,005,000.00	Tax Credit	General	26	100%	100%
Cedar Crest II	Montgomery County	\$790,000.00	Tax Credit	General	24	92%	100%
Cedar Crest III	Montgomery County	\$745,000.00	Tax Credit	General	28	96%	100%
Cedar Street	Isle of Wight County	\$440,000.00	Tax Credit	General	24	100%	100%
Cedar Street	Richmond City	\$5,200,000.00	Conventional	General	20	95%	100%
Century Plaza	Hampton City	\$3,575,000.00	Tax Credit	General	120	98%	100%
Chantilly Crossing	Fairfax County	\$26,000,000.00	Tax Credit	General	360	99%	100%
Chantilly Mews	Fairfax County	\$1,500,000.00	Tax Credit	General	50	98%	100%
Charles Street Annex	Fredericksburg City	\$78,000.00	Conventional	Supportive	1	100%	100%
Charles Street Station II	Shenandoah County	\$2,125,000.00	Tax Credit	General	60	97%	100%
Charlottesville Hope House II	Charlottesville City	\$379,000.00	Conventional	General	11	82%	100%
Checed Warwick	Newport News City	\$1,350,000.00	Tax Credit	Elderly	48	100%	100%
Chesapeake Crossing Seniors I	Chesapeake City	\$3,940,000.00	Tax Credit	Elderly	159	97%	100%
Chester Village Green	Chesterfield County	\$11,020,000.00	Tax Credit	General	163	99%	100%
Chesterbrook Residences	Fairfax County	\$11,000,000.00	Conventional	Elderly	97	96%	100%
Chestnut Ridge I	Harrisonburg City	\$2,985,000.00	Tax Credit	General	100	98%	100%
Chestnut Ridge II	Harrisonburg City	\$1,540,000.00	Tax Credit	General	48	96%	100%
Chestnut Square	Newport News City	\$1,250,000.00	Tax Credit	General	40	95%	100%
Chicago Manor	Richmond City	\$1,350,000.00	Tax Credit	General	74	88%	100%
Chickahominy Bluff	Hanover County	\$5,206,000.00	Tax Credit	General	120	94%	100%
Chuckatuck Square	Suffolk City	\$570,500.00	Tax Credit, RD515	General	42	98%	100%
Church Hill/Fairmount House	Richmond City	\$15,561,630.45	Tax Credit, Section 8	Elderly	297	97%	100%
Church Manor	Isle of Wight County	\$650,000.00	Tax Credit	General	50	98%	100%
Citywide Homes 2001	Virginia Beach City	\$1,032,000.00	Tax Credit	General	32	97%	100%
Clarendon Court	Arlington County	\$3,400,000.00	Tax Credit	General	103	98%	100%
Clearfield	Colonial Heights City	\$5,200,000.00	Tax Credit	General	144	88%	100%
Cliffs Edge Lofts	Lynchburg City	\$4,100,000.00	MUMI (2)	General	52	52%	100%
Club Hill	Louisa County	\$1,350,000.00	Conventional	General	29	90%	100%
Cole Harbour	Nottoway County	\$600,000.00	Tax Credit, RD515	General	36	97%	100%
College Green I	Richmond County	\$330,000.00	Tax Credit, RD515	Elderly	32	88%	100%
College Square	Suffolk City	\$3,500,000.00	Conventional	General	91	99%	100%
College Square Collins	Suffolk City	\$950,000.00	Conventional	General	20	95%	100%
College Square Investments	Suffolk City	\$2,150,000.00	Conventional	General	40	95%	100%
Colonial Hall	Norfolk City	\$1,311,076.00	Conventional	General	40	98%	100%
Colonial Heights	Fredericksburg City	\$950,000.00	Tax Credit	Supportive	14	100%	100%
Colonial Row	Richmond City	\$600,000.00	Conventional	General	18	78%	100%
Colonial Square	King William County	\$1,450,000.00	Conventional	General	32	78%	100%
Colonnades I	Harrisonburg City	\$3,373,000.00	MUMI (2)	General	6	33%	100%
Colonnades II	Harrisonburg City	\$2,675,000.00	Tax Credit	General	60	88%	100%
Columbia Grove	Arlington County	\$14,755,000.00	Tax Credit	General	208	100%	100%
Columns on Grove	Richmond City	\$433,099.00	Tax Credit	Elderly	28	86%	100%

Commons at Town Center	Virginia Beach City	\$2,475,000.00	Conventional	General	22	91%	100%
Community Alternatives I	Virginia Beach City	\$212,973.00	Conventional	Supportive	19	n/a	100%
Community Alternatives II	Virginia Beach City	\$146,659.00	Conventional	Supportive	11	n/a	100%
Community Alternatives III	Virginia Beach City	\$106,841.00	Conventional	Supportive	10	n/a	100%
Community Alternatives IV	Virginia Beach City	\$101,667.00	Conventional	Supportive	9	n/a	100%
Community Alternatives Management Group	Virginia Beach City	\$384,565.00	Conventional	Supportive	46	n/a	100%
Community Alternatives V	Virginia Beach City	\$120,124.00	Conventional	Supportive	11	n/a	100%
Community Alternatives VI	Virginia Beach City	\$96,235.00	Conventional	Supportive	12	n/a	100%
Community Alternatives VII	Virginia Beach City	\$51,249.00	Conventional	Supportive	6	n/a	100%
Community Alternatives VIII	Virginia Beach City	\$42,985.00	Conventional	Supportive	6	n/a	100%
Community Services Housing	Charlottesville City	\$1,925,000.00	Conventional	Supportive	32	91%	100%
Congress	Shenandoah County	\$750,000.00	Tax Credit	General	38	97%	100%
Coppermine Place II	Fairfax County	\$2,500,000.00	Tax Credit	Elderly	66	97%	100%
Coralain Gardens	Fairfax County	\$7,550,000.00	Tax Credit	General	106	99%	100%
Cornerstone	Lynchburg City	\$175,000.00	Conventional	Supportive	11	0%	100%
Cottages at Great Bridge I	Chesapeake City	\$3,300,000.00	Tax Credit	Elderly	96	97%	100%
Cottages at Great Bridge II	Chesapeake City	\$1,300,000.00	Tax Credit	Elderly	32	100%	100%
Cotton Mill Lofts	Roanoke City	\$8,200,000.00	Conventional	General	108	97%	100%
Country Club	Henrico County	\$2,850,000.00	Tax Credit	General	97	92%	100%
Countryside	Richmond City	\$1,775,000.00	Tax Credit	General	59	83%	100%
Countryside	Fauquier County	\$350,000.00	Tax Credit	General	8	88%	100%
Countryside I	Madison County	\$338,000.00	Conventional	Elderly	17	n/a	100%
Countryside I and II	Madison County	\$9,999.00	Conventional	Elderly	0	n/a	100%
County Center Crossing	Prince William County	\$17,500,000.00	Tax Credit	General	224	94%	100%
Courthouse Commons I	Richmond County	\$650,000.00	Conventional	General	12	92%	100%
Courthouse Commons II	Richmond County	\$750,000.00	Conventional	General	12	100%	100%
Courthouse Crossings	Arlington County	\$8,600,000.00	Tax Credit	General	112	97%	100%
Courthouse Green	Spotsylvania County	\$715,000.00	Tax Credit, RD515	General	40	100%	100%
Courthouse Lane I	Caroline County	\$1,100,000.00	Tax Credit	Elderly	32	100%	100%
Courthouse Lane II	Caroline County	\$600,000.00	Tax Credit, RD515	Elderly	24	100%	100%
Courthouse Square	Lexington City	\$1,050,000.00	MUMI (2)	General	10	n/a	100%
Coverstone IV	Prince William County	\$5,916,947.00	Section 8	General	166	99%	100%
Cralle Avenue Adult Home	Lunenburg County	\$269,485.00	Conventional	Elderly	26	n/a	100%
Crater Square	Petersburg City	\$4,750,000.00	Conventional	General	130	93%	100%
Crater Woods I	Petersburg City	\$7,931,800.00	Conventional	General	120	90%	100%
Crater Woods II	Petersburg City	\$7,670,000.00	Conventional	General	120	92%	100%
Creekpointe	Chesterfield County	\$11,770,000.00	Tax Credit	General	214	94%	100%
Creekside Village I	Fairfax County	\$13,321,821.41	Tax Credit, Section 236	General	220	97%	100%
Creekside Village II	Fairfax County	\$10,100,000.00	Tax Credit	General	99	95%	100%
Crescent Place	Portsmouth City	\$7,300,000.00	Tax Credit	General	156	99%	100%
Crest at Longwood	Salem City	\$3,600,000.00	Conventional	General	108	97%	100%

Crestview	Fredericksburg City	\$8,960,774.00	Tax Credit	General	180	97%	100%
Crevenna Oaks	Fairfax County	\$4,358,858.00	Tax Credit, Section 8	General	50	98%	100%
Crispus Attucks	Northampton County	\$750,000.00	Tax Credit	General	22	91%	100%
Cromwell House (9)	Norfolk City	\$4,500,000.00	Tax Credit	Elderly	0	98%	100%
Crossing at Belmont Hills	Chesterfield County	\$5,850,000.00	Conventional	General	120	95%	100%
Crossings at Summerland	Prince William County	\$8,200,000.00	Tax Credit	General	126	97%	100%
Crossroads	Chesapeake City	\$4,284,692.00	Conventional	General	92	98%	100%
Crosswinds Place	Chesapeake City	\$4,350,000.00	Tax Credit	General	109	96%	100%
Crown Square	Henrico County	\$3,823,500.00	Conventional	General	90	99%	100%
Crozet Meadows	Albemarle County	\$1,715,000.00	Tax Credit, RD515	Elderly	66	95%	100%
Culpeper Shelter	Culpeper County	\$200,000.00	Conventional	Supportive	15	n/a	100%
Dale Forest III and IV	Prince William County	\$4,000,000.00	Conventional	General	149	99%	100%
Dale Forest V	Prince William County	\$8,100,000.00	Conventional	General	222	100%	100%
Dan River Crossing	Danville City	\$1,870,000.00	Tax Credit	Elderly	74	97%	100%
Dante Crossing	Russell County	\$273,000.00	Tax Credit	General	12	92%	100%
Danville House	Danville City	\$5,443,457.00	Conventional	Elderly	106	96%	100%
Darby House	Henrico County	\$2,975,000.00	Conventional	Elderly	108	97%	100%
Deep Creek	Chesapeake City	\$2,285,000.00	Conventional	General	102	92%	100%
Deep Run Lodge	Fauquier County	\$546,700.00	Conventional	Supportive	1	n/a	100%
Delmont Plaza	Henrico County	\$200,000.00	Tax Credit	General	41	90%	100%
Delmont Village	Henrico County	\$3,150,000.00	Tax Credit	General	94	94%	100%
Denbigh Trace	Newport News City	\$3,745,890.00	Section 8	General	128	98%	100%
Denbigh Village (9)	Newport News City	\$2,500,000.00	Conventional	General	0	n/a	100%
Dequincey House	Fairfax County	\$435,700.00	Conventional	Supportive	5	100%	100%
Derby Run II	Hampton City	\$8,190,000.00	Tax Credit	General	144	81%	100%
Devon at South Riding	Loudoun County	\$10,575,000.00	Conventional	General	120	87%	100%
Dogwood Terrace	Wise County	\$920,000.00	Tax Credit	General	97	97%	100%
Dolly Ann	Alleghany County	\$1,950,000.00	Tax Credit	General	108	98%	100%
Dominion Pines	Chesapeake City	\$5,750,000.00	Tax Credit	General	118	98%	100%
Dominion Place	Richmond City	\$6,770,000.00	Tax Credit	Elderly	249	96%	100%
Dranesville District	Fairfax County	\$220,000.00	Conventional	General	3	33%	100%
Dresden	Newport News City	\$1,400,000.00	Tax Credit	Elderly	32	100%	100%
Dulles Center I	Fairfax County	\$10,259,700.00	Tax Credit	General	144	96%	100%
Dulles Center II	Fairfax County	\$10,700,000.00	Tax Credit	General	128	98%	100%
Dunlop Farms	Colonial Heights City	\$3,305,000.00	Tax Credit	Elderly	88	95%	100%
Dutch Inn	Lexington City	\$1,200,000.00	MUMI (2)	General	12	75%	100%
Earle of Warwick Square	Newport News City	\$3,300,000.00	Conventional	General	109	94%	100%
East Bay	Norfolk City	\$1,800,000.00	Conventional	General	64	95%	100%
East Falls	Fairfax County	\$31,025,000.00	Tax Credit	General	305	99%	100%
Ebbetts Plaza	Virginia Beach City	\$3,066,000.00	Tax Credit	General	90	91%	100%
Echo Mountain I	Shenandoah County	\$710,000.00	Tax Credit	General	24	92%	100%

Echo Mountain II	Shenandoah County	\$790,000.00	Tax Credit	General	26	92%	100%
Effingham Plaza	Portsmouth City	\$5,478,183.00	Tax Credit, Section 8	Elderly	178	99%	100%
Elbert Avenue	Alexandria City	\$900,000.00	Tax Credit	General	28	89%	100%
Elderspirit Community	Washington County	\$850,000.00	Conventional	Elderly	16	100%	100%
Elite	Norfolk City	\$1,912,000.00	Conventional	General	50	100%	100%
Elkhart	Chesapeake City	\$1,361,000.00	Conventional	General	34	74%	100%
Elm Tree M/R	Giles County	\$309,290.00	Section 8	Supportive	12	100%	100%
England Run North I	Stafford County	\$10,200,000.00	Tax Credit	General	204	92%	100%
Englewood	Chesterfield County	\$270,000.00	Conventional	Supportive	8	n/a	100%
English Oaks	Stafford County	\$9,410,000.00	Tax Credit	Elderly	119	99%	100%
Enoch George Manor	Spotsylvania County	\$4,200,000.00	Tax Credit	Elderly	60	95%	100%
Evergreen House	Fairfax County	\$16,394,799.55	Section 8	Elderly	246	100%	100%
Exmore Village II	Northampton County	\$750,000.00	Tax Credit, RD515	Elderly	64	95%	100%
Fairfax Village	Radford City	\$1,081,350.00	Section 8	General	40	95%	100%
Fall Hill I	Fredericksburg City	\$1,900,000.00	Tax Credit	General	96	81%	100%
Fall Hill II	Fredericksburg City	\$8,425,000.00	Tax Credit	General	150	94%	100%
Falls I	Essex County	\$1,150,000.00	Conventional	General	16	94%	100%
Falls II	Essex County	\$1,225,000.00	Conventional	General	16	94%	100%
Falls III	Essex County	\$950,000.00	Conventional	General	12	92%	100%
Farrar Square	Charlotte County	\$560,500.00	Tax Credit	General	24	96%	100%
Fenner Street	Norfolk City	\$169,000.00	Conventional	Supportive	4	n/a	100%
Fernclyff South	Roanoke City	\$3,101,762.00	Tax Credit, Section 8	General	84	96%	100%
Fieldcrest	Henrico County	\$1,019,000.00	Tax Credit	General	29	100%	100%
Fields at Cascades	Loudoun County	\$23,000,000.00	Tax Credit	General	320	100%	100%
Fields at Lorton Station	Fairfax County	\$16,400,000.00	Tax Credit	General	248	98%	100%
Fields of Alexandria	Alexandria City	\$29,500,000.00	Tax Credit	General	306	98%	100%
Fields of Arlington	Arlington County	\$14,096,022.42	Tax Credit	General	199	98%	100%
Fields of Falls Church	Falls Church City	\$4,300,000.00	Tax Credit	General	96	95%	100%
Fields of Leesburg II	Loudoun County	\$20,000,000.00	Tax Credit	General	248	97%	100%
Fields of Manassas	Prince William County	\$8,000,000.00	Tax Credit	General	180	97%	100%
Fields of Merrifield	Fairfax County	\$8,550,000.00	Tax Credit	General	124	99%	100%
Fields of Old Town	Alexandria City	\$9,500,000.00	Tax Credit	General	98	98%	100%
Finney Avenue Residence	Suffolk City	\$320,214.00	Section 8	Supportive	12	100%	100%
First Colony	Petersburg City	\$2,180,000.00	Conventional	General	58	100%	100%
Fish Heads	Norfolk City	\$900,000.00	Conventional	General	14	86%	100%
Fisher House	Arlington County	\$2,729,911.50	Tax Credit	General	33	94%	100%
Floyd Village Square	Floyd County	\$870,000.00	MUMI (2)	General	8	50%	100%
Forest Cove I	Chesapeake City	\$3,555,000.00	Tax Credit	General	101	97%	100%
Forest Cove II	Chesapeake City	\$3,650,000.00	Tax Credit	General	100	99%	100%
Forest Cove III	Chesapeake City	\$4,190,000.00	Tax Credit, Section 236	General	101	98%	100%
Forest Creek	Richmond City	\$5,625,000.00	Tax Credit	Elderly	94	97%	100%

Forest Glen I	Fairfax County	\$6,580,000.00	Tax Credit	Elderly	83	98%	100%
Forest Glen II	Fairfax County	\$6,860,000.00	Tax Credit	Elderly	119	99%	100%
Forest Hills at Belview	Montgomery County	\$2,500,000.00	Tax Credit	General	70	96%	100%
Forest Hills Intermediate Care Facility	Lynchburg City	\$469,850.00	Conventional	Supportive	14	n/a	100%
Forest Pine III	Franklin City	\$1,360,000.00	Conventional	General	40	95%	100%
Forest Pine IV	Franklin City	\$1,468,800.00	Conventional	General	40	78%	100%
Forrest Pines	Newport News City	\$5,353,000.00	Conventional	General	110	98%	100%
Fort Henry Gardens	Arlington County	\$900,000.00	Tax Credit	General	82	91%	100%
Fort Myer I	Arlington County	\$618,000.00	Conventional	General	11	100%	100%
Fort Myer II	Arlington County	\$1,115,500.00	Conventional	General	11	100%	100%
Foxchase	Essex County	\$3,660,000.00	Tax Credit	General	60	85%	100%
Foxcroft	Hampton City	\$5,000,000.00	Conventional	General	120	97%	100%
Franciscan Brethren of St. Philip	James City County	\$725,000.00	Conventional	Supportive	14	n/a	100%
Franklin South	Franklin City	\$152,000.00	Tax Credit, RD515	General	32	94%	100%
Frederick at Courthouse	Arlington County	\$9,500,000.00	Tax Credit	General	108	97%	100%
Friendship Court	Charlottesville City	\$3,860,650.00	Section 8	General	150	97%	100%
Friendship Village	Virginia Beach City	\$5,405,000.00	Tax Credit, Section 8	General	110	99%	100%
Frontier Ridge	Staunton City	\$3,300,000.00	Tax Credit	General	100	93%	100%
G and T Adult Home	Cumberland County	\$204,684.00	Conventional	Supportive	18	n/a	100%
Gardens of Stafford	Stafford County	\$14,200,000.00	Tax Credit	Elderly	150	99%	100%
Gardenside Village	Russell County	\$950,000.00	Conventional	General	6	100%	100%
Garfield Gardens	Arlington County	\$1,012,000.00	Conventional	General	9	100%	100%
Garrison Woods	Stafford County	\$5,049,600.00	Conventional	General	131	99%	100%
Gates of Ballston	Arlington County	\$21,000,000.00	Tax Credit	General	464	99%	100%
Gateway Village	Giles County	\$663,649.00	Tax Credit, RD515	General	42	95%	100%
Genito Glen	Chesterfield County	\$3,285,000.00	Tax Credit	General	102	96%	100%
George Mason Square	Richmond City	\$617,327.00	Section 236	General	26	92%	100%
Germanna Heights	Orange County	\$1,850,000.00	Tax Credit	Elderly	51	100%	100%
Ghent Villas	Norfolk City	\$234,400.00	Conventional	General	4	100%	100%
Gilmer Housing	Roanoke City	\$300,000.00	Tax Credit	General	20	85%	100%
Gladiola Crescent Group Home	Virginia Beach City	\$190,000.00	Conventional	Supportive	5	n/a	100%
Glen Ridge Commons	Prince William County	\$6,675,000.00	Tax Credit	General	140	91%	100%
Glendale-Biscayne	Fairfax County	\$750,000.00	Conventional	General	5	20%	100%
Glenns at Miller's Lane	Henrico County	\$6,600,000.00	Tax Credit	General	144	97%	100%
Glenway and Aden Park I and II	Richmond City	\$20,875,062.08	Conventional	General	538	95%	100%
Gold Hill Village	Buckingham County	\$485,314.00	Section 8	Elderly	20	95%	100%
Grand Oaks	Chesterfield County	\$14,000,000.00	Tax Credit	General	184	96%	100%
Grand Oaks Seniors	Chesterfield County	\$2,570,000.00	Tax Credit	Elderly	32	97%	100%
Grayson Manor	Grayson County	\$575,000.00	Tax Credit, RD515	Elderly	32	100%	100%
Great Oak	Newport News City	\$4,144,470.00	Tax Credit, Section 8	Elderly	143	87%	100%
Green Meadows	Virginia Beach City	\$569,200.00	Conventional	General	8	100%	100%



Greene Hills Estates	Fairfax County	\$4,752,644.00	Section 8	General	100	99%	100%
Greenlakes (9)	Virginia Beach City	\$7,071,383.00	Tax Credit	General	0	95%	100%
Greens at Northridge	Culpeper County	\$6,550,000.00	Tax Credit	General	108	90%	100%
Greens at Virginia Center	Henrico County	\$9,257,000.00	Tax Credit	General	180	96%	100%
Gretna Village	Pittsylvania County	\$1,290,000.00	Tax Credit	General	47	94%	100%
Grottoes II	Rockingham County	\$940,000.00	Tax Credit	General	34	94%	100%
Grottoes III	Rockingham County	\$750,000.00	Tax Credit	General	26	85%	100%
Grove at Flynn's Crossing	Loudoun County	\$9,674,445.00	Tax Credit	General	168	99%	100%
Gum Springs Glen	Fairfax County	\$1,500,000.00	Tax Credit	Elderly	60	97%	100%
Gypsy Hill House	Staunton City	\$2,350,000.00	Tax Credit	Elderly	100	99%	100%
Hamilton Place	Portsmouth City	\$4,375,000.00	Tax Credit	General	84	99%	100%
Hamilton Place II	Portsmouth City	\$2,510,000.00	Tax Credit	General	84	99%	100%
Hampton and Montrose	Charlottesville City	\$107,679.00	Conventional	General	4	100%	100%
Hampton Transition Center	Hampton City	\$283,202.00	Section 8	Supportive	12	83%	100%
Hancock Building	Roanoke City	\$5,400,000.00	MUMI (2)	General	58	43%	100%
Hansco Scattered Sites II	Richmond City	\$365,000.00	Conventional	General	3	33%	100%
Harbor Inn	Virginia Beach City	\$3,600,000.00	Conventional	General	138	94%	100%
Harris Gardens I	Harrisonburg City	\$1,737,000.00	Section 236	General	100	n/a	100%
Harrison School	Roanoke City	\$770,583.00	Section 8	Elderly	28	96%	100%
Havana	Norfolk City	\$480,000.00	Conventional	General	12	83%	100%
Hawthorn House	Clarke County	\$1,050,000.00	MUMI (2)	General	10	n/a	100%
Heather Glen	Radford City	\$1,680,000.00	Tax Credit	General	40	98%	100%
Heatherwood	Fairfax County	\$7,465,000.00	Conventional	Elderly	112	96%	100%
Hemphill	Lynchburg City	\$233,100.00	Conventional	Supportive	4	n/a	100%
Henley Place	Montgomery County	\$2,175,000.00	Tax Credit	General	41	93%	100%
Henry Williams	Petersburg City	\$1,450,000.00	Tax Credit	General	42	98%	100%
Heritage Commons (7)	York County	\$15,500,000.00	Conventional	Elderly	100	71%	100%
Heritage House	Stafford County	\$268,000.00	Conventional	Supportive	7	n/a	100%
Heritage Museum	Waynesboro City	\$550,000.00	MUMI (2)	General	6	83%	100%
Herndon Harbor House I	Fairfax County	\$1,000,000.00	Tax Credit	Elderly	60	98%	100%
Hickory Point (3)	Newport News City	\$7,595,000.00	Conventional	General	175	93%	100%
Hiddenbrooke	Fairfax County	\$285,000.00	Conventional	Elderly	6	100%	100%
Highland Commons	Fauquier County	\$7,616,034.00	Tax Credit	General	96	97%	100%
Highlands	Henrico County	\$2,190,000.00	Conventional	General	42	93%	100%
Highlands I	Rockingham County	\$750,000.00	Tax Credit	General	38	95%	100%
Highlands II	Rockingham County	\$650,000.00	Tax Credit	General	24	92%	100%
Hillcrest Elderly	Lynchburg City	\$3,022,861.00	Section 8	Elderly	103	99%	100%
Hillcrest Heights	Roanoke City	\$950,000.00	Tax Credit	General	24	96%	100%
Hillside	Tazewell County	\$873,000.00	Tax Credit	General	36	94%	100%
Hilltop South	Virginia Beach City	\$1,940,000.00	Tax Credit	General	85	88%	100%
Historic Manor	Richmond City	\$610,000.00	Conventional	General	16	69%	100%

Holland House	Virginia Beach City	\$3,025,800.00	Tax Credit	Elderly	112	97%	100%
Holland Trace	Franklin City	\$473,000.00	Tax Credit	Elderly	48	96%	100%
Honey Brook	Henrico County	\$4,685,145.09	Conventional	General	128	97%	100%
Hope Village	Portsmouth City	\$823,500.00	Tax Credit	General	48	46%	100%
Hopewell Heights	Hopewell City	\$4,540,104.00	Section 8	General,	150	99%	100%
Hopewell Lofts	Hopewell City	\$3,650,000.00	MUMI (2)	General	50	88%	100%
Howland House	Hampton City	\$289,000.00	Conventional	Supportive	5	n/a	100%
Huckleberry Court	Montgomery County	\$2,800,000.00	Tax Credit	General	50	92%	100%
Hugo Street	Norfolk City	\$335,000.00	Conventional	Supportive	5	n/a	100%
Hunt Country Manor	Fauquier County	\$2,500,000.00	Tax Credit	General	56	96%	100%
Hunt Ridge I	Rockbridge County	\$1,350,000.00	Tax Credit	General	46	98%	100%
Hunt Ridge II	Rockbridge County	\$680,000.00	Tax Credit	General	24	96%	100%
Hunters Point I	Chesapeake City	\$4,160,876.00	Tax Credit, Section 8	General	124	96%	100%
Hunters Point II	Chesapeake City	\$862,706.00	Tax Credit, Section 8	General	32	100%	100%
Hunting Creek	Fairfax County	\$3,197,498.00	Tax Credit, Section 8	General	35	97%	100%
Hurt Park II (3)	Roanoke City	\$1,350,000.00	Tax Credit	General	40	92%	100%
Independence Square	Portsmouth City	\$7,350,000.00	Tax Credit	General	152	96%	100%
Indian River	Hampton City	\$640,000.00	Conventional	Supportive	13	0%	100%
Ivy Farms	Newport News City	\$4,865,000.00	Tax Credit	General	168	93%	100%
Jabez Court I and II	Franklin City	\$194,000.00	Conventional	General	6	n/a	100%
Jackson Ward (3)	Richmond City	\$722,897.00	Tax Credit, Section 8	General	18	100%	100%
James Crossing	Lynchburg City	\$5,650,000.00	Tax Credit	General	288	93%	100%
Jamestown Commons II	Virginia Beach City	\$3,600,000.00	Tax Credit	Elderly	132	95%	100%
Jefferson House	Lynchburg City	\$3,170,000.00	Tax Credit, Section 236	Elderly	101	92%	100%
Jefferson Ridge	Albemarle County	\$24,200,000.00	Conventional	General	234	98%	100%
Jefferson School Lofts	Suffolk City	\$2,700,000.00	MUMI (2)	General	16	62%	100%
Jefferson South (7)	Petersburg City	\$5,290,000.00	Tax Credit	General	200	49%	100%
Jefferson Townhouses	Richmond City	\$8,420,000.00	Tax Credit	General	218	95%	100%
Jersey Park	Isle of Wight County	\$2,950,000.00	Tax Credit	General	80	95%	100%
Jesse Lee	Petersburg City	\$5,050,000.00	Tax Credit	General	108	88%	100%
John Early	Bedford County	\$1,780,000.00	Tax Credit	Elderly	78	92%	100%
Kendrick Court	Fairfax County	\$7,700,000.00	Tax Credit	Elderly	139	95%	100%
Keysville Manor	Charlotte County	\$350,000.00	Tax Credit, RD515	General	24	100%	100%
Kilmarnock Village	Lancaster County	\$386,000.00	Tax Credit, RD515	General	24	96%	100%
King Street Commons	Hampton City	\$5,050,000.00	Tax Credit	General	184	79%	100%
King William Village	King William County	\$390,000.00	Tax Credit, RD515	Elderly	32	100%	100%
King's Ridge	Newport News City	\$9,450,000.00	Tax Credit	General	182	97%	100%
Kingsbridge North	Chesapeake City	\$4,520,000.00	Conventional	General	102	86%	100%
Kline Building	Arlington County	\$4,000,000.00	Conventional	Supportive	80	n/a	100%
Kopenhagen	Newport News City	\$1,425,000.00	Conventional	General	49	90%	100%
L and Z Historic	Richmond City	\$950,000.00	Conventional	General	13	8%	100%

Lafayette	Fairfax County	\$28,750,000.00	Tax Credit	General	340	96%	100%
Lafayette Gardens	Richmond City	\$2,907,000.00	Tax Credit, Section 236	General	102	94%	100%
Lafayette Square	James City County	\$1,210,000.00	Tax Credit, RD515	General	106	97%	100%
Lafayette Square	Fredericksburg City	\$765,000.00	Conventional	Supportive	12	75%	100%
Lafayette Village Elderly	James City County	\$248,000.00	Tax Credit, RD515	Elderly	32	100%	100%
Lafayette Village Family	James City County	\$1,255,000.00	Tax Credit, RD515	General	112	97%	100%
Lake Anne Fellowship House II	Fairfax County	\$2,535,155.00	Conventional	Elderly	100	88%	100%
Lake Princess Anne	Virginia Beach City	\$7,125,000.00	Conventional	General	104	74%	100%
Lakefield Mews II	Henrico County	\$5,063,000.00	Conventional	General	177	95%	100%
Lakes of Greenbrier I	Chesapeake City	\$10,146,241.00	Conventional	General	156	95%	100%
Lakes of Greenbrier I and II	Chesapeake City	\$1,727,059.00	Conventional	General	0	n/a	100%
Lakes of Greenbrier II	Chesapeake City	\$1,552,400.00	Conventional	General	48	83%	100%
Lakeview West	Colonial Heights City	\$650,000.00	Conventional	General	30	100%	100%
Lancaster Mill	Prince William County	\$8,150,000.00	Conventional	General	138	94%	100%
Landings at Markham's Grant I	Prince William County	\$3,337,500.00	Conventional	General	72	97%	100%
Landings at Markham's Grant III	Prince William County	\$11,000,000.00	Tax Credit	General	162	99%	100%
Landings at Weyers Cave	Augusta County	\$2,382,500.00	Tax Credit	General	84	88%	100%
Landmark II	Chesapeake City	\$3,650,000.00	Tax Credit	General	120	99%	100%
Langley House	Fairfax County	\$750,000.00	Conventional	Supportive	6	n/a	100%
L'Arche Blue Ridge Mountain I	Lynchburg City	\$380,000.00	Conventional	Supportive	8	n/a	100%
L'Arche Blue Ridge Mountain II	Lynchburg City	\$350,000.00	Conventional	Supportive	8	n/a	100%
L'Arche Highland House	Arlington County	\$500,000.00	Conventional	Supportive	4	100%	100%
Larkspur	Virginia Beach City	\$754,187.30	Conventional	General	16	100%	100%
Larkspur	Galax City	\$1,100,000.00	Conventional	General	18	72%	100%
Laurel Court	Virginia Beach City	\$2,775,000.00	Conventional	General	80	95%	100%
Laurel Ridge	Carroll County	\$1,726,452.00	Section 8	General	56	98%	100%
Laurel Woods	Hanover County	\$500,000.00	Tax Credit, RD515	General	40	92%	100%
Lawrenceville Manor	Brunswick County	\$252,000.00	Tax Credit, RD515	General	24	96%	100%
Lawson Building	Roanoke City	\$2,000,000.00	MUMI (2)	General	25	72%	100%
Leavell Charles	Fredericksburg City	\$325,000.00	Conventional	Supportive	3	100%	100%
Lebanon Village I	Surry County	\$250,000.00	Tax Credit, RD515	Elderly	24	100%	100%
Lebanon Village II	Surry County	\$480,000.00	Tax Credit, RD515	Elderly	24	100%	100%
Leckey Gardens	Arlington County	\$1,850,000.00	Tax Credit	General	40	100%	100%
Lee-High Residence	Rockingham County	\$290,844.00	Section 8	Supportive	12	100%	100%
Lee Overlook	Fairfax County	\$11,562,600.00	Tax Credit	General	195	95%	100%
Lee Townhouses	Caroline County	\$590,000.00	Tax Credit, RD515	General	18	100%	100%
Levis Hill House	Loudoun County	\$930,000.00	Tax Credit	Elderly	20	100%	100%
Lexington House	Lexington City	\$1,418,134.00	Section 8	Elderly	78	100%	100%
Lexington Park	Norfolk City	\$7,615,000.00	Tax Credit, Section 236	General	180	98%	100%
Liberty Manor	Bedford County	\$417,290.00	Conventional	General	24	96%	100%
Lieutenant's Run	Petersburg City	\$9,050,000.00	Tax Credit	General	168	84%	100%

Lincoln Mews I	Richmond City	\$4,166,000.00	Tax Credit	General	115	97%	100%
Lincoln Mews II	Richmond City	\$3,963,000.00	Tax Credit	General	130	91%	100%
Llewellyn Avenue	Norfolk City	\$540,000.00	Conventional	General	16	94%	100%
Lofts at Beckstoffer's Mill	Richmond City	\$1,545,000.00	Conventional	General	22	55%	100%
Lofts on First and Kirk	Roanoke City	\$1,025,000.00	Conventional	General	12	100%	100%
London Oaks	Portsmouth City	\$11,476,932.00	Tax Credit, Section 8	General	296	100%	100%
Longhill Grove	James City County	\$9,850,000.00	Tax Credit	General	170	97%	100%
Luray Village	Page County	\$800,000.00	Tax Credit, RD515	Elderly	34	100%	100%
Lynchburg High	Lynchburg City	\$1,070,000.00	Tax Credit	General	74	89%	100%
Lynhaven	Alexandria City	\$1,500,000.00	Conventional	General	28	100%	100%
Lynnhaven Landing	Virginia Beach City	\$9,400,000.00	Conventional	General	252	87%	100%
Macedonia	Arlington County	\$3,910,000.00	MUMI (2)	General	36	97%	100%
Madison at Ballston Station	Arlington County	\$9,150,000.00	Tax Credit	General	100	99%	100%
Madison House	Loudoun County	\$7,340,381.75	Tax Credit, Section 8	Elderly	100	99%	100%
Madison Ridge	Fairfax County	\$11,750,000.00	Conventional	General	98	97%	100%
Madonna House	Fredericksburg City	\$4,875,000.00	Tax Credit	Elderly	130	95%	100%
Main Street Commons	Loudoun County	\$4,900,000.00	Tax Credit	General	90	96%	100%
Mallard Cove I	Chesterfield County	\$6,250,000.00	Tax Credit	General	144	92%	100%
Malvern Hills	Portsmouth City	\$2,450,000.00	Conventional	Elderly	56	98%	100%
Manchester I	Fairfax County	\$8,600,000.00	Tax Credit	Elderly	136	95%	100%
Manor View	Portsmouth City	\$2,818,000.00	Conventional	General	128	92%	100%
Maple Avenue	Loudoun County	\$4,075,000.00	Tax Credit	General	60	100%	100%
Maple Ridge (7)	Lynchburg City	\$2,600,000.00	Conventional	General	152	91%	100%
Maplewood	Chesapeake City	\$20,205,333.00	Tax Credit	General	320	96%	100%
Maplewood Park	Prince William County	\$6,200,000.00	Conventional	General	144	94%	100%
Marbella	Arlington County	\$10,080,000.00	Tax Credit	General	134	98%	100%
Market Slip	Richmond City	\$2,000,000.00	Tax Credit	General	30	80%	100%
Market Square I	Chesterfield County	\$885,000.00	Tax Credit	Elderly	63	87%	100%
Market Square II	Chesterfield County	\$875,000.00	Tax Credit	Elderly	42	86%	100%
Market Square III	Chesterfield County	\$1,870,000.00	Tax Credit	Elderly	69	93%	100%
Martha's Place	James City County	\$340,000.00	Conventional	Supportive	7	n/a	100%
Marvin Gardens	Emporia City	\$750,000.00	Tax Credit	Elderly	40	100%	100%
Mary Hardesty House	Clarke County	\$2,300,000.00	Tax Credit	Elderly	60	98%	100%
Massanutten Manor	Shenandoah County	\$580,000.00	Conventional	Elderly	114	95%	100%
Massie Haven	Augusta County	\$250,000.00	Conventional	Supportive	22	n/a	100%
Maury Park (3)	Richmond City	\$800,000.00	Tax Credit	Elderly	45	91%	100%
McGuire Park	Richmond City	\$2,550,000.00	Tax Credit	General	80	99%	100%
Meadow Run	Martinsville City	\$1,150,000.00	Conventional	General	32	3%	100%
Meadowood	Norfolk City	\$19,700,000.00	Tax Credit	Elderly	180	98%	100%
Meadows	Prince Edward County	\$185,000.00	Tax Credit, RD515	General	40	95%	100%
Meadows at Northridge	Culpeper County	\$1,442,775.00	Tax Credit	Elderly	50	100%	100%

Meadows II - Wolf Creek Housing	Giles County	\$150,000.00	Tax Credit	General	11	100%	100%
Meadowview	Pulaski County	\$1,569,205.02	Tax Credit, Section 236	General	98	99%	100%
Meads Road	Norfolk City	\$247,000.00	Conventional	General	8	88%	100%
Mecklenburg Manor	Mecklenburg County	\$664,900.00	Tax Credit, Section 236	General	51	n/a	100%
Melton's Run	Carroll County	\$1,380,000.00	Tax Credit	General	48	94%	100%
Mercer Place	Lancaster County	\$1,300,000.00	Conventional	General	16	100%	100%
Meridian at Watermark I	Chesterfield County	\$22,750,000.00	Conventional	General	204	90%	100%
Meridian at Watermark II	Chesterfield County	\$10,500,000.00	Mixed Income Only	General	96	78%	100%
Meridian Parkside	Newport News City	\$36,230,000.00	Conventional	General	308	91%	100%
Mews on Little High Street	Charlottesville City	\$2,225,000.00	Tax Credit	Supportive	40	98%	100%
Midtown at City View	Virginia Beach City	\$28,520,500.00	Conventional	General	196	94%	100%
Midway Manor	Charlottesville City	\$3,035,502.00	Section 8	Elderly	98	97%	100%
Mill Creek Arts Building	Galax City	\$300,000.00	MUMI (2)	General	5	80%	100%
Mill Park Terrace	Fredericksburg City	\$4,816,346.00	Tax Credit, Section 8	Elderly	129	97%	100%
Mill Trace I	Hanover County	\$11,900,000.00	Conventional	General	144	99%	100%
Mill Trace II	Hanover County	\$7,400,000.00	Conventional	General	96	99%	100%
Millsap Lane	Washington County	\$445,000.00	Conventional	General	8	0%	100%
Minerva Fisher Hall Group Home	Fairfax County	\$437,157.00	Section 8	Supportive	12	100%	100%
MKD Investments	Richmond City	\$750,000.00	Conventional	General	20	n/a	100%
Moffett Manor	Fauquier County	\$5,000,000.00	Tax Credit	Elderly	98	98%	100%
Monmouth Woods I	King George County	\$3,765,000.00	Tax Credit	General	120	87%	100%
Monmouth Woods II	King George County	\$1,090,000.00	Tax Credit	General	32	84%	100%
Monterey	Hampton City	\$750,000.00	Tax Credit	General	40	85%	100%
Monterey	Arlington County	\$7,830,000.00	Tax Credit	General	109	95%	100%
Montgomery Square (7)	Portsmouth City	\$13,250,000.00	MUMI (2)	General	69	96%	100%
Monticello Vista	Charlottesville City	\$1,825,000.00	Tax Credit	Supportive	50	94%	100%
Morningside	Richmond City	\$12,150,000.00	Tax Credit	General	392	92%	100%
Mosby Heights	Harrisonburg City	\$1,950,000.00	Tax Credit	General	112	99%	100%
Mount Vernon Gardens	Fairfax County	\$1,262,000.00	Conventional	General	34	91%	100%
Mount Vernon Village	Fairfax County	\$341,100.00	Conventional	Supportive	3	100%	100%
Mountain Crest	Bath County	\$830,000.00	Tax Credit	Elderly	28	86%	100%
Mountain Oaks	Warren County	\$3,538,000.00	Tax Credit	General	82	95%	100%
Mountain Run	Culpeper County	\$750,000.00	Tax Credit, RD515	Elderly	50	98%	100%
Mountain View	Waynesboro City	\$2,600,000.00	Conventional	General	129	69%	100%
Mountainside Senior Living	Albemarle County	\$700,000.00	Conventional	Elderly	110	n/a	100%
New Manchester Flats I	Richmond City	\$5,360,000.00	Conventional	General	57	81%	100%
New Manchester Flats III	Richmond City	\$1,250,000.00	MUMI (2)	General	33	n/a	100%
New Manchester Flats IV	Richmond City	\$6,500,000.00	Conventional	General	71	82%	100%
New Manchester Flats IX	Richmond City	\$1,300,000.00	Tax Credit	General	41	98%	100%
Newbridge Village	Henrico County	\$5,000,000.00	Tax Credit	General	152	99%	100%
Newman Village	Richmond City	\$3,150,589.00	Tax Credit, Section 236	General	99	98%	100%

Newport Commons	Newport News City	\$8,865,000.00	Conventional	General	272	94%	100%
Newport News Transition T/C	Newport News City	\$256,311.00	Section 8	Supportive	12	50%	100%
Newport Village	Franklin City	\$270,000.00	Tax Credit, RD515	General	48	98%	100%
Noah III	Virginia Beach City	\$1,105,000.00	Conventional	Supportive	9	100%	100%
Noah IV	Virginia Beach City	\$885,000.00	Conventional	Supportive	7	86%	100%
Nokesville Road Transitional	Manassas City	\$200,000.00	Conventional	Supportive	6	n/a	100%
Norcroft	Richmond City	\$3,275,000.00	Tax Credit	Elderly	108	89%	100%
North County	Fairfax County	\$255,000.00	Conventional	General	4	25%	100%
North Jefferson Square (3)	Newport News City	\$2,747,654.00	Section 8	General	100	99%	100%
North Oak	Richmond City	\$5,200,000.00	Tax Credit	General	144	97%	100%
North Pointe	Pittsylvania County	\$4,500,000.00	Tax Credit	General	168	96%	100%
North Shore Gardens	Norfolk City	\$4,490,000.00	Conventional	General	212	96%	100%
Northview	Salem City	\$3,565,000.00	Conventional	General	132	95%	100%
Northview Gardens	Henry County	\$1,312,000.00	Tax Credit, Section 236	General	100	n/a	100%
Northway	Galax City	\$1,675,000.00	Tax Credit, Section 236	General	72	93%	100%
Northwinds	Wythe County	\$3,198,751.00	Section 8	General	144	98%	100%
Norton Green	Norton City	\$311,000.00	Tax Credit, RD515	Elderly	40	92%	100%
Nottoway River Commons	Sussex County	\$1,045,000.00	Tax Credit, RD515	General	44	95%	100%
Oak Creek	Fairfax County	\$3,787,633.00	Tax Credit, Section 8	General	46	100%	100%
Oak Park	Norfolk City	\$1,085,000.00	Tax Credit	General	40	100%	100%
Oakdale Square	Chesapeake City	\$710,000.00	Tax Credit	General	40	98%	100%
Oakland Village	Henrico County	\$4,292,192.00	Tax Credit, Section 236	General	100	96%	100%
Oaks	Prince William County	\$2,600,000.00	Tax Credit	Elderly	58	97%	100%
Oaks I	Fauquier County	\$4,280,000.00	Tax Credit	Elderly	96	98%	100%
Oaks II	Fauquier County	\$750,000.00	Tax Credit	Elderly	15	100%	100%
Oaks of Dunlop	Colonial Heights City	\$9,346,448.15	Tax Credit	General	144	99%	100%
Oaks of Wellington	Manassas City	\$11,598,192.00	Tax Credit	Elderly	131	99%	100%
Oaks of Woodlawn	Fairfax County	\$9,946,900.00	Conventional	General	175	95%	100%
Ocean Trace	Virginia Beach City	\$1,425,000.00	Conventional	General	12	n/a	100%
Odyssey	Arlington County	\$1,600,000.00	Conventional	General	21	90%	100%
Old Bridge	Henrico County	\$8,700,000.00	Conventional	General	222	97%	100%
Old Manchester Plaza I (3)	Richmond City	\$2,520,000.00	Tax Credit	General	46	89%	100%
Old Manchester Plaza II	Richmond City	\$950,000.00	MUMI (2)	General	4	100%	100%
Old Manchester Plaza III	Richmond City	\$300,000.00	MUMI (2)	General	0	n/a	100%
Old Mill Townhomes	Lynchburg City	\$5,049,000.00	Conventional	General	156	96%	100%
Old Stone Row	Richmond City	\$9,000,000.00	Conventional	General	96	94%	100%
Old Virginia Beach Road	Virginia Beach City	\$575,000.00	Conventional	General	12	92%	100%
Olde Towne West III	Alexandria City	\$4,695,161.00	Section 8	General	75	97%	100%
Olney Villas	Norfolk City	\$439,200.00	Conventional	General	9	100%	100%
Omni Park Place	Hanover County	\$2,800,000.00	Tax Credit	Elderly	60	98%	100%
Orchard Grove	Giles County	\$360,000.00	Tax Credit	General	30	93%	100%

Orchard Landing	Prince William County	\$18,150,000.00	Tax Credit	General	184	97%	100%
Orchard Mills	Prince William County	\$23,000,000.00	Tax Credit	General	280	99%	100%
Orchards	Suffolk City	\$6,400,000.00	Tax Credit	Elderly	136	100%	100%
Orrington Court	Fairfax County	\$550,000.00	Conventional	General	25	96%	100%
Osage House	Petersburg City	\$388,191.00	Section 8	Supportive	12	83%	100%
Overlook	Montgomery County	\$1,780,000.00	Conventional	General	60	48%	100%
Overlook at Brook Run I	Henrico County	\$7,900,000.00	Tax Credit	General	156	97%	100%
Overlook at Brook Run II	Henrico County	\$6,700,000.00	Tax Credit	General	126	97%	100%
Oxford Square	Tazewell County	\$696,300.00	Tax Credit, RD515	General	87	97%	100%
Palace Court I	Martinsville City	\$150,000.00	Conventional	General	6	83%	100%
Palace Court II	Martinsville City	\$386,000.00	Conventional	General	15	100%	100%
Parc Crest at Poplar Forest	Prince Edward County	\$900,000.00	Tax Credit	Elderly	44	95%	100%
Parc Rosslyn	Arlington County	\$49,300,000.00	Tax Credit	General	238	95%	100%
ParcView	Alexandria City	\$15,250,000.00	Tax Credit	General	149	95%	100%
Parham Park Place I	Henrico County	\$3,844,000.00	Tax Credit	Elderly	86	99%	100%
Parham Park Place II	Henrico County	\$2,700,000.00	Tax Credit	Elderly	51	96%	100%
Park at Ridgedale	Chesterfield County	\$6,700,000.00	Tax Credit	Elderly	120	98%	100%
Park Place	Manassas Park City	\$12,285,000.00	Tax Credit	Elderly	148	94%	100%
Park Ridge I	Stafford County	\$6,150,000.00	Tax Credit	General	94	99%	100%
Park Street Square	Roanoke City	\$550,000.00	Tax Credit	General	25	88%	100%
Park Terrace	Norfolk City	\$1,631,606.00	Section 8	General	81	96%	100%
Park's Edge	Albemarle County	\$3,800,000.00	Tax Credit	General	96	97%	100%
Parkview Gardens	Prince Edward County	\$2,050,000.00	Tax Credit	General	80	98%	100%
Parkwood	Fairfax County	\$10,300,000.00	Tax Credit	General	221	100%	100%
Pathway Homes	Fairfax County	\$306,019.00	Conventional	Supportive	28	n/a	100%
Pathway Homes	Fairfax County	\$316,512.00	Conventional	Supportive	9	n/a	100%
Patrick Henry Lofts	Roanoke City	\$9,500,000.00	Conventional	General	133	98%	100%
Patrick Henry Place	Louisa County	\$240,000.00	Conventional	General	4	100%	100%
Patterson Place	Richmond City	\$1,220,000.00	Conventional	General	24	96%	100%
Penderbrook	Fairfax County	\$770,000.00	Conventional	General	48	94%	100%
Pendleton Park	Alexandria City	\$2,500,000.00	Tax Credit	General	24	96%	100%
Perry Shores	Virginia Beach City	\$889,295.00	Conventional	Supportive	32	100%	100%
Perry Street Lofts	Petersburg City	\$11,970,000.00	Conventional	General	147	59%	100%
Peter's Creek I (3)	Roanoke County	\$3,140,000.00	Tax Credit	General	120	89%	100%
Peter's Creek II	Roanoke County	\$1,550,000.00	Tax Credit	General	48	85%	100%
Peter's Creek III	Roanoke County	\$930,500.00	Tax Credit	General	24	96%	100%
Phoenix Village I	Newport News City	\$670,000.00	Conventional	Elderly	17	88%	100%
Pilkington	Richmond City	\$670,000.00	Conventional	Supportive	34	n/a	100%
Pilot House (9)	Newport News City	\$4,260,000.00	Tax Credit	General	0	95%	100%
Pine and Ninth Street	Charlottesville City	\$652,000.00	Conventional	Supportive	8	100%	100%
Pine Street North	Charlottesville City	\$504,000.00	Conventional	Supportive	6	83%	100%

Pinecrest	Brunswick County	\$2,125,000.00	Tax Credit	General	70	99%	100%
Pines	Spotsylvania County	\$648,000.00	Tax Credit, RD515	General	46	98%	100%
Pinetree	Petersburg City	\$4,100,000.00	Tax Credit	General	144	93%	100%
Pinewood Gardens	Norfolk City	\$17,960,000.00	Conventional	General	763	96%	100%
Pipers Landing	Virginia Beach City	\$7,258,000.00	Conventional	General	153	92%	100%
Pirates Cove	Norfolk City	\$398,000.00	Conventional	General	24	88%	100%
Place One	Henrico County	\$6,050,000.00	Tax Credit, Section 8	General	114	99%	100%
Plumer	Wythe County	\$625,000.00	Conventional	General	13	85%	100%
Poplar Forest	Prince Edward County	\$3,904,664.00	Conventional	General	66	76%	100%
Potomac Station	Loudoun County	\$10,300,000.00	Tax Credit	General	152	97%	100%
Powell Valley Village	Lee County	\$700,000.00	Tax Credit, RD515	General	34	97%	100%
Princeton Woods	Prince William County	\$15,650,000.00	Tax Credit	General	276	94%	100%
Progress Street Center	Fredericksburg City	\$735,000.00	Conventional	Supportive	6	n/a	100%
Pulaski Village	Pulaski County	\$710,000.00	Tax Credit, RD515	Elderly	44	100%	100%
Quaker Hill	Alexandria City	\$3,182,000.00	Tax Credit	General	60	97%	100%
Quarry Station	Manassas City	\$2,725,000.00	Tax Credit	Elderly	79	95%	100%
Quarter Mill	Henrico County	\$14,700,000.00	Tax Credit	General	266	88%	100%
Quarterpath Place	Williamsburg City	\$3,617,500.00	Conventional	General	54	93%	100%
Quebec	Arlington County	\$19,800,000.00	Tax Credit	General	172	99%	100%
R. C. Apartments	Richmond City	\$786,000.00	MUMI (2)	General	7	0%	100%
Radford Fitness Center	Radford City	\$525,000.00	MUMI (2)	General	11	n/a	100%
Rappahannock	Essex County	\$228,000.00	Tax Credit, RD515	General	30	97%	100%
Rebecca's Haven	Hampton City	\$190,000.00	Conventional	Supportive	1	n/a	100%
Reese Village	Emporia City	\$286,000.00	Tax Credit, RD515	General	40	100%	100%
Reflections Senior Living (3)	Henrico County	\$2,825,000.00	Tax Credit	Elderly	104	100%	100%
Regency at Longhill I	James City County	\$6,500,000.00	Conventional	General	124	95%	100%
Regency at Longhill II	James City County	\$6,500,000.00	Conventional	General	100	95%	100%
Remuda Crossing	Chesterfield County	\$1,650,000.00	Conventional	General	50	78%	100%
Renaissance	Richmond City	\$10,214,000.00	Tax Credit, Section 8	Elderly	240	98%	100%
Reserve at Deer Run	Newport News City	\$7,335,000.00	Conventional	General	232	97%	100%
Reston Herndon II	Fairfax County	\$339,300.00	Conventional	General	3	100%	100%
Reston Herndon III	Fairfax County	\$450,000.00	Conventional	General	3	100%	100%
Reston Herndon Townhouses	Fairfax County	\$310,000.00	Conventional	General	4	50%	100%
Richmond Dairy	Richmond City	\$4,400,000.00	Tax Credit	General	113	93%	100%
Ridge I	Shenandoah County	\$890,000.00	Tax Credit	General	38	100%	100%
Ridge II	Shenandoah County	\$950,000.00	Tax Credit	General	38	100%	100%
Ridge III	Shenandoah County	\$865,000.00	Tax Credit	General	24	100%	100%
Ridge Run Group Home	Chesterfield County	\$80,000.00	Conventional	Supportive	4	n/a	100%
Ridgecrest Town	Bristol City	\$2,550,000.00	Tax Credit	General	72	96%	100%
RIHC	Fairfax County	\$245,000.00	Conventional	General	3	100%	100%
Rio Hill	Albemarle County	\$4,650,000.00	Tax Credit	General	139	95%	100%



Rivanna Terrace	Charlottesville City	\$1,550,000.00	Conventional	General	48	98%	100%
River House	Roanoke City	\$11,275,000.00	MUMI (2)	General	128	99%	100%
River Run I	Prince William County	\$11,500,000.00	Tax Credit	Elderly	200	94%	100%
River Run II	Prince William County	\$6,308,000.00	Tax Credit	Elderly	100	96%	100%
River Street Lofts	Petersburg City	\$1,200,000.00	MUMI (2)	General	8	75%	100%
River Trace	Newport News City	\$1,000,000.00	Tax Credit	General	56	93%	100%
Riverbend	Radford City	\$1,432,698.00	Section 8	General	60	98%	100%
Riverlands II	Newport News City	\$8,200,000.00	Conventional	General	228	98%	100%
Rivermeade II	York County	\$290,000.00	Tax Credit, RD515	General	32	94%	100%
Riverpoint	Norfolk City	\$9,959,228.17	Tax Credit	General	220	97%	100%
Rivers	Chesapeake City	\$2,490,000.00	Tax Credit, RD515	General	240	95%	100%
Riverside Manor	Fredericksburg City	\$14,500,000.00	Conventional	General	188	97%	100%
Riverside Park	Hopewell City	\$3,515,000.00	Conventional	General	120	93%	100%
Riverview	Colonial Heights City	\$4,575,000.00	Tax Credit	General	88	97%	100%
Riverwoods	Prince William County	\$12,700,000.00	Tax Credit	General	156	97%	100%
Rockwood Park	Chesterfield County	\$8,668,166.00	Conventional	General	132	99%	100%
Rolling Meadows I	James City County	\$5,050,000.00	Tax Credit	General	144	98%	100%
Rolling Meadows II	James City County	\$2,100,000.00	Tax Credit	General	56	96%	100%
Rose Hall II	Virginia Beach City	\$3,825,000.00	Conventional	General	152	80%	100%
Rosedale	Norfolk City	\$1,300,000.00	Conventional	General	32	97%	100%
Royal Arms	Warren County	\$3,550,000.00	Tax Credit, Section 236	General	144	97%	100%
Royal Oaks	Norfolk City	\$3,900,000.00	Conventional	General	114	97%	100%
Ruffin's Pond House	Spotsylvania County	\$200,000.00	conventional	Supportive	5	n/a	100%
Rutledge Hills	Amherst County	\$540,000.00	Tax Credit, RD515	General	48	98%	100%
S Street	Fairfax County	\$251,500.00	Conventional	General	3	100%	100%
Sacramento Square	Fairfax County	\$17,400,000.00	Conventional	General	216	95%	100%
Salem Commons	Salem City	\$3,500,000.00	Tax Credit	General	98	86%	100%
Salem Fields	Spotsylvania County	\$9,200,000.00	Tax Credit	General	139	92%	100%
Salem Run I	Spotsylvania County	\$5,505,000.00	Tax Credit	General	160	92%	100%
Salem Run II	Spotsylvania County	\$4,010,000.00	Tax Credit	General	108	86%	100%
Sandston Woods	Henrico County	\$1,457,000.00	Tax Credit, RD515	General	64	91%	100%
Sanger Place	Fairfax County	\$14,195,000.00	Tax Credit	General	182	99%	100%
Sapling Grove	Bristol City	\$450,000.00	Tax Credit	General	26	100%	100%
Scottsville School	Albemarle County	\$1,430,000.00	Tax Credit	Elderly	34	100%	100%
Sea Pines	Virginia Beach City	\$3,600,000.00	Tax Credit	General	96	n/a	100%
SERVE Family Shelter	Manassas City	\$1,800,000.00	Conventional	Supportive	56	n/a	100%
Shell Gardens	Hampton City	\$750,000.00	Tax Credit	General	48	92%	100%
Shelton	Arlington County	\$9,000,000.00	MUMI (2)	General	94	98%	100%
Shenandoah Commons	Warren County	\$3,900,000.00	Tax Credit	General	119	97%	100%
Shenandoah Commons	Shenandoah County	\$750,000.00	Tax Credit	Elderly	38	100%	100%
Shenandoah Station	Prince William County	\$6,675,000.00	Tax Credit	General	172	97%	100%

Shepherd House II	Prince William County	\$110,000.00	Conventional	Supportive	5	n/a	100%
Shockoe Hill Elderly I	Richmond City	\$4,574,347.41	Tax Credit, Section 8	Elderly	113	98%	100%
Shockoe Hill III	Richmond City	\$354,108.00	Conventional	Elderly	12	75%	100%
Signal Hill	Manassas City	\$2,175,000.00	Tax Credit	General	36	97%	100%
Sky Terrace	Stafford County	\$14,000,000.00	Tax Credit	General	187	98%	100%
Soldiers Ridge	Prince William County	\$8,805,000.00	Tax Credit	General	124	99%	100%
Somerset at Town Center	Hampton City	\$9,000,000.00	Tax Credit	Elderly	151	99%	100%
Somerset Pointe I	Prince William County	\$10,800,000.00	Tax Credit	General	172	98%	100%
Somerset Pointe II	Prince William County	\$5,900,000.00	Tax Credit	General	104	98%	100%
Sommerset House	Loudoun County	\$6,975,000.00	Conventional	Elderly	102	71%	100%
South Gate	Richmond City	\$3,455,000.00	Tax Credit	General	112	96%	100%
South Knight	Fairfax County	\$307,000.00	Conventional	General	3	67%	100%
Southpointe Landing	Chesterfield County	\$6,275,000.00	Tax Credit	General	192	98%	100%
Southridge	Wythe County	\$213,704.00	Tax Credit	General	20	95%	100%
Southside Gardens	Portsmouth City	\$6,880,000.00	Tax Credit, Section 8	General	134	96%	100%
SouthWind	Norfolk City	\$5,600,000.00	Tax Credit	General	120	99%	100%
Spicer's Mill	Orange County	\$314,000.00	Tax Credit, RD515	General	40	98%	100%
Spring Creek	Norfolk City	\$1,850,000.00	Conventional	General	62	95%	100%
Springbrook Place	Rockingham County	\$750,000.00	Tax Credit	Elderly	38	97%	100%
Springfield Crossing	Fairfax County	\$27,200,000.00	Tax Credit	General	347	99%	100%
Springfield East	Henrico County	\$7,825,816.23	Conventional	General	112	94%	100%
Spruce Village	Martinsville City	\$2,805,715.00	Section 8	Elderly	101	98%	100%
St. Andrews	Richmond City	\$414,061.00	Tax Credit	General	22	86%	100%
St. Croix	Virginia Beach City	\$12,980,000.00	Conventional	General	160	93%	100%
St. James Street	Petersburg City	\$172,800.00	Conventional	General	6	100%	100%
St. Regis and Elaine Court	Newport News City	\$950,000.00	Conventional	General	30	100%	100%
Stafford Lakes	Stafford County	\$5,850,000.00	Tax Credit	General	150	95%	100%
Station at Norge	James City County	\$4,100,000.00	Tax Credit	General	104	95%	100%
Station at Potomac Yard	Alexandria City	\$8,350,000.00	MUMI (2)	General	65	94%	100%
Stella Court Group Home	Chesterfield County	\$95,810.00	Section 8	Supportive	5	80%	100%
Stepping Stone	Roanoke City	\$500,000.00	Tax Credit	General	30	97%	100%
Stevens Woods	Southampton County	\$1,745,000.00	Tax Credit, RD515	General	60	98%	100%
Stevens-Varnum House	Nelson County	\$375,000.00	Conventional	Supportive	7	n/a	100%
Stonebriar	Wise County	\$350,000.00	Tax Credit	Elderly	24	83%	100%
Stonegate	Stafford County	\$10,576,000.00	Tax Credit	General	180	97%	100%
Stonegate	Lee County	\$296,380.00	Tax Credit, RD515	General	36	92%	100%
Stratford-Bethany Springs	Richmond City	\$15,000,000.00	Conventional	General	430	90%	100%
Strawbridge Square	Fairfax County	\$10,500,000.00	Tax Credit	General	128	99%	100%
Sumler Terrace	Norfolk City	\$2,643,626.00	Section 8	General	126	98%	100%
Summerdale	Henrico County	\$8,310,000.00	Tax Credit	General	124	93%	100%
Summerland Heights I	Prince William County	\$10,476,000.00	Tax Credit	General	206	98%	100%

Summerland Heights II	Prince William County	\$5,800,000.00	Tax Credit	General	112	98%	100%
Summit Oaks	Fairfax County	\$4,227,881.00	Tax Credit, Section 8	General	50	100%	100%
Sunhouse M/R	Bristol City	\$305,842.00	Section 8	Supportive	12	92%	100%
Sunnyside Village I	Northampton County	\$88,000.00	Conventional	General	16	100%	100%
Surf Rider	Norfolk City	\$650,000.00	Conventional	General	32	78%	100%
Surry Village I	Surry County	\$700,000.00	Tax Credit	General	48	98%	100%
Swansboro	Richmond City	\$1,600,000.00	Tax Credit	General	62	97%	100%
Sweetbriar	Washington County	\$517,045.00	Tax Credit	General	20	95%	100%
Tarrytown	Newport News City	\$2,500,000.00	Conventional	General	104	94%	100%
Taylor Bend	Chesapeake City	\$3,200,000.00	Conventional	General	30	87%	100%
Tazewell Square	Tazewell County	\$307,000.00	Tax Credit, RD515	General	56	91%	100%
Tenant's Choice IX	Roanoke City	\$120,000.00	Conventional	General	3	100%	100%
Tenant's Choice V	Roanoke City	\$114,000.00	Conventional	General	3	100%	100%
Tenant's Choice VI	Roanoke City	\$120,000.00	Conventional	General	3	100%	100%
Tenant's Choice VII	Roanoke City	\$120,000.00	Conventional	General	3	100%	100%
Tenant's Choice VIII	Roanoke City	\$140,000.00	Conventional	General	4	100%	100%
Terrace North	Roanoke City	\$1,870,000.00	Tax Credit	General	78	99%	100%
Terrace South	Roanoke City	\$2,735,000.00	Tax Credit	General	109	93%	100%
Terrace View	Colonial Heights City	\$2,520,000.00	Tax Credit	General	62	94%	100%
Thalia Landing	Virginia Beach City	\$5,100,000.00	Tax Credit	General	154	95%	100%
The Independence (7)	Albemarle County	\$17,912,000.00	Conventional	Elderly	92	68%	100%
Tiffanie's Manor	Richmond City	\$100,000.00	Conventional	Supportive	140	n/a	100%
Timber Ridge	Spotsylvania County	\$8,000,000.00	Tax Credit	General	147	97%	100%
Timbers	Norfolk City	\$5,500,000.00	Conventional	General	104	89%	100%
Tobacco Landing	Richmond City	\$1,000,000.00	Tax Credit	General	62	94%	100%
Tomcliff I	Richmond City	\$940,000.00	Conventional	General	8	88%	100%
Tomcliff II	Richmond City	\$950,000.00	Conventional	General	8	100%	100%
Tomcliff III	Richmond City	\$925,000.00	Conventional	General	6	100%	100%
Tomcliff IV	Richmond City	\$945,000.00	Conventional	General	6	100%	100%
Tomcliff V	Richmond City	\$950,000.00	Conventional	General	6	100%	100%
Tomcliff VI	Richmond City	\$1,220,000.00	Conventional	General	7	100%	100%
Totty Place	Chesterfield County	\$180,047.00	Conventional	Supportive	22	n/a	100%
Towne Square	Prince William County	\$1,000,000.00	Tax Credit	General	135	100%	100%
Townhomes of Oakleys	Henrico County	\$6,660,000.00	Tax Credit	General	160	86%	100%
Treemont	Buena Vista City	\$1,526,564.00	Tax Credit	General	60	97%	100%
Treesdale Park	Albemarle County	\$3,620,000.00	Tax Credit	General	88	97%	100%
Trevilian Square (7)	Louisa County	\$1,680,000.00	Conventional	General	28	96%	100%
Twin Canal Village	Virginia Beach City	\$12,208,311.00	Tax Credit, Section 8	General	300	99%	100%
Tysons Landing	Fairfax County	\$1,500,000.00	Tax Credit	General	40	100%	100%
Tysons Towers	Fairfax County	\$7,231,574.74	Section 236	Elderly	274	98%	100%
University Heights	Albemarle County	\$25,700,000.00	Conventional	General	426	96%	100%

University Suites at Port Warwick	Newport News City	\$11,500,000.00	Conventional	General	100	97%	100%
Valley View	Rockbridge County	\$1,698,129.00	Section 8	General	64	78%	100%
Valley View Retirement Community	Lynchburg City	\$7,326,700.00	Conventional	Elderly	109	95%	100%
Valley View Seniors	Staunton City	\$1,865,000.00	Tax Credit	Elderly	71	99%	100%
Valley Vista	Shenandoah County	\$2,129,100.00	Tax Credit	General	85	92%	100%
Victoria Place	Virginia Beach City	\$3,625,000.00	Tax Credit	Elderly	122	98%	100%
Victory Village	Portsmouth City	\$3,950,000.00	Tax Credit	General	112	98%	100%
Villages at Garst Creek	Roanoke County	\$20,450,000.00	Tax Credit	General	504	90%	100%
Virginia Hills	Bristol City	\$867,000.00	Conventional	General	20	100%	100%
Virnit Court	Charlottesville City	\$765,000.00	Tax Credit	General	16	100%	100%
vPoint Clarendon	Arlington County	\$14,500,000.00	Tax Credit	General	116	98%	100%
Waddell Estates	Smyth County	\$605,000.00	Conventional	General	22	100%	100%
Washington Columns	Petersburg City	\$400,000.00	Tax Credit	Elderly	26	100%	100%
Washington Square	Emporia City	\$201,300.00	Tax Credit, RD515	General	24	92%	100%
Waterford Pointe	Hampton City	\$5,200,000.00	Tax Credit	General	120	78%	100%
Waverton Impressions I	Newport News City	\$16,375,000.00	Conventional	General	180	72%	100%
Waverton Impressions II	Newport News City	\$8,340,000.00	Conventional	General	102	51%	100%
Waverton Impressions III	Newport News City	\$10,000,000.00	Conventional	General	132	80%	100%
Waverton Place	Chesapeake City	\$13,870,180.00	Tax Credit	General	304	98%	100%
Waverton Place at Ashton Green	Newport News City	\$9,540,000.00	Tax Credit	General	228	86%	100%
Waypoint at City Center	Newport News City	\$25,464,000.00	Conventional	General	396	94%	100%
Waypoint at Hampton	Hampton City	\$10,578,929.00	Conventional	General	210	95%	100%
Waypoint at Hiddenwood	Newport News City	\$5,517,684.00	Conventional	General	104	97%	100%
Waypoint at Uptown	Newport News City	\$4,675,000.00	Conventional	General	140	92%	100%
Wellington Place	Henrico County	\$5,400,000.00	Conventional	General	200	94%	100%
Wesley	Lynchburg City	\$4,100,000.00	Conventional	Elderly	150	97%	100%
Wesleyan Place	Virginia Beach City	\$3,700,000.00	Tax Credit	General,	91	99%	100%
West Creek (7)	Roanoke City	\$3,369,000.00	Conventional	General	197	95%	100%
West Main Street Townhouses	Pulaski County	\$550,000.00	Conventional	General	13	n/a	100%
Westbriar	Henrico County	\$274,500.00	Conventional	Supportive	4	n/a	100%
Westbridge Commons	Chesapeake City	\$1,530,000.00	Tax Credit	General	60	98%	100%
Westminster Oaks	Fairfax County	\$5,500,000.00	Tax Credit	General	50	98%	100%
Westover Commons	Petersburg City	\$2,495,000.00	Tax Credit	General	84	92%	100%
Westover Station	Newport News City	\$3,455,000.00	Tax Credit	General	108	97%	100%
Westside Village	Halifax County	\$1,561,567.00	Section 8	General	70	96%	100%
Westwinds I and II	Portsmouth City	\$14,850,000.00	Conventional	General	328	93%	100%
Westwinds III	Portsmouth City	\$3,815,000.00	Conventional	General	80	99%	100%
Westwood Village	Roanoke City	\$3,694,271.00	Tax Credit, Section 8	General	113	94%	100%
Wexford Manor	Fairfax County	\$3,300,000.00	Tax Credit	General	74	93%	100%
Wheatland	Franklin County	\$656,000.00	Conventional	General	11	91%	100%
Whispering Oaks	Portsmouth City	\$6,400,000.00	Tax Credit	General	180	98%	100%

White's Mill Point	Washington County	\$500,000.00	Tax Credit	General	32	100%	100%
William Byrd	Richmond City	\$3,982,000.00	Tax Credit	Elderly	107	94%	100%
Willow View Townhomes (3)	Staunton City	\$3,349,427.00	Tax Credit, Section 8	General	110	96%	100%
Wilsondale Mixed-Use	Hampton City	\$6,610,000.00	MUMI (2)	General	60	90%	100%
Wilsondale Work Force	Hampton City	\$7,050,151.00	Tax Credit	General	150	91%	100%
Wilton Farm	Albemarle County	\$11,966,000.00	Tax Credit	General	144	88%	100%
Winchester House	Winchester City	\$2,044,155.00	Section 8	Elderly	80	100%	100%
Windham Hills	Petersburg City	\$2,010,000.00	Tax Credit	General	72	85%	100%
Windsor Court I	Isle of Wight County	\$387,000.00	Tax Credit, RD515	General	40	100%	100%
Wingler House I	Loudoun County	\$5,521,000.00	Conventional	Elderly	132	94%	100%
Wingler House II	Loudoun County	\$7,900,000.00	Conventional	Elderly	132	94%	100%
Wings House	Fairfax County	\$250,000.00	Conventional	Supportive	6	50%	100%
Woodbridge	Prince William County	\$300,000.00	Conventional	Supportive	4	50%	100%
Woodbridge	Chesapeake City	\$6,450,000.00	Tax Credit	General	152	99%	100%
Woodburn Village I	Prince William County	\$6,660,780.00	Tax Credit	General	144	99%	100%
Woodland Crossing	Richmond City	\$4,350,000.00	Tax Credit, Section 236	General	132	95%	100%
Woodridge	Roanoke City	\$1,200,000.00	Tax Credit	General	96	99%	100%
Woods at Victoria Park	Prince William County	\$2,450,000.00	Tax Credit	Elderly	48	98%	100%
Woods at Yorktown (3)	York County	\$1,450,000.00	Tax Credit	General	118	87%	100%
Woods of Jefferson	Newport News City	\$3,330,000.00	Conventional	General	108	90%	100%
Woodside Village	Danville City	\$4,147,544.00	Tax Credit, Section 8	General	160	99%	100%
Woodview	Newport News City	\$14,315,000.00	Tax Credit	General	240	77%	100%
Wyndham Pointe	Prince William County	\$18,464,000.00	Tax Credit	General	194	96%	100%
Wythe Row	Petersburg City	\$400,000.00	Tax Credit	General	12	100%	100%
Yorktown Square I	York County	\$1,901,000.00	Tax Credit	General	56	96%	100%
Subtotals		<b>\$ 3,670,986,481</b>			<b>74,530</b>		

#### Developments that are financed by construction loans

700 Center	Richmond City	\$18,000,000.00	MUMI (2)	General	138	n/a	25%
908 Perry Street	Richmond City	\$4,300,000.00	Conventional	General	41	n/a	10%
Arlington Mill	Arlington County	\$10,110,000.00	Tax Credit	General	122	n/a	65%
Beaufont Oaks II	Richmond City	\$5,700,000.00	Conventional	General	128	94%	99%
Bradford Mews (5)	Isle of Wight County	\$8,675,000.00	Tax Credit	General	120	98%	100%
Denbigh Village (9)	Newport News City	\$22,500,000.00	Conventional	General	244	n/a	1%
Granby Street Lofts	Norfolk City	\$16,250,000.00	MUMI (2)	General	136	n/a	24%
Howard Manor	Arlington County	\$5,900,000.00	Tax Credit	General	76	96%	96%
Jefferson Mews	Richmond City	\$3,365,000.00	Tax Credit	General	56	0%	46%
Jefferson Street	Roanoke City	\$15,100,000.00	MUMI (2)	General	156	n/a	3%
Manchester Place	Richmond City	\$18,250,000.00	MUMI (2)	General	188	84%	100%
Meridian Bay	Prince William County	\$35,116,990.00	Conventional	General	274	69%	71%
Meridian Harbourview	Suffolk City	\$24,500,000.00	Conventional	General	224	n/a	25%

Mount Vernon House	Fairfax County	\$10,700,000.00	Tax Credit	Elderly	130	85%	68%
North Falls - Italianate, Brown	Richmond City	\$12,350,000.00	MUMI (2)	General	88	17%	100%
North Falls-White Byrd Building	Richmond City	\$11,250,000.00	MUMI (2)	General	86	21%	100%
Park View Place	Portsmouth City	\$16,350,000.00	Conventional	General	188	n/a	13%
Parkway Village I	Waynesboro City	\$2,266,000.00	Tax Credit, Section 8	General	66	91%	98%
Parkway Village II	Waynesboro City	\$2,271,000.00	Tax Credit, Section 8	General	60	92%	91%
Pavilion	Newport News City	\$2,130,000.00	Tax Credit	General	32	n/a	100%
Preston Place	Frederick County	\$16,400,000.00	Tax Credit	General	236	97%	100%
Residences at October	Suffolk City	\$1,800,000.00	Tax Credit	General	72	21%	91%
Round Hill Meadows	Orange County	\$2,650,000.00	Tax Credit	General	60	0%	64%
Round Hill Meadows Place	Orange County	\$3,420,000.00	MUMI (2)	General	40	n/a	15%
Shockoe Valley Views	Richmond City	\$11,800,000.00	Conventional	General	151	n/a	20%
Shorehaven Apartments	Prince William County	\$23,800,000.00	Tax Credit	General	240	n/a	67%
Spectrum	Richmond City	\$10,700,000.00	Conventional	General	103	n/a	0%
Towne Square	Prince William County	\$14,000,000.00	Tax Credit	General	135	100%	100%
Tuscany Townhomes	Richmond City	\$4,792,502.00	Tax Credit	General	132	n/a	70%
Washington Avenue	Newport News City	\$20,900,000.00	MUMI (2)	General	197	2%	95%
Woodland Hill	Arlington County	\$20,750,000.00	Tax Credit	Elderly	235	94%	1%
Yorktown Arch	York County	\$12,545,000.00	Conventional	General	92	n/a	2%
Subtotals		<b>\$ 388,641,492</b>			<b>4,246</b>		

**Developments for which loans have been committed but not initially closed**

1 West Jackson Street	Richmond City	\$4,275,000.00	MUMI (2)	General	54	n/a	n/a
28th Street	Richmond City	1,285,000	Tax Credit	General	39	n/a	n/a
Belle Summit	Richmond City	1,910,000	Tax Credit	General	50	n/a	n/a
Bettie S. Davis Village (9)	Suffolk City	2,250,000	Tax Credit	Elderly	60	n/a	n/a
Brookcreek Crossing	Midlothian	3,857,000	Conventional	General	70	n/a	n/a
Calvert Manor (9)	Arlington County	2,230,143	Tax Credit	General	23	n/a	n/a
Cedar Grove	Virginia Beach	1,177,000	Tax Credit	Supportive Hsg	32	n/a	n/a
Cedar Street II	Richmond City	11,800,000	Conventional	General	151	n/a	n/a
Cogbill Road Group Home (4)	Chesterfield County	260,000	Conventional	Supportive Hsg	5	n/a	n/a
Community Havens-Burke Road Home	Fairfax	943,000	Conventional	Supportive Hsg	6	n/a	n/a
Craigmont Manor	Augusta County	885,000	Conventional	General	44	n/a	n/a
Cromwell House (9)	Norfolk City	8,350,000	Tax Credit	Elderly	205	n/a	n/a
Deerfield Village II	Pulaski County	760,000	Conventional	General	11	n/a	n/a
Elkmont Manor	Rockingham County	650,000	Conventional	General	44	n/a	n/a
Emmanuel House	Newport News	320,000	Conventional	General	6	n/a	n/a
Exmore Village	Northhampton County	900,000	Tax Credit	General	36	n/a	n/a
Forest at Angelwood	King George County	310,000	Conventional	Supportive Hsg	6	n/a	n/a
Greenlakes (9)	Virginia Beach	1,721,383	Tax Credit	General	150	n/a	n/a
Grottoes Manor	Rockingham County	660,000	Tax Credit	General	46	n/a	n/a

Lakeside Manor	Rockbridge	470,000	Tax Credit	General	23	n/a	n/a
Meadows	Lynchburg	3,150,780	Conventional	General	66	n/a	n/a
Meridian Bay II	Prince William County	8,200,000	Conventional	General	274	n/a	n/a
Meridian Parkside	Newport News	700,000	Conventional	General	308	n/a	n/a
Monmouth Woods	King George County	10,015,000	Conventional	General	152	n/a	n/a
Narrows Town Offices	Giles County	750,000	Conventional	General	8	n/a	n/a
Pilot House (9) (5)	Newport News	8,575,000	Tax Credit	General	132	n/a	n/a
Ponce de Leon	Frederick County	7,300,000	Tax Credit	General	236	n/a	n/a
Rolling Meadows	James City County	14,325,000	Conventional	General	200	n/a	n/a
Rose Hall II (5)	Virginia Beach	1,000,000	Conventional	General	152	n/a	n/a
Savoy	Norfolk City	4,225,000	MUMI (2)	General	36	n/a	n/a
Willow Oaks	Halifax	2,805,830	Conventional	General	72	n/a	n/a
Woodrum Manor/Westview	Giles County	315,000	Tax Credit	General	26	n/a	n/a
Woods at Brambleton	Loudoun County	17,170,000	Tax Credit	General	202	n/a	n/a
Subtotals		<b>\$ 123,545,136</b>			<b>2,925</b>		
Grand Totals for All Developments		<b>\$ 4,183,173,109</b>			<b>81,701</b>		

### **Footnotes**

- (1) Principal amount was established at final closing or, if final closing has not yet been held, the amount shown represents the principal amount in the Authority's mortgage loan commitment.
- (2) Closed under the Authority's program for Economically Mixed developments, some of which have non-housing portions. MUMI stands for Mixed Use Mixed Income and is the short name for this program.
- (3) In addition to the principal amount shown here, additional principal amounts are financed by the Authority's General Fund. Such additional amounts are treated as a participation in the aggregate principal amount financed by the Authority.
- (4) Development has had final closing since September 30, 2013.
- (5) Development has had initial closing since September 30, 2013.
- (6) Development has been sold since September 30, 2013.
- (7) The Authority has acquired the Development by foreclosure or deed in lieu of foreclosure.
- (8) Occupancy data for Developments marked n/a is not available. The Authority does not typically collect occupancy data on Developments containing a small number of units or Developments financed by construction loans.
- (9) In addition to the principal amount shown here, additional principal amounts secure or are expected to secure Rental Housing Bonds. The number of units is listed here or elsewhere in this Appendix.
- (10) Loan on this Development was paid off since September 30, 2013.
- (11) Developments listed in this Appendix do not include the VHDA office building.
- (12) Section 8 is noted only if the Payments Contract is administered by the Authority. Developments may be assisted by Section 8 subsidies under Payment Contracts administered by other parties (such as Renewal Contracts) but are not noted as Section 8 since the Authority does not monitor the existence of any such Payment Contracts.

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## INFORMATION CONCERNING FEDERAL MULTI-FAMILY HOUSING PROGRAMS AND REQUIREMENTS

The following descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the statutes, regulations, agreements and contracts referred to herein, as from time to time amended. Neither the Act nor the bond resolutions obligate the Authority to qualify any development for federal housing mortgage insurance or housing assistance.

### FHA Insurance Program

Under the terms of the Section 221(d)(4) insurance program, a mortgagee is entitled to claim insurance benefits upon the failure of the mortgagor to make a mortgage payment (or to perform any other obligation under the mortgage if, because of such failure, the mortgagee accelerates the debt), if such default continues for 30 days. To perfect its claim for payment, the mortgagee is required either to assign the mortgage to FHA, acting through the Federal Housing Commissioner, or to tender to it good and marketable title to the property covered by the insured mortgage loan. Upon transfer of the property to FHA, mortgage insurance benefits will be paid in cash unless the mortgagee files a written request for payment in FHA debentures.

The insurance benefits paid by FHA will be an amount equal to the aggregate of (1) the unpaid principal amount of the mortgage, (2) the amount of all payments made by the mortgagee (i) for taxes, special assessments and water rates which are liens prior to the mortgage, (ii) for insurance on the property, and (iii) for any mortgage insurance premiums paid after default, (3) an allowance for reasonable payments made by the mortgagee with the approval of FHA for the completion and preservation of the property, and (4) an amount equivalent to FHA debenture interest covering the period of time from the date of default on the mortgage loan to the date the insurance settlement occurs. From the aggregate of the foregoing amounts is deducted the total of (1) any amount received by the mortgagee on account of the mortgage after the date of default, (2) any net income received by the mortgagee from the property covered by the mortgage after the date of default, and (3) the sum of (i) any cash held by the mortgagee for the account of the mortgagor and which shall not have been applied in reduction of the principal of the mortgage indebtedness, (ii) all funds held by the mortgagee for the account of the mortgagor received pursuant to any other agreement, and (iii) the amount of any undrawn balance under a letter of credit used in lieu of a cash deposit. If the mortgage is assigned to FHA in lieu of a conveyance of the property there shall also be deducted an amount equivalent to 1% of the outstanding mortgage balance, except that all or part of the 1% may be waived by FHA if, at its request and in lieu of foreclosure, the mortgage is assigned to FHA.

### Section 8 Programs

The Housing and Community Development Act of 1974 amended Section 8 of the United States Housing Act of 1937 so as to establish a federal assistance program which was a source of federal housing assistance for developments of the type which the Authority financed under its multi-family program.

HUD issued special regulations for state housing finance and development agencies (“HFAs”) such as the Authority. With respect to developments to be permanently financed by the Authority without federal mortgage insurance, the Section 8 regulations gave the Authority a high degree of program responsibility – e.g., selection of the developer (either by advertising or negotiation), approval of design and construction quality, site selection, economic feasibility and marketability. The description of the Section 8 program below in general relates to the long-term subsidy contracts originally entered into in connection with these developments. See “Renewal Contracts” below for a discussion of certain differences applicable to more recent Section 8 subsidy contracts.

#### *Subsidy Contracts*

Under Section 8, three principal contracts were executed. First, the HFA entered into an “Agreement to Enter Into Housing Assistance Payments Contract” with the mortgagor of the development to be constructed. This agreement (“Agreement to Enter”) was approved by HUD and, subject to certain conditions, committed the mortgagor and the HFA upon completion and acceptance of the development to enter into a Housing Assistance Payments Contract (“Payments Contract”) providing for the payment of the subsidy to or for the account of the mortgagor by the HFA.

At the same time that the Agreement to Enter was executed, the HFA and HUD executed an Annual Contributions Contract (“ACC”), which provides for the payment to the HFA by HUD of the subsidy to be paid by the HFA to the owner of the development pursuant to the terms of the Payments Contract. The subsidy contracts for mortgage loans other than FHA insured mortgage loans generally have original terms of 30 or 40 years. The subsidy contracts for FHA mortgage loans have original terms of 15, 20 or 30 years. See “Federal Programs and Requirements” in “The Multi-Family Program” for certain information regarding the expiration of such subsidy contracts. See “Renewal Contracts” below.

#### *Initial Amount of Subsidy*

Section 8 subsidies received by the HFA are based upon the “Contract Rent” applicable to specified dwelling units. The Contract Rent was initially based on the “fair market rent” for the dwelling unit, which is determined by HUD periodically with

respect to each locality. Contract Rent was permitted to be initially established at an amount up to 120% of the fair market rent. Contract Rent over 100% of the fair market rent required HUD approval upon a showing of special circumstances.

The amount of the subsidy actually payable to the Authority for the account of the mortgagor is the Contract Rent less the payment made to the mortgagor by the tenant. The proportion of the Contract Rent paid by HUD and that paid by tenants will vary from month to month depending upon tenant income. The method of computation of the tenant's payment is determined by HUD regulation and is subject to change. Subject to certain exceptions for the elderly, disabled, and low-income wage earners, each tenant is required to pay a minimum rent of \$25 per month.

The maximum amount of money available annually for subsidy payments under an ACC was established at an amount equal to the annual initial Contract Rents for assisted units in the development. If the amount actually disbursed under the ACC in any given year was less than the total available amount, the excess (initially an amount approximately equal to the portion of the contract rents payable by the tenants) was set aside by HUD in an account for the particular development so as to be available for future years to fund increases in contract rents for the development to the extent they exceed the amount otherwise available under the ACC (see "Funding of Increase in Subsidy" below).

#### *Tenants Eligible for Housing Assistance Payments*

A tenant eligible for housing assistance payments ("Eligible Tenant") is a family, including an elderly, disabled or displaced person, whose income, as determined in accordance with the Section 8 regulations, does not exceed income limits promulgated by HUD for the area and who meets certain other conditions specified in the regulations. The Section 8 income limit is, in general, 80% of median income for the area, as determined by HUD. However, under the Housing and Community Development Amendments of 1981, no more than 25% of the Section 8 units which as of October 1, 1981, were subject to Payments Contracts and available for occupancy may be occupied by persons or families with incomes above 50% of the median. In addition, no more than 5% of the Section 8 units which were subject to a Payments Contract or were available for occupancy subsequent to October 1, 1981, may be leased to persons or families with incomes in excess of 50% of the median. The criteria for tenant eligibility are determined by HUD regulations and are subject to change.

#### *Limitation on Subsidy – Vacancies*

Generally, the Section 8 subsidy is payable in respect to the dwelling unit only when it is occupied by an Eligible Tenant. However, the law and the regulations provide for payment of the subsidy under certain limited circumstances when the dwelling unit is not occupied.

Eighty percent of the Contract Rent is payable during a period of not exceeding sixty days, subject to compliance by the mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit.

The subsidy payments for vacant units can, under certain conditions, continue for an additional twelve months after the sixty day vacancy period described above. The amount of these subsidy payments is equal to that portion of the vacant units' Contract Rents allocable to the debt service on the permanent financing. However, the development must be operating at a deficit, and the amount of the payments cannot exceed that portion of the deficit attributable to the vacant units. HUD may deny the application for these additional subsidy payments for vacant units if it determines that there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Furthermore, a mortgagor is entitled to these payments only if it has taken and continues to take all feasible action to rent the units, has not rejected any eligible applicant without good cause, and has provided the Authority with the requisite notification of vacancy. Finally, the vacant units must provide safe, decent and sanitary housing.

#### *Adjustments of Contract Rents*

The statute and applicable regulations contain various provisions for review and readjustment of the Contract Rent. Provision is made in the regulations for HUD to determine an Annual Adjustment Factor at least annually and to publish such factors in the Federal Register. HUD currently determines the Annual Adjustment Factor based on a formula using rent and utility data from the Consumer Price Index. The Annual Adjustment Factor is applied to the then existing Contract Rents. Current law requires that the Annual Adjustment Factor be reduced by one percentage point for those units in which there was no tenant turnover during the previous year and that, in establishing Annual Adjustment Factors, HUD take into account the fact that debt service is a fixed expense.

Upon request from the owner on each anniversary date of the Payments Contract, Contract Rents will be adjusted in accordance with the Annual Adjustment Factor. In addition, provision is made in the regulations for special additional adjustments in the Contract Rents to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent that such general increases are not adequately compensated for by the Annual Adjustments. Current law prohibits any reduction in Contract Rents in effect on or after April 15, 1987 unless the Section 8 assisted development has been refinanced in a manner that reduces the debt payments of the owner of such development.

The Section 8 law and regulations require that rent adjustments shall not result in material differences between the Contract Rents and rents for comparable unassisted units, except to the extent that the differences existed at the time of

execution of the Payments Contract (the difference between Contract Rents and rents for comparable units at the time of execution of the Payments Contract being referred to herein as the "Initial Difference"). Current law requires that Annual Adjustment Factor rent increases be denied to those Section 8 developments with rents above the applicable fair market rents established by HUD, unless the mortgagor demonstrates that the adjusted rent would not exceed rents for comparable unassisted units plus the Initial Difference.

Proposals have been discussed (and, in some instances, legislation has been introduced or statements made that legislation will be introduced) by HUD and by members of Congress which, if enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD, would affect many HUD programs, including the Section 8 Program. One such proposal made by HUD would have deleted the above described provision in current law that prohibits any reduction in Contract Rents in effect on or after April 15, 1987. Among the effects of such proposals could be a reduction in the Contract Rents or in the Annual Adjustments thereof for Section 8 assisted projects. Any such reduction in Contract Rents or Annual Adjustments could adversely affect the financial feasibility of certain of the Section 8 developments and the adequacy of rental income to pay principal and interest on the mortgage loans financing such developments. There can be no assurance that these proposals or legislation will or will not be enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD. At this time, the Authority cannot predict the terms of any proposals which may be enacted or implemented or the effect that any such proposals, if enacted or implemented, would have on the ability of the Section 8 developments to make timely payments of principal and interest on the mortgage loans and, in turn, on the ability of the Authority to make timely payments of interest and principal on the Authority's bonds. The enactment or implementation of such proposals may adversely affect the rating on the bonds financing the affected developments and the market price of such bonds. The Authority has not covenanted, and is not obligated under the bond resolutions pursuant to which the Authority has issued bonds to finance multifamily programs to take any action to maintain the ratings or market price of such bonds or, except as set forth in the Continuing Disclosure Agreement applicable to such bonds, to notify bond owners of any withdrawal or revision of the ratings of such bonds or any actions which would affect the ratings or market price of such bonds.

See "Renewal Contracts" below for information concerning recent cuts to federal appropriations for Renewal Contracts (defined below).

#### *Funding of Increases in Subsidy*

Funds for the payment of increased subsidies resulting from the adjustment in the Contract Rents described above are obtained in two ways. Provision is made in the law for the payment by HUD into a special reserve account held by HUD in respect of each subsidized development of the amount by which the Contract Rents in effect from time to time exceed the actual subsidy paid by HUD (this amount is initially the approximate equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent are drawn from this fund. The regulations provide that when the HUD-approved estimate of required annual contributions exceeds the maximum ACC commitment then in effect and would cause the amount in such fund to be less than 40 percent of the maximum ACC commitment, HUD shall take such additional steps as authorized by subdivision (c)(6) (currently designated subdivision (c)(5)) of Section 8 (quoted below) to obtain funds to bring the amount in the account to the 40 percent level. Such subdivision of Section 8 provides:

"The Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes."

It has been the practice of HUD that, when the amount in any such fund has fallen below the 40% level, HUD has not immediately replenished such fund to the 40% level but has obtained budget authority from the Congress to meet its obligation under the Payments Contract.

#### *Payment of Subsidy*

The regulations provide that in the event of foreclosure, assignment or sale to the HFA in lieu of foreclosure, or in the event of an assignment or sale agreed to by the HFA and approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the Payments Contract.

Payment of the subsidy is paid into a special account maintained by the Authority for the receipt of Section 8 payments. The Authority disburses such subsidy payments by applying a portion thereof to the amount of the current payment due from the mortgagor on the mortgage loan (including the required replacement reserve and tax and insurance escrow payments), with the balance, if any, being paid directly to the mortgagor. If the multi-family development is then financed by Rental Housing Bonds, such payment on the mortgage is deposited into the revenue fund under the Rental Housing Bonds Resolution.

### *Compliance with Subsidy Contracts*

The Agreement to Enter, the ACC and the Payments Contract all contain numerous agreements on the part of the Authority and the mortgagor including maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as those relating to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the mortgagor, or both, might endanger the payment of the federal subsidy. Reference is made to the complete text of these agreements which are available for inspection at the offices of the Authority. Default by a mortgagor in the performance of its obligations under the Payments Contract is an event of default under the terms of its mortgage loan from the Authority which would permit foreclosure by the Authority.

### *Administration of Subsidy for Certain FHA Mortgage Loans*

On some of the FHA mortgage loans, the Authority will not administer the Section 8 subsidy in the manner described above. Any failure to make full and timely payment on such mortgage loans shall, subject to and in accordance with the conditions described above under "FHA Insurance Program," provide a basis for a claim for payment of FHA mortgage insurance benefits.

### *Renewal Contracts*

In certain cases, upon expiration of the long-term Payments Contract originally entered into with respect to a development, the mortgagor of the development and a Section 8 contract administrator designated by HUD has entered into, or may enter into, a new Payments Contract for an additional term, pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997, Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1998, Pub. L 105-65, as amended (a "Renewal Contract"). (See "Federal Programs and Requirements" in "The Multi-Family Program" for certain information regarding the expiration of the original Payments Contracts and also for a discussion of how the Authority underwrites new mortgage loans for existing developments with Renewal Contracts or expiring original Payments Contracts to the lesser of the Section 8 contract rents or the estimated market rents.)

Although Renewal Contracts may have contract terms that are relatively long, upon initial execution of Renewal Contracts and each year thereafter Congress has appropriated, and HUD has obligated, generally only an amount estimated to be sufficient to fund one year (or less) of the contract term, and HUD's obligation with respect to the remainder of the term is subject to Congressional appropriations. Absent such appropriations, there is no assurance that funds will be available under these contracts. The provisions described above under "Funding of Increases in Subsidy" do not apply to Renewal Contracts. The appropriations for Renewal Contracts have been affected adversely by the federal spending cuts known as the sequester and may be adversely affected while the sequester continues and by future federal spending cuts.

Renewal Contracts do not provide for adjustment of contract rents based on Annual Adjustments as described under "Adjustments of Contract Rents" above. Renewal Contracts with terms longer than one year provide for annual adjustment of contract rents based on an Operating Cost Adjustment Factor (or with respect to certain Renewal Contracts, if requested by the owner and agreed to by HUD or its designated contract administrator, based on the development's budget). The Operating Cost Adjustment Factor is intended to reflect increases in the cost of operating comparable rental properties, which may or may not correspond to circumstances affecting a particular development. No assurance can be given that HUD or its designated contract administrator will approve a request for a budget-based adjustment of contract rents.

Certain Renewal Contracts with terms longer than five years provide that HUD's designated contract administrator shall, at the expiration of each five-year portion of the contract term, adjust contract rents so as to equal comparable market rents determined on the basis of a market study prepared in accordance with HUD requirements. Certain of such Renewal Contracts also provide that HUD may, at its discretion, require or permit its designated contract administrator to make such market comparability adjustments one additional time within each such five-year period. Such market comparability adjustments may raise or lower contract rents. Certain Renewal Contracts for developments that received initial contract rents calculated on the basis of an operating budget provide that HUD may adjust contract rents downward, subject to certain limits calculated on the basis of market rents, in the event that the development during the term of the contract receives additional government assistance that was not anticipated when initial contract rents were determined. The statutory provision prohibiting adjustments that would lower contract rents, explained above, does not apply to Renewal Contracts.

The Authority does not act as HUD's designated contract administrator for Renewal Contracts and, with respect to such contracts, does not receive and disburse subsidy payments as described in the second paragraph under "Payment of Subsidy" above. Instead, HUD's designated contract administrator disburses the subsidy payment to the mortgagor, who is responsible for remitting loan payments and escrow deposits.

### **Low Income Housing Tax Credit Program**

The Authority has financed and expects to continue to finance developments which are to receive low income housing tax credits. The Code provides for credits to owners of residential rental projects containing low income units, provided certain

occupancy and use of loan proceeds requirements are met. The credits are taken annually for a term of ten years, beginning with the tax year in which the project is placed in service or, at the owner's election, the next tax year.

Twenty percent or more of the units in an eligible project must be occupied by tenants whose incomes are 50% or less of the area median gross income, as adjusted for family size, or 40% or more of the units in the project must be occupied by tenants whose incomes are 60% or less of such area median gross income, as so adjusted. Each building in the project must comply with these income restrictions within 12 months of the date placed in service. The owner may designate more than 20% or 40%, as the case may be, of the units in the project as low-income units.

The gross rent (including an allowance for any utilities paid directly by the tenant) charged to a tenant in a low income unit may not exceed 30% of the maximum qualifying income.

In the event that the income of a family occupying a low income unit exceeds the maximum qualifying income by more than 40% or in the event that a low income unit becomes vacant, such low income unit shall continue to qualify if no other vacant units of comparable or smaller size are rented to non-qualifying families.

The project must comply with the income and rent limitations for a period of 15 years in the case of credits allocated prior to or during 1989, or 30 years, in the case of credits allocated after 1989. Failure to comply results in a recapture of a portion of the credits.

### **Section 236 Interest Reduction Payments Program and Section 236(f)(2) Rental Assistance Program**

Pursuant to Section 236 of the United States Housing Act of 1937, as amended, HUD, the Authority and the mortgagor enter into an agreement for interest reduction payments. HUD makes monthly payments with respect to the subsidized dwelling units in such development directly to the Authority on behalf of the mortgagor. The amount of the monthly HUD payment for any such development will equal the difference between (a) the monthly payment for principal, if any, interest and the Authority's fees and charges which the mortgagor is obligated to pay and (b) the monthly payment for principal, if any, and interest which the mortgagor would be required to pay if the mortgage loan were to bear interest at the rate of 1% per annum. The mortgagor makes monthly payments to the Authority for the balance.

The agreements contain several covenants of the mortgagor, including among other things that (1) the mortgagor has established, "basic rents" computed assuming a mortgage loan interest rate of 1% per annum and "fair market rents" (unsubsidized) for each subsidized dwelling unit, (2) the rent for each subsidized dwelling unit, including all utilities except telephone, will be equal to 30% of the tenant's adjusted income or the basic rent, whichever is greater, up to a maximum of the fair market rent, (3) the mortgagor will limit admission to subsidized dwelling units to families whose incomes do not exceed the lower of the income limits prescribed by HUD or the Authority, and (4) the mortgagor shall remit to HUD the amount ("Excess Income Payment") by which the total rents collected on all subsidized dwelling units exceeds the sum of the basic rents for all such units. Under the Preserving Affordable Housing for Senior Citizens and Families into the 21<sup>st</sup> Century Act, Title V of Pub. L. 106-74, enacted October 20, 1999 (the "1999 Act"), the rent chargeable to the tenant is also limited by the rent for a comparable unassisted unit in the market area. The Balanced Budget Downpayment Act, II, Pub. L. 104-134, enacted April 26, 1996, provides that Excess Income Payments must be remitted to HUD on a unit-by-unit basis, thus precluding the ability of mortgagors to use such Excess Income Payments to offset collection losses and potentially reducing the income available to the projects. The 1999 Act provides that mortgagors may retain some or all of such Excess Income Payments if authorized by HUD. The Authority covenants in the agreements that it will not agree to the forbearance or deferment of any payment due under the mortgage loan without HUD's approval. HUD may, at its discretion, terminate payments under the agreement upon default by the mortgagor or the Authority under any provision of the agreement. If payments are terminated by HUD, such payments may be reinstated by HUD on such conditions as it may prescribe. The rights and obligations under the agreement are not assignable by the Authority or by the Mortgagor without the approval of HUD.

Certain developments which are subject to Section 236 interest reduction payments are also subject to rental assistance payments under Section 236(f)(2) of the National Housing Act, as amended. Payments under this program are paid by HUD directly to the mortgagor on behalf of eligible tenants occupying assisted dwelling units. To be eligible for rental assistance payments, a tenant must have an income not in excess of 50% of the median income for the area, as determined by HUD. The payments for each assisted unit are generally in an amount equal to the difference between the "basic rent" approved by HUD for the unit and 30% of the eligible tenant's adjusted income (as defined by HUD). Such payments to the mortgagor in effect represent rental income and do not reduce or otherwise affect the amounts the mortgagor must pay to the Authority under the mortgage loan.

The maximum amount of rental assistance payments for any Section 236 development is originally established by HUD and set forth in the subsidy agreement between HUD and the Authority. In order to provide sufficient rental income to pay debt service and expenses of the development, an increase in this maximum amount may become necessary if rents are increased or if the amount of rent payable by the tenants decreases due to an overall reduction in the tenants' incomes. HUD will increase the maximum amount of rental assistance payments by an amount equal to 100% of the needed increase.

The 1999 Act authorized a program (referred to as the Section 236 "decoupling" program) pursuant to which mortgagors of developments subject to Section 236 interest reduction payments with FHA-insured mortgage loans may refinance such loans, if the loans are otherwise eligible for prepayment, with new mortgage loans (such as Authority mortgage

loans) while retaining the interest reduction payments. In order to participate in the decoupling program, the mortgagor must agree to enforce the income and rent restrictions applicable to the development for a period extending five years beyond the term of assistance under the new agreement for interest reduction payments.

See "Federal Programs and Requirements" in "The Multi-Family Program" for certain information regarding the expiration of developments' agreements for interest reduction payments.

**DESCRIPTION AND PROCEDURES OF DTC**

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bonds certificate will be issued, reflecting each maturity of each series (or subseries) of the Offered Bonds and the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC 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 securities 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 subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of 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 the Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bonds documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds of a series (or subseries) and a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Offered Bonds of the series (or subseries) and same maturity to be redeemed. See, however, "Selection of Bonds for Redemption" in "Description of the Offered Bonds" for a description of the procedure for partial redemption of Offered Bonds.

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

Principal and interest payments, including such payments upon redemption, on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption, 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Offered Bonds certificates are required to be printed and delivered.

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



## SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

Certain provisions of the Continuing Disclosure Agreement, as amended, between the Authority and the Trustee (the “Continuing Disclosure Agreement”) not previously discussed in this Official Statement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Continuing Disclosure Agreement. This summary does not apply to Subject Bonds issued prior to December 1, 2010.

The Continuing Disclosure Agreement between the Authority and the Trustee was executed and delivered for the benefit of the Holders and Beneficial Owners of the Subject Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). The Offered Bonds are to be Subject Bonds.

### Certain Definitions

Defined terms used in the Continuing Disclosure Agreement and not otherwise defined therein have the meanings set forth in the Resolution.

“Annual Financial Information” means the information to be provided by the Authority described under the caption “Content of Annual Financial Information.”

“Beneficial Owner” means a beneficial owner of Subject Bonds as determined pursuant to the Rule.

“Bonds” means, at any time, all of the Authority’s then Outstanding Commonwealth Mortgage Bonds, collectively.

“Fiscal Year” means that period established by the Authority with respect to which its, as applicable, Audited Financial Statements or Unaudited Financial Statements are prepared. As of the date of the Continuing Disclosure Agreement, the Authority’s Fiscal Year begins on July 1 and ends on June 30 of the next calendar year.

“Holders” means the registered owners of the Subject Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Obligated Person” means any person, including the Authority, who is either generally or through an enterprise, fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on any Subject Bonds to be sold in an offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The term “Obligated Person” shall not include the mortgagor of any Mortgage Loan.

“Participating Underwriters” means the respective underwriters in connection with the offering of a series of Commonwealth Mortgage Bonds which are Subject Bonds.

“Rule” means the applicable provisions of Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as in effect on the date of the Continuing Disclosure Agreement, including any official interpretations thereof.

“SEC” means the United States Securities and Exchange Commission.

“Subject Bonds” means those Commonwealth Mortgage Bonds which are expressly made subject to the Continuing Disclosure Agreement in the Authority documents related to the issuance of such Bonds.

### Provision of Annual Financial Information

The Authority will, not later than 180 days after the end of the Authority’s Fiscal Year, provide to the MSRB the Annual Financial Information.

The Continuing Disclosure Agreement requires the Authority to provide, in a timely manner, notice to the MSRB of any failure by the Authority to provide Annual Financial Information to the MSRB on or before the date described in the first paragraph under this heading and also of any change in the Authority’s fiscal year.

### Content of Annual Financial Information

The Authority’s Annual Financial Information shall contain or include by reference information of the following type:

(a) the audited financial statements, if available, or unaudited financial statements of the Authority for the Fiscal Year ended on the previous June 30, prepared in accordance with generally accepted accounting principles, applied on a consistent basis; provided, however, that the Authority may from time to time, in order to comply with federal or state legal requirements, modify the basis upon which its financial statements are prepared;

(b) the balance of the Debt Service Reserve Fund, valued in accordance with the Commonwealth Mortgage Bonds Resolution;

(c) the amount of General Fund assets made or expected to be made available to originate mortgage loans with yields which are, at the time such loans are originated, substantially less than the yields of U.S. government or agency securities of similar maturity;

(d) the amount outstanding under the Authority's \$38 million (original amount) line of credit to the Commonwealth's Virginia Housing Partnership Revolving Fund, if such line of credit is in effect during the applicable Fiscal Year;

(e) the delinquency status of Mortgage Loans and mortgage loans originated under the Authority's other single family resolution programs ("Other Mortgage Loans"), the outstanding balance of all Mortgage Loans and Other Mortgage Loans, the outstanding balance of delinquent Mortgage Loans and Other Mortgage Loans, the percentage of delinquent Mortgage Loans and Other Mortgage Loans, the outstanding balance of Mortgage Loans and Other Mortgage Loans in foreclosure, and the percentage of Mortgage Loans and Other Mortgage Loans in foreclosure;

(f) the amount of any allowance for loan losses;

(g) the original principal amounts, outstanding principal amounts, and effective interest rates (if fixed to maturity) on the outstanding general obligation notes and bonds of the Authority;

(h) the percentage of outstanding principal balance of Mortgage Loans, by primary insurance provider; and

(i) the percentage of the Authority's single family mortgage loan portfolio serviced by the Authority, overall and newly originated, and the remaining percentage of such portfolio serviced by its principal external servicers.

If the Authority's Annual Financial Information does not include its audited financial statements, when and if such audited financial statements become available the Authority shall provide them to the MSRB.

Any of the items (b) through (i) above will not be provided separately if included in the Authority's financial statements. In addition, any or all of the items listed above may be included by specific reference to documents, previously either (i) provided to the MSRB, or (ii) filed with the SEC (if such document is a final official statement within the meaning of the Rule, it must also be available from the MSRB). Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

In addition to items (a) through (i) above, the Authority's Annual Financial Information shall include information regarding amendments to the Continuing Disclosure Agreement as described below in the last two paragraphs under the heading "Amendment of Continuing Disclosure Agreement."

### **Reporting of Significant Events**

The Authority will give notice, in a timely manner not in excess of ten business days after the occurrence of an event, to the MSRB of the occurrence of any of the following events with respect to the Subject Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of any Subject Bonds, or other material events affecting the tax status (if applicable) of any Subject Bonds;
- (vii) modifications to rights of Holders, if material;
- (viii) Subject Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Subject Bonds, if material;
- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

Notwithstanding the foregoing, unless the Rule requires otherwise, notice of the events described in items (viii) and (ix) need not be given any earlier than, if applicable, the date notice is required to be given to Holders of applicable Subject Bonds pursuant to the Resolution or the Authority's documents authorizing the issuance of such Subject Bonds.

The Continuing Disclosure Agreement requires the Trustee to promptly give notice to the Authority whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee identifies a Listed Event; provided, however, that the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Continuing Disclosure Agreement and the Resolution.

#### **Amendment of Continuing Disclosure Agreement**

The Continuing Disclosure Agreement may be amended by written agreement of the Authority and the Trustee, and any provision of the Continuing Disclosure Agreement may be waived, without the consent of the Holders or Beneficial Owners (except to the extent required as described in clause 4 (ii) below), if all of the following conditions are satisfied: (1) the Authority determines that such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby or is made to facilitate compliance with the Rule and any future amendments to the Rule, (2) the Continuing Disclosure Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of each primary offering of Subject Bonds affected by the amendment or waiver, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have delivered to the Trustee an opinion of legal counsel expert in federal securities laws ("Securities Counsel"), addressed to the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) a party unaffiliated with the Authority (such as the Trustee or bond counsel) acceptable to the Authority and the Trustee has determined that the amendment or waiver does not materially impair the interests of the Beneficial Owners, or (ii) the Holders consent to the amendment or waiver of the Continuing Disclosure Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of Holders; and (5) the Authority shall have delivered copies of such amendment or waiver to the MSRB.

In addition to the foregoing, the Authority and the Trustee may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that the adoption and the terms of such amendment or waiver would not, in and of themselves, cause the undertakings in the Continuing Disclosure Agreement to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

To the extent any amendment to the Continuing Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to the Continuing Disclosure Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

#### **Enforcement**

The obligation of the Authority to comply with the provisions of the Continuing Disclosure Agreement are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices,

by any Beneficial Owner of Outstanding Subject Bonds, or by the Trustee on behalf of the Holders of Outstanding Subject Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Subject Bonds or by any Beneficial Owner; provided, however, that a Beneficial Owner may not take any enforcement action pursuant to clause (ii) without the consent of the Holders of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding; provided, further, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders', the Beneficial Owners' and the Trustee's right to enforce the provisions of the Continuing Disclosure Agreement are limited to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Continuing Disclosure Agreement. Any failure by the Authority or the Trustee to perform in accordance with the Continuing Disclosure Agreement will not constitute a default or any Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default will not apply to any such failure.

### **Termination**

The Authority's and the Trustee's obligations under the Continuing Disclosure Agreement with respect to the Subject Bonds terminate upon legal defeasance pursuant to the Resolution, prior redemption or payment in full of all of the Subject Bonds.

The Continuing Disclosure Agreement, or any provision thereof, shall be null and void in the event that the Authority (1) delivers to the Trustee an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require the provisions of the Continuing Disclosure Agreement, or any of such provisions, do not or no longer apply to the Subject Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers notice to such effect to the MSRB.

### **Manner of Reporting**

All notices and filings required to be made to the MSRB hereunder shall be made in the manner prescribed by the MSRB.

### **Governing Law**

The Continuing Disclosure Agreement must be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of the Continuing Disclosure Agreement must be instituted in a court of competent jurisdiction in the Commonwealth, provided that, to the extent the Continuing Disclosure Agreement addresses matters of federal securities law, including the Rule, the Continuing Disclosure Agreement must be construed in accordance with such federal securities laws and the official interpretation thereof.

**Approving Opinion, Delivered on the Date of Issuance of the Offered Bonds, of  
Hunton & Williams LLP  
then Bond Counsel to the Authority**

December 20, 2012

Virginia Housing Development Authority  
Richmond, Virginia

Commissioners:

We have examined a record of proceedings relating to the issuance of \$790,000,000 Commonwealth Mortgage Bonds, 2012 Series A-Non-AMT, 2012 Series B-AMT and 2012 Series C-Non-AMT (with all three series of Bonds referred to herein as the "Bonds") by the Virginia Housing Development Authority (the "Authority"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Code of Virginia, 1950, as amended (the "Act"), and organized and existing under the Act and other laws of the Commonwealth.

The Bonds are authorized to be issued pursuant to the Act and a resolution of the Authority adopted July 15, 1986, entitled "A Resolution Providing for the Issuance of Commonwealth Mortgage Bonds of the Virginia Housing Development Authority and for the Rights of the Owners Thereof", as amended and supplemented to the date hereof (the "Resolution"); a resolution of the Authority adopted March 27, 2012 entitled "Bond Limitations Resolution" (the "Bond Limitations Resolution"); and the Written Determinations of an Authorized Officer of the Authority dated November 29, 2012 and December 11, 2012 (the "Written Determinations"), which Written Determinations have been executed and delivered in accordance with the Bond Limitations Resolution. Such Written Determinations, the Bond Limitations Resolution and the Resolution are collectively herein referred to as the "Bond Resolution." The Bonds are authorized to be issued pursuant to the Resolution for the purpose of providing funds to carry out the Authority's Program of making Mortgage Loans. All capitalized terms used herein and not otherwise defined have the meanings set forth in the Bond Resolution.

Based upon the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth, the Act is valid and the Authority has been duly created and validly exists as a political subdivision with such political and corporate powers as set forth in the Act with lawful authority, among other things, to carry out the Program of making Mortgage Loans, to provide funds therefor and to perform the Authority's obligations under the terms and conditions of the Bond Resolution.
2. The Bond Resolution has been duly adopted by the Authority, is valid and binding upon the Authority and is enforceable in accordance with its terms.
3. The Bonds are valid and legally binding general obligations of the Authority secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates a valid pledge of, and the lien that it purports to create upon, the Assets held or set aside or to be held and set aside pursuant to the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

The foregoing opinion is qualified to the extent that the enforceability of the Bonds and the Bond Resolution may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Our services as bond counsel to the Authority have been limited to delivery of the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the Bond Resolution. We express no opinion herein as to the tax-exempt status of the interest on any of the Bonds, the financial resources of the Authority, the adequacy of the Assets pledged to payment of the Bonds, the ability of the Authority to provide for the payment of the Bonds, or the accuracy or completeness of any information that may have been relied on by anyone in making a decision to purchase the Bonds, including the Authority's Preliminary Official Statements for the Bonds dated November 15, 2012 and November 30, 2012, and its Official Statements for the Bonds dated November 29, 2012 and December 11, 2012.

Very truly yours,

/s/ Hunton & Williams LLP

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**Tax Opinion, Delivered on the Date of Issuance of the Offered Bonds, of  
Hawkins Delafield & Wood LLP  
then Special Tax Counsel to the Authority**

December 20, 2012

Virginia Housing Development Authority  
Richmond, Virginia

Commissioners:

We have acted as Special Tax Counsel to the Virginia Housing Development Authority (herein called the "Authority") in connection with the offering of the Commonwealth Mortgage Bonds, 2012 Series A-Non-AMT (herein called the "2012 Series A-Non-AMT Bonds"), the Commonwealth Mortgage Bonds, 2012 Series B-AMT (herein called the "2012 Series B-AMT Bonds") and the Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, in various subseries (herein called the "2012 Series C-Non-AMT Bonds"; the 2012 Series A-Non-AMT Bonds, the 2012 Series B-AMT Bonds and the 2012 Series C-Non-AMT Bonds are collectively referred to herein as the "Bonds") of the Authority. In connection with rendering the opinion below, we have examined the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder and have also examined the following:

- (1) the resolution of the Authority adopted July 15, 1986 entitled "A Resolution Providing for the Issuance of Commonwealth Mortgage Bonds of the Virginia Housing Development Authority and for the Rights of the Owners Thereof", as amended and supplemented to the date hereof (herein called the "General Bond Resolution"), the resolution of the Authority adopted March 27, 2012 entitled "Bond Limitations Resolution" (herein called the "Bond Limitations Resolution") and the Written Determinations of an Authorized Officer of the Authority executed and delivered in accordance therewith (such Written Determinations, the Bond Limitations Resolution and the General Bond Resolution are collectively herein called the "Bond Resolution");
- (2) the opinion of even date herewith of Hunton & Williams LLP, Bond Counsel, approving the legality of the Bonds and other matters;
- (3) the Authority's Tax Certification and the Arbitrage Certificate, of even date herewith (the "Certificates"), of authorized officers of the Authority, to the effect that the Bonds are not "arbitrage bonds" within the meaning of the Code and as to other matters affecting the tax-exempt status of such Bonds; and
- (4) the relevant provisions of such other documents and such other matters of fact and law as we have deemed relevant to the rendering of this opinion.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. We have relied, to the extent we deemed such reliance proper, on certificates and opinions provided to us. In rendering the opinion expressed below, we have relied, without independent investigation, upon the opinion of counsel referred to above as to all matters not related to federal income taxation, and have assumed that the Bonds are valid and legally binding obligations of the Authority.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

Based upon the foregoing, we are of the opinion that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the 2012 Series A-Non-AMT Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code but is, however, included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax, (iii) interest on the 2012 Series B-AMT Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and (iv) interest on the 2012 Series C-Non-AMT Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Bonds, and we have assumed compliance by the

Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Except as stated in the paragraph above, we express no opinion as to any other matter with respect to the exemption of interest on the Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, county or other jurisdiction. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

As Special Tax Counsel we were not retained to pass on, and assume no responsibility for, matters other than those covered by the specific opinion above.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP



**PROPOSED OPINION OF  
CURRENT BOND COUNSEL TO THE AUTHORITY, HAWKINS DELAFIELD & WOOD LLP  
TO BE DELIVERED ON THE DATE OF DELIVERY OF THE OFFERED BONDS**

December 19, 2013

Virginia Housing Development Authority  
Richmond, Virginia

Dear Commissioners:

On December 20, 2012, as special tax counsel to the Virginia Housing Development Authority (the "Authority"), we delivered our opinion as to certain tax matters (the "Tax Opinion") in connection with the issuance by the Authority of its Commonwealth Mortgage Bonds, 2012 Series A-Non-AMT, its Commonwealth Mortgage Bonds, 2012 Series B-AMT and its Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, in various subseries (the "Bonds").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain ongoing requirements which must be met subsequent to the delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. The Authority has covenanted in the resolution of the Authority adopted July 15, 1986 entitled "A Resolution Providing for the Issuance of Commonwealth Mortgage Bonds of the Virginia Housing Development Authority and for the Rights of the Holders Thereof," as amended and supplemented to the date hereof (the "Resolution"), and the resolution of the Authority adopted March 27, 2012 entitled "Bond Limitations Resolution" to at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on the Bonds shall be excluded from gross income for federal income tax purposes. In rendering the Tax Opinion, we assumed continuing compliance by the Authority with and enforcement by the Authority of the provisions of the program documentation adopted by the Authority and the aforesaid covenant.

The Written Determinations dated December 11, 2012, as amended (the "Written Determinations"), with respect to the Authority's Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-STEM-VIII (the "C-STEM-VIII Bonds") set forth procedures with respect to the C-STEM-VIII Bonds pursuant to which on the date hereof either the interest rates on all or a portion of such bonds will be adjusted to new interest rates or all or a portion of such bonds will be redeemed. The Written Determinations provide that an opinion of special tax counsel be delivered in connection with a conversion of the interest rate on any C-STEM-VIII Bonds to a Fixed Rate (as defined in the Written Determinations). This opinion is being delivered pursuant to such provision.

On the date hereof, the Authority is converting the interest rates on the entire aggregate principal amount of the C-STEM-VIII Bonds to Fixed Rates and redesignating such C-STEM-VIII Bonds as Commonwealth Mortgage Bonds, 2012 Series C-Non-AMT, Subseries C-8. We are of the opinion that the conversion of the interest rate on the C-STEM-VIII Bonds to Fixed Rates on the date hereof, in and of itself, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Except as stated in the paragraph above, we express no opinion as to any other matter with respect to the exemption of interest on the Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, county or other jurisdiction. We render this opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We rendered our Tax Opinion under then-existing statutes and court decisions as of the date thereof and we did not assume any obligation to update, revise or supplement the Tax Opinion to reflect any action taken or not taken after the date of the Tax Opinion, or any facts or circumstances that come to our attention after its date, or changes in law or interpretations thereof that occur after the date of the Tax Opinion, or for any other reason. In the Tax Opinion, we expressed no opinion on the effect of any action taken or not taken after the date of the Tax Opinion in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

We express no opinion herein as to the financial resources of the Authority, the adequacy of the Assets (as such term is defined in the Resolution) pledged to payment of the Bonds, the ability of the Authority to provide for the payment of the Bonds or the accuracy or completeness of any information that may have been relied on by anyone in making a decision to purchase the Bonds, including the Authority's Preliminary Official Statement for the Bonds dated November 7, 2013, and its Official Statement for the Bonds dated November 18, 2013.

Very truly yours,

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