REMARKETING **RATINGS:** Moody's: Aa1/VMIG1
S&P: AA+/A-1+ (Expected)
(See "Ratings" herein.)

This Supplement No. 1 (this "Supplement") to the original Official Statement, dated June 22, 2005 (the "Original Official Statement"), relating to the bonds referenced below, supplements and amends the Original Official Statement relating to such bonds and should be read in conjunction with the Original Official Statement attached hereto as Appendix G. (The Original Official Statement as amended and supplemented by this Supplement is referred to herein as the "Official Statement.")

Dorsey & Whitney LLP, Minneapolis, Minnesota, rendered an opinion of Bond Counsel on the original date of issuance of the Series Bonds, that, under then-existing laws, regulations, rulings and judicial decisions and assuming compliance with certain covenants of the Agency intended to assure compliance with the applicable provisions of the Code, interest on the 2005 Series M Bonds is not includable in gross income of the owners thereof for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (See "Tax Exemption and Related Considerations" in the Original Official Statement for additional information, including information on the application of federal and state alternative minimum tax provisions to the 2005 Series M Bonds.) In the opinion of Kutak Rock LLP, Atlanta, Georgia, to be dated concurrently with the delivery of the Replacement Liquidity Facility, the delivery of the Replacement Liquidity Facility, in and of itself, will not adversely affect the exclusion of interest on the 2005 Series M Bonds from gross income for federal income tax purposes, assuming it otherwise exists. (See "Tax Exemption" in this Supplement.)

Minnesota Housing Finance Agency

MINNESOTA HOUSING FINANCE AGENCY

Residential Housing Finance Bonds, 2005 Series M (AMT)

$40,305,000 Variable Rate Demand Term Bonds due January 1, 2036 (CUSIP 60415NVX7*)
Dated: August 4, 2005

The Minnesota Housing Finance Agency (the "Agency") issued its Residential Housing Finance Bonds, 2005 Series M (the "2005 Series M Bonds") on August 4, 2005, pursuant to a resolution of the Agency adopted as amended and restated on August 24, 1995, and as heretofore or hereafter further amended and supplemented in accordance with its terms (the "Bond Resolution"), and a series resolution of the Agency adopted on June 9, 2005 (the "2005M Series Resolution"). (The Bond Resolution and the 2005M Series Resolution are herein sometimes referred to as the "Resolutions.") The 2005 Series M Bonds were issued simultaneously with the Agency's Residential Housing Finance Bonds, 2005 Series J, 2005 Series K, and 2005 Series L (collectively, with the 2005 Series M Bonds, the "Series Bonds").

Pursuant to the 2005M Series Resolution, the Agency obtained an initial Liquidity Facility, in the form of a Standby Bond Purchase Agreement, dated August 4, 2005, as amended by a First Amendment, dated July 23, 2007, each between the Agency, Lloyds TSB Bank plc, acting through its New York Branch, and Wells Fargo Bank, National Association, as Tender Agent (the "Initial Liquidity Facility"). The Initial Liquidity Facility will expire on July 23, 2012. The Agency will enter into an Alternate Liquidity Facility with an effective date of July 18, 2012 in the form of a Standby Bond Purchase Agreement dated as of July 1, 2012 (the "Replacement Liquidity Facility"), among the Agency, Wells Fargo Bank, National Association (the "Replacement Liquidity Provider"), and Wells Fargo Bank, National Association, as trustee under the Resolutions.

In the event that the proceeds of a remarketing of the 2005 Series M Bonds following an optional or mandatory tender as provided in the 2005M Series Resolution are insufficient to pay the purchase price of the 2005 Series M Bonds so tendered, the Replacement Liquidity Provider will purchase such 2005 Series M Bonds in accordance with the terms of the Replacement Liquidity Facility. The Replacement Liquidity Facility will expire on July 17, 2015, subject to extension or earlier termination, as described in this Supplement, and may terminate, under certain circumstances without prior notice to Bondowners or without an opportunity to tender the 2005 Series M Bonds for purchase. (See "The Replacement Liquidity Facility" and "Remarketing of 2005 Series M Bonds" in this Supplement.)

The Official Statement is intended to provide information regarding the 2005 Series M Bonds only when the 2005 Series M Bonds bear interest at the Weekly Rate and only while the Replacement Liquidity Facility is in effect.

This cover page contains certain information for quick reference only. It is not a summary of the 2005 Series M Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2005 Series M Bonds are being remarketed by Wells Fargo Bank, National Association, the current Remarketing Agent, subject to certain other conditions. The Remarketing Agent is being represented by its counsel, Kennedy & Graven, Chartered, Minneapolis, Minnesota. Certain legal matters will be passed on for the Replacement Liquidity Provider by Chapman and Cutler LLP, Chicago, Illinois. CSG Advisors Inc. is serving as financial advisor to the Agency in connection with the remarketing of the 2005 Series M Bonds. The Remarketing Agent intends, but is not obligated, to make a market in the 2005 Series M Bonds. It is expected that the 2005 Series M Bonds will be available through the facilities of DTC, New York, New York, on July 18, 2012.

The date of this Supplement is July 17, 2012.

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* The CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the 2005 Series M Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the 2005 Series M Bonds or as indicated above. A CUSIP number may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

No dealer, broker, salesman or other person has been authorized by the Minnesota Housing Finance Agency, the Remarketing Agent or the Replacement Liquidity Provider to give any information or representations, other than those contained in the Official Statement and, if given or made, such other information or representations must not be relied upon as having been an offer to buy nor shall there be any sale of the 2005 Series M Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the Replacement Facility Provider since the date hereof.

The 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," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, its Program, the 2005 Series M Bonds or the Replacement Facility Provider could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Remarketing Agent has provided the following sentence for inclusion in this Supplement. The Remarketing Agent has reviewed the information in the Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUPPLEMENT NO. 1 TO OFFICIAL STATEMENT
relating to
$40,305,000
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS, 2005 SERIES M

INTRODUCTION

This Supplement No. 1 to the Official Statement (this "Supplement") (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), and its Residential Housing Finance Bonds, 2005 Series M (the "2005 Series M Bonds"), in connection with the remarketing of the 2005 Series M Bonds and the provision of an Alternate Liquidity Facility. This Supplement supplements and amends the original Official Statement, dated June 22, 2005, relating to the 2005 Series M Bonds (the "Original Official Statement"), and should be read in conjunction with the Original Official Statement attached as Appendix G to this Supplement. (The Original Official Statement as amended and supplemented by this Supplement is referred to herein as the "Official Statement.")

The 2005 Series M Bonds were issued pursuant to the Act, a resolution of the Agency adopted as amended and restated on August 24, 1995, and as heretofore or hereafter further amended and supplemented in accordance with its terms (the "Bond Resolution"), and a series resolution of the Agency adopted June 9, 2005 (the "2005M Series Resolution"). (The Bond Resolution and the 2005M Series Resolution are herein sometimes referred to as the "Resolutions.") The 2005 Series M Bonds were issued simultaneously with the Agency's Residential Housing Finance Bonds, 2005 Series J, 2005 Series K, and 2005 Series L (collectively, with the 2005 Series M Bonds, the "Series Bonds").

The 2005 Series M Bonds are being remarketed in connection with the replacement of the initial liquidity facility, in the form of a Standby Bond Purchase Agreement, dated August 4, 2005, as amended by a First Amendment, dated July 23, 2007, each between the Agency, Lloyds TSB Bank plc, acting through its New York Branch, and Wells Fargo Bank, National Association, as Tender Agent (the "Initial Liquidity Facility"). The Initial Liquidity Facility will expire on August 3, 2012. The Agency will enter into an Alternate Liquidity Facility with an effective date of July 18, 2012 in the form of a Standby Bond Purchase Agreement dated as of July 1, 2012 (the "Replacement Liquidity Facility"), among the Agency, Wells Fargo Bank, National Association (the "Replacement Liquidity Provider"), and Wells Fargo Bank, National Association, as trustee under the Resolutions (the "Trustee").

The Replacement Liquidity Facility will be delivered on July 18, 2012, and will provide for the purchase by the Replacement Liquidity Provider on the terms and conditions specified therein of tendered 2005 Series M Bonds that have not been remarketed. If the Replacement Liquidity Facility is to expire or terminate according to its terms (other than as a result of a Termination Event thereunder) or is to be replaced with another Liquidity Facility, the 2005 Series M Bonds are subject to mandatory tender. **If a Termination Event or Suspension Event has occurred under the Replacement Liquidity Facility, the Replacement Liquidity Provider will have no obligation to purchase the 2005 Series M Bonds and the Remarketing Agent will be entitled to suspend its efforts to remarket 2005 Series M Bonds.** (See "Remarketing of the 2005 Series M Bonds—Agency Not Responsible to Bondowners for Replacement Liquidity Provider's Failure To Purchase 2005 Series M Bonds" and "Replacement Liquidity Facility" in this Supplement.)

The Resolutions should be referred to for the definitions of capitalized terms used in the Official Statement, some of which are reproduced in the Official Statement. The summaries and references in the Official Statement to the Act, the Resolutions and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in the Official Statement to the Act and the Resolutions are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the 2005 Series M Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

The proceeds of the Series Bonds were used by the Agency to refund certain outstanding qualified mortgage bonds of the Agency and provide money for the Agency to be used, along with certain contributed funds of the Agency, to continue its Program through the purchase of Program Loans made by Lenders to low and moderate income persons for single family, owner-occupied housing within the State, to make a deposit to the Debt Service Reserve Fund and to pay certain costs of issuance of the Series Bonds.

The 2005 Series M Bonds bear interest at a rate determined weekly (the "Weekly Mode"), unless 2005 Series M Bonds are converted to a different interest-rate-setting mode (a "Mode") as described in the Original Official Statement and in accordance with the terms of the Replacement Liquidity Facility. Except as otherwise described in the Official Statement, so long as the 2005 Series M Bonds are in the Weekly Mode, the owners of any 2005 Series M Bonds are entitled to demand purchase of such 2005 Series M Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described in the Original Official Statement. The 2005 Series M Bonds are also subject to mandatory tender for purchase under certain circumstances. Wells Fargo Bank, National Association will act as the remarketing agent for the 2005 Series M Bonds (the "Remarketing Agent") pursuant to a Remarketing Agreement, dated as of July 1, 2012 (the "Remarketing Agreement"), between the Agency and the Remarketing Agent. (See "Description of the Series Bonds—Optional and Mandatory Tender of Certain 2005 Series M Bonds" in the Original Official Statement and "Remarketing of 2005 Series M Bonds" in this Supplement.)

The Official Statement is intended to provide information to prospective owners of 2005 Series M Bonds while the 2005 Series M Bonds are in the Weekly Mode and while the Replacement Liquidity Facility remains in effect, and is not intended to be relied upon by prospective owners of 2005 Series M Bonds with respect to which a Mode Change or a Conversion Date has occurred or while an Alternate Liquidity Facility is in effect. The delivery of an updated disclosure document is a condition of a Mode Change or Conversion and the related remarketing of 2005 Series M Bonds.

The 2005 Series M Bonds are secured, on a parity with Outstanding Bonds heretofore and hereafter issued under the Bond Resolution (except as otherwise expressly provided therein), by a pledge of all Program Obligations, Investment Obligations, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution. The 2005 Series M Bonds are also general obligations of the Agency payable from any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The net assets of the General Reserve and Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the 2005 Series M Bonds. (See "The Agency – Net Assets Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund" in this Supplement.) (For purposes of the Resolutions, the General Reserve is designated as the "General Reserve Account.")

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on the 2005 Series M Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to such payment.

THE AGENCY

The following information supplements and modifies, to the extent inconsistent therewith, the information in the Original Official Statement under the heading "The Agency."

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

Kenneth R. Johnson, Chairman – Term expires January 2015, Woodbury, Minnesota – Retired Economic Development Executive

The Honorable *Rebecca Otto — Ex officio*, St. Paul, Minnesota – State Auditor

Joseph Johnson III, Vice Chairman — Term expires January 2013, Duluth, Minnesota – Banker

Steven Johnson, Member — Term expires January 2014, Apple Valley, Minnesota – Chief Financial Officer

Gloria J. Bostrom, Member — Term expires January 2016, Roseville, Minnesota – Retired

John DeCramer, Member — Term expires January 2016, Marshall, Minnesota – Magnetics Engineer

Stephanie Klinzing, Member – Term expires January 2015, Elk River, Minnesota – Writer and Publisher

Staff

The staff of the Agency presently consists of approximately 220 persons, including professional staff members who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint such permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Mary Tingerthal — Commissioner. Ms. Tingerthal was appointed Commissioner effective February 1, 2011. Before her appointment, Ms. Tingerthal was President of Capital Markets Companies for the Housing Partnership Network where she coordinated the work of the Housing Partnership Fund, which provides acquisition and predevelopment financing; Housing Partnership Ventures, which serves as the Network's investment vehicle; the Charter School Financing Partnership, a new conduit for charter school loans; and the Network's housing counseling intermediary and neighborhood stabilization programs. In 2008, she was instrumental in establishing the National Community Stabilization Trust -- a nationwide company dedicated to helping local organizations put vacant and foreclosed properties back into productive reuse. Prior to that, Ms. Tingerthal held senior management positions with the National Equity Fund, GMAC Residential Funding, the City of Saint Paul, and the Community Reinvestment Fund. She worked for the Agency beginning in the late 1970s when she spent 10 years working with the Agency's home improvement division. Ms. Tingerthal holds a Master's Degree in Business from Stanford Graduate School of Business, and a Bachelor of Arts Degree from the University of Minnesota. She serves as the vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and on the investment committee of the Calvert Foundation.

Barbara Sporlein — Deputy Commissioner, appointed effective November 7, 2011. Her primary responsibilities are talent management, agency-wide planning, inter-agency collaboration, and credit risk management. Prior to this position, Ms. Sporlein was the Director of Planning for the City of Minneapolis between 2004 and 2011. As Planning Director she was responsible for the City's long range planning, transportation planning, development consultation and review, heritage preservation, environmental review, public art program, and zoning administration and enforcement. Prior to that position, Ms. Sporlein served as the Deputy Director of the Saint Paul Public Housing Agency between 1994 and 2004, and as a City Planner for the City of Saint Paul from 1990 to 1994. Ms. Sporlein has a Bachelor of Science Degree in Geography from the University of Wisconsin-Madison, a Master of Planning Degree from the Humphrey School of Public Affairs at the University of Minnesota, and a Certificate in Advanced Studies in Public Administration from Hamline University. Ms. Sporlein serves on the Board of Directors for the Daniel Rose Center for Public Leadership in Land Use, and is a member of the Citizens League, the Urban Land Institute, the Minnesota Chapter of National Association of Housing and Redevelopment Organizations, and the American Planning Association. Ms. Sporlein is a Certified Public Housing Manager and Housing Finance Professional.

Don Wyszynski — Chief Financial Officer, appointed effective September 16, 2011. Mr. Wyszynski has served as the Agency's Director of Financial Strategy since September 2006, and has previous experience working for the Agency as Finance Director (1976-1978) and Deputy Director (1978-1981). In between, he was an investment banker for RBC Capital Markets and its predecessor companies from 1991 to 2006 working with various municipal issuers and housing finance agencies in the Midwest, and from 1981 to 1991 he served as a municipal financial advisor for Evensen Dodge Inc. Mr. Wyszynski started his professional career as a public accountant, and has a Bachelors degree in Business Administration from the University of Minnesota.

William Kapphahn — Director of Finance effective September 2008. Mr. Kapphahn has managed debt and investments for the Agency since September 2007. Previously Mr. Kapphahn was Controller for the Agency from November 1998 to September 2007. From June 1996 to October 1998, he was Director of Finance and Administration at Children's Home Society and Family Services with responsibility for accounting, information systems, and facility management. Previous to that, he held various accounting positions of increasing responsibility at The Saint Paul Foundation, Amherst H. Wilder Foundation, Servomation Corporation, and Land O' Lakes, Inc. Mr. Kapphahn holds a Masters degree in Business Administration with a concentration in Finance and a Bachelor of Arts degree in Business Administration from the University of St. Thomas, St. Paul, Minnesota.

Paula Beck — General Counsel, appointed effective October 26, 2011. Ms. Beck's previous experience with the Agency includes her role as Counsel from 2009 until her General Counsel appointment and as an Assistant Attorney General representing the Agency from 1999 to 2004. From 2004 to 2009, Ms. Beck served as Associate General Counsel for Sherman Associates, Inc., a Minneapolis-based developer of residential and commercial real estate, including affordable housing, and from 1997 to 1999, she was an associate at the Minneapolis-based law firm of Leonard, Street and Deinard. Ms. Beck earned her law degree from Harvard Law School and holds a Bachelor of Arts degree from Swarthmore College in Pennsylvania.

Michael A. Haley — Assistant Commissioner, Minnesota Single Family Division since September 1980. From January 1972 to September 1980, he was Assistant Vice President of the Marquette National Bank of Minneapolis with responsibility for the Bank's residential mortgage operations which included secondary market sales and operations, business development and mortgage loan underwriting and approval. Mr. Haley has a Masters degree in Business Administration and a Bachelor of Arts degree from the University of St. Thomas, St. Paul, Minnesota. Mr. Haley also is a graduate of the Mortgage Bankers Association of America School of Mortgage Banking.

The Agency's offices are located at 400 Sibley Street, St. Paul, Minnesota 55101, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into the Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2011, included in this Supplement as Appendix A have been audited by CliftonLarsonAllen LLP (formed as a result of the merger of LarsonAllen LLP and Clifton Gunderson LLP on January 2, 2012), independent auditors, as stated in their report appearing herein.

The auditors have not performed any agreed-upon procedures in respect of any financial statements of the Agency after June 30, 2011.

Financial Statements of the Agency

The Agency financial statements included in this Supplement as Appendix A as of and for the fiscal year ended June 30, 2011 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board.

In Appendix B to this Supplement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2012. The information in Appendix B has been prepared by the Agency and, in the opinion of the Agency, reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of those Funds for the period, subject to year-end adjustments. The information in Appendix B is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency has covenanted for the benefit of the Beneficial Owners (as defined in Appendix C of the Original Official Statement) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Agency Annual Report is to be filed by the Agency no later than nine months after the close of each fiscal year, with the Municipal Securities Rulemaking Board's internet repository named "Electronic Municipal Market Access" ("EMMA"), the only Nationally Recognized Municipal Securities Information Repository. The notices of material events, if any, are to be filed with EMMA.

The specific nature of the information to be contained in the Agency Annual Report or the notices of material events, and the manner in which such materials are filed, are summarized in "Appendix C — Summary of Continuing Disclosure Agreement" in the Original Official Statement. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). During the past five years, the Agency has not failed to comply in any material respect with any previous undertakings it has entered into with respect to the Rule.

In addition to the Agency Annual Report required by the Continuing Disclosure Agreement, the Agency also uses its best efforts to prepare a quarterly disclosure report for each of its single family bond resolutions (including the Bond Resolution) and a semiannual disclosure report for its rental housing bond resolution. Recent reports are available at the Agency's website at http://www.mnhousing.gov/investors, but no information on the Agency's website is incorporated into the Official Statement. The Agency is also committed to providing appropriate credit information as requested by the rating agencies rating the Bonds.

Net Assets Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Bond Resolution but is not pledged to pay the Bonds, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net assets of the General Reserve and the Alternative Loan Fund are not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other respective bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit such excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only for the administration and financing of programs in accordance with the policy and purpose of the Act, including the creation of reserves for the payment of bonds and for loans made from the proceeds thereof, and to accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the investment guidelines effective July 1, 2007 (as amended by a resolution adopted September 24, 2009), the required size of Pool 1 (which is intended to be a liquidity reserve) is 1% of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net assets (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be the greater of $615 million or the combined net assets of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $674.5 million, representing the combined net assets of these funds so calculated as of June 30, 2011. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. All interfund transfers are approved by the Agency. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2011 appears in the notes to the financial statements of the Agency included in Appendix A to this Supplement under the heading "Net Assets Restricted by Covenant" at pages 53 and 54 therein (however, the amounts of the Pool 2 requirement as of June 30, 2011 and June 30, 2010 on page 53 therein stated as combined net assets fail to exclude unrealized gains and losses as described above and thus overstate the Pool 2 requirement).

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2012 (unaudited) (in thousands):

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	Nine Months Ended March 31, 2012 (unaudited)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010
Revenues			
Fees earned and other income(1)	$ 6,996	$10,289	$ 8,907
Interest earned on investments	23	292	342
Unrealized gain (loss) on investments	70	(95)	25
Administrative reimbursement(2), (3)	16,278	20,733	21,658
Total revenues	23,367	31,219	30,932
Expenses			
Salaries and benefits	13,008	17,716	17,815
Other general operating expenses	3,801	5,714	8,820
Total expenses	16,809	23,430	26,635
Revenues over expenses	6,558	7,789	4,297
Non-operating transfer of assets between funds(4)	(8,361)	(10,029)	(6,794)
Change in net assets	(1,803)(5)	(2,240)(5)	(2,497)(5)
Net assets beginning of period	21,929	24,169	26,666
Net assets end of period	$20,126	$21,929	$24,169

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) Reimbursement from bond funds are transferred to the General Reserve in accordance with the Agency's Affordable Housing Plan based on adjusted assets. Adjusted assets are defined generally as total assets excluding the reserve for loan loss, unearned discounts on loans, premiums on loans, unamortized bond issuance costs, unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. Costs associated with administering state appropriations are recovered only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) Excess assets from bond funds may be transferred to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, funds in excess of the requirement for Pool 1 may be transferred from the General Reserve to the Alternative Loan Fund. See the comments under the heading "Net Assets Restricted by Covenant" in the notes to the financial statements of the Agency in Appendix A to this Supplement for additional information.

(5) The significant reductions in net assets for fiscal years 2010 and 2011 and the first nine months in fiscal year 2012 reflect the reduction in the amount required to be retained in Pool 1 under the investment guidelines described above due to the fact that the Agency's whole loan single family mortgage loan portfolio is in runoff (as a result of transition to an MBS model (see "The Residential Housing Finance Program—History and Transition to 'MBS'Model")). In addition, for each period there has also been a reduction in the carrying amount of certain net assets invested in capital assets.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. Most of the appropriations have been expended or committed by the Agency.

Over the past five years, appropriations to the Agency have totaled approximately $293.6 million. Because of estimated State budget deficits for the biennium ended June 30, 2009, the Governor, among other actions, reduced by executive action the Agency's uncommitted and unexpended appropriations by $4 million, reducing the Agency's appropriations for that biennium to $129.6 million. For the biennium ended June 30, 2011, the Legislature appropriated approximately $86.7 million to the Agency. To balance the budget in the first fiscal year of that biennium, the Governor effected unallotments in the aggregate amount of $695 million, including $512,000 of funds otherwise appropriated to the Agency. The Legislature adopted a supplemental budget bill reducing appropriations to the Agency in that biennium by an additional $4.2 million.

For the current biennium ending June 30, 2013, which had a projected $5 billion State budget deficit, the Legislature appropriated approximately $76.1 million to the Agency, reflecting a reduction of approximately 6.3% to the Agency's base budget. The Agency does not expect that this reduction in appropriations will adversely affect its ability to operate the Program.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency which are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of May 31, 2012:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	17	2048	$ 161,455	$ 105,870
Residential Housing Finance Bonds	67	2048	2,337,430	1,567,495
Homeownership Finance Bonds	14	2041	549,675	543,445
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	15,000
Total Debt Outstanding	99		$3,063,560	$2,231,810

*Does not include series of bonds or the original principal amount of any bonds that had been, as of May 31, 2012, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Assets Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into certain liquidity facilities and interest rate swap agreements in respect of certain of its outstanding Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to such variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A to this Supplement and in the unaudited financial statements contained in Appendix B to this Supplement. No representation is made as to the creditworthiness of any provider or counterparty on such facilities and agreements.

The Agency has issued its limited obligation notes from time to time for the purpose of preserving private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of bonds previously issued by the Agency or by issuing a new money obligation. As of May 31, 2012, no such limited obligation notes were outstanding.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

Disruptions in Mortgage and Financial Markets

Over the last five years, significant dislocations in the housing and mortgage markets have negatively affected general capital markets conditions, including the municipal bond market. During 2008 market dislocations led to the failure of the auction rate securities market, widening of municipal bond spreads and failed remarketings of variable rate demand obligations as a result of credit downgrades among liquidity providers and lack of market liquidity. While conditions have improved, market uncertainty still remains in the current economic environment.

As a state housing finance agency, the Agency has relied on municipal bond markets operating efficiently to fund its Program. Since the last half of 2008, these markets have not performed well, based on historical market relationships. Recent responses by the federal government and the Federal Reserve to address the housing market crisis and to lower long-term interest rates made it very difficult for state housing finance agencies, such as the Agency, to fund their operations profitably through the housing bond market. The Agency was able under its Homeownership Finance Bond Resolution to issue $260,490,000 in aggregate principal amount of bonds under the Single Family New Issue Bond Program announced by the United States Department of the Treasury, Fannie Mae and Freddie Mac in late 2009, together with $289,185,000 in aggregate principal amount of related market bonds. The Agency has exhausted its authority under the Single Family New Issue Bond Program and must again rely on the housing bond market. Unfortunately, the dislocation of historical market relationships has continued and without subsidy of some kind (such as from an economic refunding) the Agency cannot effectively issue bonds to finance single family mortgage loans at competitive interest rates and may have to turn to other funding sources. It is anticipated that housing finance agencies may be able to compete more effectively in the market when mortgage rates rise and other mortgage market participants become less competitive.

At the same time, both the government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On March 6, 2012, for example, the Obama Administration announced a new streamlined refinancing plan in which the Federal Housing Administration, effective June 11, 2012, will reduce its upfront and annual mortgage insurance premiums for refinancings of FHA-insured loans originated before June 1, 2009 and on which the borrower is current. The upfront premium will drop from 1.00% to 0.01% of the loan amount and the annual premium will drop from 1.15% to 0.55%. The implementation of this plan may cause prepayments of FHA-insured loans in the Agency portfolio to increase.

These measures, and additional measures and legislation that may be considered by the federal government or the Minnesota Legislature, may affect the Program, the Program Loans, the Program Securities or the Bonds. While some of these measures may benefit the Program, no assurance can be given that the Program, the Bonds, the Program Securities or the Program Loans or the Owners of such Bonds will not be adversely affected by such measures. In addition, because of market conditions, no assurance can be given that the Agency will issue Additional Bonds under the Bond Resolution.

THE REPLACEMENT LIQUIDITY FACILITY

The information under this caption replaces the information contained in Appendix I to the Original Official Statement, which describes the initial Liquidity Facility.

General

The following description is a summary of certain provisions of the Replacement Liquidity Facility. Such summary does not purport to be a complete description or restatement of the material provisions of the Replacement Liquidity Facility. Investors should obtain and review a copy of the Replacement Liquidity Facility in order to understand all of the terms of that document.

The Replacement Liquidity Facility provides that, subject to the terms and conditions set forth in such Replacement Liquidity Facility, the Replacement Liquidity Provider shall purchase Eligible Bonds (as defined in the Replacement Liquidity Facility) tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Resolution, in each case, to the extent such Eligible Bonds are not remarketed by the Remarketing Agent. The Replacement Liquidity Facility will expire on July 17, 2015 (the “Expiration Date”), unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Replacement Liquidity Provider to purchase Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be immediately suspended or terminated without notice to the Bondowners. In such event, sufficient funds may not be available to purchase Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Replacement Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Eligible Bonds.

Purchase of Tendered Eligible Bonds by the Replacement Liquidity Provider

The Replacement Liquidity Provider will purchase from time to time during the period prior to the Expiration Date or earlier termination of the Replacement Liquidity Facility, Eligible Bonds tendered or deemed tendered from time to time during the period from and including July 18, 2012, to and including the Expiration Date (unless earlier terminated pursuant to the terms of the Replacement Liquidity Facility) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Resolution, in each case, to the extent the Eligible Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement (as defined in the Replacement Liquidity Facility). The price to be paid by the Replacement Liquidity Provider for the Eligible Bonds will be equal to the aggregate principal amount of the Eligible Bonds, provided that the aggregate principal amount of such Eligible Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the Replacement Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Replacement Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of such purchase.

Events of Default

The following events, among others, constitute Events of Default under the Replacement Liquidity Facility. Reference is made to the Replacement Liquidity Facility for a complete listing of all Events of Default.

Events of Default not Permitting Immediate Termination or Suspension

(a) *Payments*. (i) Any principal of, premium, if any, or interest on or premium with respect of any Revenues Secured Debt (as defined in the Replacement Liquidity Facility), shall not be paid when due (whether by scheduled maturity, required prepayment or purchase, acceleration, demand or otherwise), (ii) the occurrence of any event under any resolution, instrument or agreement giving rise to, relating to or with respect to any such Revenues Secured Debt, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to require such Revenues Secured Debt to be paid, prepaid or redeemed prior to the maturity thereof, or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to require such Revenues Secured Debt to be paid, prepaid or redeemed prior to the maturity thereof, or which results in the forfeiture by the Agency of any of its rights under any such resolution, instrument or agreement, or (iii) the Agency shall fail to pay any Obligation (as defined in the Replacement Liquidity Facility) or any other amount payable under the Replacement Liquidity Facility or the Fee Agreement (as defined in the Replacement Liquidity Facility) (other than those described in paragraph (b) below under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**") when due and such failure shall continue for five (5) Business Days (as defined in the Replacement Liquidity Facility).

(b) *Representations*. Any representation or warranty made by or on behalf of the Agency in the Replacement Liquidity Facility (or incorporated therein by reference) or in any Related Document (as defined in the Replacement Liquidity Facility) or in any certificate or statement delivered thereunder shall prove to have been incorrect, incomplete or misleading in any material respect when made or deemed to have been made.

(c) *Other Covenants*. The Agency shall fail to perform or observe (i) specified covenants under the Replacement Liquidity Facility; or (ii) any other term, covenant or agreement contained in any other Section of the Replacement Liquidity Facility (other than such specified covenants described in clause (i) of this paragraph (c)) or any Related Document on its part to be performed or observed, which failure under such other Section or Related Document continues for thirty (30) days or more.

(d) *Ratings Downgrade*. The long-term rating by Moody's or S&P of the 2005 Series M Bonds or any other Revenues Secured Debt (without regard to third party credit enhancement) is suspended, withdrawn or reduced below "Baa1" (or its equivalent) or "BBB+" (or its equivalent), respectively.

(e) *Other Documents*. Any "event of default" under, and as defined in, the Resolution or any other Related Document shall occur.

(f) *Internal Revenue Service*. A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the 2005 Series M Bonds is includable in the gross income of the holder(s) or owner(s) of such 2005 Series M Bonds and either (i) the Agency, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Agency shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(g) *Invalidity or Contest of Validity*. Subject to the Replacement Liquidity Facility, (i) the Replacement Liquidity Facility, any other Related Document or any provision hereof or thereof shall at any time for any reason cease to be valid and binding on the Agency or shall be declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Agency, the State or any other Governmental Authority with appropriate jurisdiction shall contest the validity or enforceability of the Agency's obligations hereunder or under the other Related Documents or deny that the Agency has any further liability or obligation hereunder or under the other Related Documents.

Events of Default Permitting Immediate Termination or Suspension

(a) *Event of Insolvency.* An Event of Insolvency (as defined in the Replacement Liquidity Facility) with respect to the Agency shall have occurred.

(b) *Payment Default.* Failure by the Agency, wholly or partially, to make timely any payment of principal or interest required to be made on the 2005 Series M Bonds (including any Bank Bond, other than with respect to an acceleration of the principal of and interest on Bank Bonds in accordance with the paragraph (e) below under the caption "Remedies").

(c) *Parity Debt.* (i) The Agency shall fail to pay when due (whether by scheduled maturity, required prepayment, acceleration or otherwise) any Parity Debt (as defined in the Replacement Liquidity Facility) (other than a failure to pay any amount described in clause (v) of the definition of "Debt" in the Replacement Liquidity Facility which has been accelerated pursuant to the terms of the applicable agreement), or any interest or premium thereon, and such failure shall continue beyond any applicable grace period specified in any resolution, indenture, agreement, contract or instrument related to such Parity Debt or pursuant to which such Parity Debt has been issued, or (ii) pursuant to the provisions of any such resolution, indenture, agreement, contract or instrument the maturity of any Parity Debt, as a result of a payment default, shall have been accelerated or may be required to be prepaid prior to the stated maturity thereof.

(d) *Contest of Validity.* Subject to the Replacement Liquidity Facility, (i) any provision of Replacement Liquidity Facility, the Fee Agreement, the Resolution, the Act (as defined in the Replacement Liquidity Facility) or the 2005 Series M Bonds relating to (x) the payment of the principal of or interest on the 2005 Series M Bonds or the Bank Bonds or (y) the pledge of and lien on the Revenues, shall at any time for any reason cease to be valid and binding pursuant to a judgment or order of any court of competent jurisdiction or other Governmental Authority on the Agency, or any amendment to the Act or any other statute is enacted, whether by referendum, initiative or by act of the state legislature, the effect of which is to materially adversely affect the enforceability of any provision of the Replacement Liquidity Facility, the Fee Agreement, the Resolution or the 2005 Series M Bonds relating to the payment of principal or interest on the 2005 Series M Bonds or the Bank Bonds or any of such documents in its entirety, or (ii) any officer or employee of the Agency shall publicly repudiate or contest the validity or enforceability of (A) any of the Replacement Liquidity Facility, the Fee Agreement, the Resolution or the 2005 Series M Bonds, in each case, in its entirety, or (B) any provision of the Replacement Liquidity Facility, the Fee Agreement, the Resolution or the 2005 Series M Bonds relating to the Agency's ability or obligation to pay the principal of or interest on the 2005 Series M Bonds or the Bank Bonds or (iii) the Agency shall repudiate that it has any or further liability or obligation under the Replacement Liquidity Facility, the 2005 Series M Bonds, the Bank Bonds or the Resolution.

(e) *Investment Grade Rating*. The unenhanced rating of the 2005 Series M Bonds or any other Revenues Secured Debt shall be (i) withdrawn or suspended for credit-related reasons or reduced below "Baa3" by Moody's and (ii) withdrawn or suspended for credit-related reasons or reduced below "BBB-" by S&P.

(f) *Judgments*. A final, nonappealable judgment or order for the payment of money which in the aggregate is in excess of $5,000,000 shall be rendered by a court of competent jurisdiction against the Agency or attaches to the Trust Estate (as defined in the Replacement Liquidity Facility) and such judgment(s) or order(s) shall continue unsatisfied and unstayed for a period of sixty (60) days.

Remedies

The following are remedies available to the Replacement Liquidity Provider under the Replacement Liquidity Facility upon the occurrence of certain events of default thereunder:

(a) In the case of any Event of Default specified under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**" above (each an *"Immediate Termination Event"*), the Available Commitment (as defined in the Replacement Liquidity Facility) shall immediately be reduced to zero, in which case the obligations of the Replacement Liquidity Provider to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Replacement Liquidity Provider shall be under no obligation to purchase Eligible Bonds. Promptly upon such Event of Default, the Replacement Liquidity Provider shall give written notice of same to the Trustee, the Agency and the Remarketing Agent; *provided,* that the Replacement Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way effect the termination of the Available Commitment and of the obligations of the Replacement Liquidity Provider to purchase Eligible Bonds pursuant to the Replacement Liquidity Facility. The Trustee shall immediately notify all Bondowners of the termination of the Available Commitment and the obligation of the Replacement Liquidity Provider to purchase the Eligible Bonds.

(b) In the case of an Event of Default specified in clause (ii) of paragraph (d) under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**" above (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non appealable judgment) (an *"Immediate Suspension Event"*), the Replacement Liquidity Provider's obligation to purchase Eligible Bonds shall be immediately suspended without notice or demand and thereafter the Replacement Liquidity Provider shall be under no obligation to purchase Eligible Bonds until such obligation is reinstated pursuant to this paragraph (b). Promptly upon the Replacement Liquidity Provider obtaining knowledge of any such Immediate Suspension Event, the Replacement Liquidity Provider shall give written notice to the Agency, the Paying Agent, the Trustee and the Remarketing Agent of such suspension; *provided* that the Replacement Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Replacement Liquidity Provider's obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in clause (ii) of paragraph (d) under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**" above shall enter a final, non appealable judgment that any such provision is not valid and binding on the Agency, then the Purchase Period, the Available Commitment and the Replacement Liquidity Provider's obligation to purchase Eligible Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in clause (ii) of paragraph (d) under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**" above shall thereafter find or rule that such provisions are valid and binding on the Agency, the Replacement Liquidity Provider's obligation to purchase Eligible Bonds under the Replacement Liquidity Facility shall be automatically reinstated and the terms of the Replacement Liquidity Facility will continue in full force and effect (unless the obligation of the Replacement Liquidity Provider to purchase Eligible Bonds thereunder shall otherwise have terminated or been suspended as provided in the Replacement Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date which is two (2) years after the effective date of suspension of the Replacement Liquidity Provider's obligation pursuant to this paragraph (b), litigation is still pending and a judgment regarding the validity of the provisions described in clause (ii) of paragraph (d) under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**" above that are the cause of such Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Replacement Liquidity Provider to purchase Eligible Bonds shall at such time immediately terminate and thereafter the Replacement Liquidity Provider shall be under no obligation to purchase Eligible Bonds.

(c) In the case of any Event of Default the Replacement Liquidity Provider may give written notice in the form of Exhibit B to the Replacement Liquidity Facility of such Event of Default to the Agency, the Trustee and Remarketing Agent stating that an Event of Default has occurred thereunder and directing that the 2005 Series M Bonds be called for mandatory tender pursuant to Section 11.10 of the Series Resolution (a *"Default Tender"*). The Available Commitment, the Purchase Period (as defined in the Replacement Liquidity Facility) and the obligation of the Replacement Liquidity Provider to purchase Eligible Bonds shall terminate five (5) Business Days following such Default Tender, and, thereafter, the Replacement Liquidity Provider shall be under no further obligation thereunder to purchase Eligible Bonds.

(d) Upon the occurrence of any Event of Default as specified in any provision under the caption "Events of Default" above, the Replacement Liquidity Provider may take any other action or remedies available to it under the Replacement Liquidity Facility, the Related Documents or otherwise pursuant to law or equity in order to enforce the rights of the Replacement Liquidity Provider thereunder, under the Related Documents or otherwise. Following any such Event of Default (i) all amounts owed to the Replacement Liquidity Provider thereunder and with respect to any Bank Bonds shall bear interest at the Default Rate (as defined in the Replacement Liquidity Facility) until paid, (ii) the Replacement Liquidity Provider may by written notice to the Agency declare that all amounts owed to the Replacement Liquidity Provider thereunder and with respect to the Bank Bonds be immediately due and payable such amounts shall be immediately due and payable and the Bank Bonds shall be subject to immediate mandatory tender (*provided* that the obligations of the Agency thereunder and under the Bank Bonds shall become immediately due and payable without such notice upon the occurrence of an Event of Default described in paragraph (a) above under the subcaption "**Events of Default Permitting Immediate Termination or Suspension**"), and (iii) the Replacement Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, the right to set-off and specific performance. The Replacement Liquidity Provider shall promptly provide the Trustee and the Agency of any acceleration of the amounts due thereunder or under the Bank Bonds.

(e) *Remedies Non-exclusive*. The remedies provided under the caption "Remedies" above shall only be exclusive with respect to Events of Default to the extent described under the caption "Remedies" above and to the extent they are obtained by the Replacement Liquidity Provider. If, for any reason whatsoever, the Replacement Liquidity Provider is not able to obtain all such remedies, then the Replacement Liquidity Provider thereby reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity, or any Related Document

Notwithstanding the provisions of paragraph (a) under the caption "Remedies" above, if, upon the occurrence of an Event of Default under the subcaption "**Events of Default not Permitting Immediate Termination or Suspension**," the Replacement Liquidity Provider exercises its rights under paragraph (d) under the caption "Remedies" above or under the Replacement Liquidity Facility to declare the amounts owed thereunder, under the Fee Agreement and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Agency to pay such accelerated amounts shall not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Replacement Liquidity Provider's obligation to purchase Eligible Bonds pursuant to paragraph (a) under the caption "Remedies" above).

THE REPLACEMENT LIQUIDITY PROVIDER

The following information replaces the information contained in Appendix J to the Original Official Statement, which described the initial Liquidity Facility provider.

The information under this heading has been provided solely by the Replacement Liquidity Provider and is believed to be reliable. This information has not been verified independently by the Agency or the Remarketing Agent. The Agency and the Remarketing Agent make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

Wells Fargo Bank, National Association

The Replacement Liquidity Provider is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Replacement Liquidity Provider is an indirect, wholly-owned subsidiary of Wells Fargo & Company ("Wells Fargo"), a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

The Replacement Liquidity Provider prepares and files Call Reports on a quarterly basis. Each Call Report consists of a balance sheet as of the report date, an income statement for the year-to-date period to which the report relates and supporting schedules. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about the Replacement Liquidity Provider, the reports nevertheless provide important information concerning the Replacement Liquidity Provider's financial condition and results of operations. The Replacement Liquidity Provider's Call Reports are on file with, and are publicly available upon written request to the FDIC, 550 17th Street, N.W., Washington, D.C. 20429, Attention: Division of Insurance and Research. The FDIC also maintains an internet website that contains the Call Reports. The address of the FDIC's website is http://www.fdic.gov. The Replacement Liquidity Provider's Call Reports are also available upon written request to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, MAC N9305-173, 90 South 7th Street, Minneapolis, MN 55479.

The Replacement Liquidity Facility will be solely an obligation of the Replacement Liquidity Provider and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Replacement Liquidity Provider or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Replacement Liquidity Facility will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the Replacement Liquidity Provider, and is furnished solely to provide limited introductory information regarding the Replacement Liquidity Provider and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Replacement Liquidity Provider since the date of this Supplement.

TENDER AND REMARKETING OF 2005 SERIES M BONDS

The following information supplements and modifies, to the extent inconsistent therewith, the information in the Original Official Statement under the heading "Description of the Series Bonds—Optional and Mandatory Tender of Certain 2005 Series M Bonds."

Optional and Mandatory Tender of 2005 Series M Bonds

Optional Tender. Owners of 2005 Series M Bonds in the Weekly Mode may elect to tender their 2005 Series M Bonds for purchase, by providing notice to the Remarketing Agent and the Tender Agent not later than 5:00 p.m. (New York City time) on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the notice. Such 2005 Series M Bonds are to be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest to but not including the purchase date (the "Purchase Price"). The notice of optional tender for purchase of 2005 Series M Bonds by the Owners or beneficial owners thereof shall be irrevocable once such notice is given to the Remarketing Agent and the Tender Agent.

Mandatory Tender. The 2005 Series M Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) at the Purchase Price (i) on any Mode Change Date and each Unenhanced Variable Rate Change Date for such Bonds, (ii) upon scheduled expiration or termination by the Agency of the Initial Liquidity Facility or an Alternate Liquidity Facility (a "Liquidity Expiration Event") for such Bonds, on a date not less than five days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) on any Conversion Date for such Bonds, and (iv) upon receipt of a Notice of Termination (as described in any Liquidity Facility) by the Trustee following the occurrence of certain Events of Default under such Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a "Mandatory Tender Date"). Upon any such event, the Trustee is to deliver a notice of mandatory tender to Bondowners, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender, the date of mandatory tender, and that all Bondowners of 2005 Series M Bonds subject to such mandatory tender are deemed to have tendered their 2005 Series M Bonds upon such date.

This paragraph is applicable to the 2005 Series M Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2005 Series M Bonds not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price will be deemed to have been tendered and purchased on such Mandatory Tender Date. Bondowners will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such 2005 Series M Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondowners will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2005 Series M Bonds will be issued in place of such untendered 2005 Series M Bonds pursuant to the 2005 Series M Resolution, and, after the issuance of the replacement 2005 Series M Bonds, such untendered 2005 Series M Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Remarketing of 2005 Series M Bonds

General. On each date on which 2005 Series M Bonds are required to be purchased, the Remarketing Agent is to use its best efforts to sell such 2005 Series M Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2005 Series M Bonds so tendered while the Replacement Liquidity Facility is in effect, the Replacement Liquidity Provider has agreed to purchase such 2005 Series M Bonds in accordance with the Replacement Liquidity Facility. The Remarketing Agent is not required to remarket the 2005 Series M Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of a Termination Event under the Replacement Liquidity Facility and the Replacement Liquidity Provider's termination of its commitment to purchase 2005 Series M Bonds thereunder; (iii) during a Suspension Event under the Replacement Liquidity Facility and the Replacement Liquidity Provider's suspension of its commitment to purchase the 2005 Series M Bonds thereunder (unless there is reinstatement of the Replacement Liquidity Facility; provided that if no reinstatement occurs within specific time periods, termination will occur without mandatory tender); or (iv) if the Replacement Liquidity Provider breaches its obligation to purchase 2005 Series M Bonds tendered and not remarketed. The Agency will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent in the 2005M Series Resolution, including remarketing of tendered 2005 Series M Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances, that the Remarketing Agent may resign its duties by giving 30 days' written notice to the Agency, and that the Agency may remove the Remarketing Agent upon 30 days' written notice.

Remarketing Agent Is Paid by the Agency. The Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to remarket the 2005 Series M Bonds that are optionally or mandatorily tendered by the Owners thereof (subject, in each case, to the terms of the 2005M Series Resolution and the Remarketing Agreement, as applicable), all as further described in the Official Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services (including a structuring fee of $20,152.50 for the initial remarketing of the 2005 Series M Bonds on July 18, 2012). As a result, the interests of the Remarketing Agent may differ from those of Owners and potential purchasers of 2005 Series M Bonds.

Remarketing Agent Routinely Purchases Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2005 Series M Bonds for its own account and, in its sole discretion, may acquire such tendered 2005 Series M Bonds in order to achieve a successful remarketing of the 2005 Series M Bonds (i.e., because there otherwise are not enough buyers to purchase the 2005 Series M Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2005 Series M Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2005 Series M Bonds by routinely purchasing and selling 2005 Series M Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below the principal amount thereof. However, the Remarketing Agent is not required to make a market in the 2005 Series M Bonds. The purchase of 2005 Series M Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2005 Series M Bonds in the market than is actually the case. The Remarketing Agent may also sell any 2005 Series M Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2005 Series M Bonds. The purchase of 2005 Series M Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2005 Series M Bonds in the market that is actually the case. The practices described above also may result in fewer 2005 Series M Bonds being tendered for purchase pursuant to the 2005M Series Resolution.

2005 Series M Bonds May Be Offered at Different Prices on Any Date, Including a Rate Determination Date. Pursuant to the 2005M Series Resolution and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2005 Series M Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100% of the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the 2005 Series M Bonds (including whether the Remarketing Agent is willing to purchase 2005 Series M Bonds for its own account). There may or may not be 2005 Series M Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2005 Series M Bonds tendered for purchase on such date at the principal amount thereof and the Remarketing Agent may sell 2005 Series M Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2005 Series M Bonds at the remarketing price. In the event the Remarketing Agent owns any 2005 Series M Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2005 Series M Bonds on any date, including the Rate Determination Date, at a discount to the principal amount thereof to some investors.

Ability To Sell the 2005 Series M Bonds Other Than Through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2005 Series M Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Owners that wish to tender their 2005 Series M Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2005 Series M Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2005 Series M Bonds other than by tendering the 2005 Series M Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2005 Series M Bonds, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee shall establish the applicable rate of interest on the 2005 Series M Bonds as described in the 2005M Series Resolution.

Agency Not Responsible to Bondowners for Replacement Liquidity Provider's Failure To Purchase 2005 Series M Bonds. Under the terms and provisions of the Remarketing Agreement and the Replacement Liquidity Facility, the Purchase Price of 2005 Series M Bonds is payable from moneys furnished in connection with the remarketing of the 2005 Series M Bonds or from the Replacement Liquidity Facility. Upon the occurrence of certain Termination Events or Suspension Events under the Replacement Liquidity Facility, the Replacement Liquidity Provider's obligation to purchase 2005 Series M Bonds under the Replacement Liquidity Facility will immediately terminate or may be suspended without notice or other action on the part of the Replacement Liquidity Provider. See "The Replacement Liquidity Facility" in this Supplement.) **The Agency is not responsible to Bondowners for any failure by the Replacement Liquidity Provider to purchase 2005 Series M Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2005M Series Resolution or upon the occurrence of a Termination Event or a Suspension Event.**

If a Termination Event or Suspension Event has occurred resulting in the termination or suspension of the Replacement Liquidity Facility or if the Replacement Liquidity Provider does not purchase any 2005 Series M Bonds tendered or deemed tendered for purchase by the owners thereof and not remarketed, such Bonds will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the

TBMA Index plus 1.25% or (ii) the Maximum Rate. Owners will not have the right to tender their 2005 Series M Bonds during such period and may be required to hold their 2005 Series M Bonds to maturity or prior redemption.

SECURITY FOR THE BONDS

The following information supplements and modifies, to the extent inconsistent therewith, the information in the Original Official Statement under the heading "Security for the Bonds."

Outstanding Bonds, including the 2005 Series M Bonds, are secured as provided in the Bond Resolution by a pledge of (a) all proceeds of the sale of the Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds, notes or other obligations), (b) all Program Obligations and Investment Obligations made or purchased from such proceeds, (c) all Revenues, (d) any other loans, funds, securities, Cash Equivalents or other property of the Agency otherwise pledged as security for Outstanding Bonds pursuant to a Series Resolution; and (e) all money, Investment Obligations, and other assets and income held in and receivables of Funds (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution), established by or pursuant to the Bond Resolution. The Bonds, including the 2005 Series M Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The pledge granted by the Bond Resolution shall be for the equal benefit, protection and security of Owners of all Outstanding Bonds, except as otherwise expressly provided therein.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, and the Bonds are not a debt of the State.

Cash Flow Certificate

The Bond Resolution requires that the Agency file a Cash Flow Certificate with the Trustee (i) at least once within a 12-month period and as otherwise required under the Bond Resolution or a Series Resolution, (ii) upon the proposed application of funds in the Revenue Fund to acquire Program Obligations or to pay Program Expenses, if not contemplated by a prior Cash Flow Certificate, or (iii) to release funds to the Agency from the Revenue Fund or to transfer funds to the Alternative Loan Fund. The Bond Resolution also permits a revised Cash Flow Certificate to be filed at any time directed by the Agency. The Cash Flow Certificate is to give effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established under the Bond Resolution or any Series Resolution (excluding the Insurance Reserve Fund, and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of such series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of such series. As set forth more fully in "Appendix D — Summary of Certain Provisions of the Bond Resolution — Revenue Fund" in the Original Official Statement, the Agency may withdraw from the Revenue Fund funds to be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Program Obligations

General information concerning the Agency's Residential Housing Finance Program, the types of Program Obligations that have been and are expected to be financed with the proceeds of Bonds is provided below under the heading "The Residential Housing Finance Program." Additional information regarding GNMA, Fannie Mae and Freddie Mac and Program Securities and the current Master Servicer is contained in Appendix F to this Supplement.

Modification of Terms of Program Loans

In 2008, the Bond Resolution was amended in accordance with its terms to grant the Agency the right to modify the terms of a Program Loan, including interest rate reductions, extension of loan term and principal forgiveness, on certain conditions. Specifically, the Bond Resolution provides:

The Agency may consent to the modification of the security for, or any terms or provisions of, one or more Program Loans but only if (1) the Agency reasonably determines that the modification will not be materially adverse to the security or other interests of Owners of Outstanding Bonds, and (2) the modification does not impair any contract of insurance or guaranty of the Program Loan. Any such modifications shall be reflected in the next Cash Flow Certificate which the Agency is required to prepare and provide to the Trustee pursuant to the provisions of the Bond Resolution; provided, however, that if the cumulative effect of such modifications not reflected in a Cash Flow Certificate previously delivered to the Trustee would reduce estimated Revenues from the Program Loans so modified by more than $500,000 in the current or any future Fiscal Year, then the Agency may not consent to such modifications until it has delivered a Cash Flow Certificate to the Trustee reflecting such modifications.

Investment Obligations

Bond proceeds and other funds held in the Acquisition Account, the Debt Service Reserve Fund, the Insurance Reserve Fund, the Revenue Fund, the Bond Fund, and the Redemption Fund under the Bond Resolution may be invested in Investment Obligations as defined in the Bond Resolution (see "Appendix D – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms" in the Original Official Statement).

Under the Bond Resolution, the Agency may direct the Trustee to invest funds held thereunder in investment agreements (sometimes referred to as "guaranteed investment contracts"), if such an investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. Summary information concerning funds held in respect of Bonds under the Bond Resolution that are invested in investment agreements as of March 31, 2012, is set forth below:

Investment Agreement Providers
as of March 31, 2012
(unaudited)
($ in thousands)

Investment Agreement Provider	Acquisition Account	Debt Service Reserve Fund	Float Fund*	Total
Assured Guaranty Municipal Corp**	--	$ 5,245	$18,954	$24,199
Depfa Bank PLC	--	11,532	11,429	22,961
Transamerica Life Insurance Co.	--	11,368	--	11,368
Monumental Life Insurance Company	--	2,501	--	2,501
Natixis Funding Corp***	--	758	841	1,599
Totals	--	$31,404	$31,224	$62,628

*The amount of funds on deposit in float funds (which comprise related accounts in the Revenue Fund, the Bond Fund Interest Account, the Bond Fund Principal Account and the Bond Redemption Fund) fluctuates throughout the year as debt service is paid and Bonds are redeemed.

**Guaranteed by Assured Guaranty.

***Guaranteed by Caisse des Depots et Consignations. Terminated June 1, 2012 upon the redemption in full of the related Bonds.

There is no assurance that the providers of Investment Obligations held under the Bond Resolution will be able to pay principal of and interest on such Investment Obligations as provided therein. In particular, certain providers of investment agreements have recently experienced substantial financial difficulties and ratings downgrades. No representation is made as to the creditworthiness of any provider.

The failure of a provider to pay principal and interest when due under an Investment Obligation pertaining to the Acquisition Account could result in the Agency's inability to acquire Program Obligations in an amount necessary to fully secure the Bonds. A failure by a provider to pay amounts due under an Investment Obligation pertaining to the other Funds could result in the Agency's inability to pay debt service on the Bonds. Except for agreements with Depfa Bank PLC, all of Agency's investment agreements contain "downgrade" provisions giving the Agency the right to withdraw all invested funds early if the provider's credit ratings are downgraded below specified levels and remedial action is not taken by the provider. The agreements with Depfa Bank PLC permit early withdrawal only if the downgrade of the provider's credit ratings adversely affects the then current rating on the Bonds relating to such agreement and remedial action is not taken. Funds withdrawn from investment agreements under such circumstances will be invested in alternate Investment Obligations at the direction of the Agency.

Revenues

When Revenues are greater than the amount necessary to pay maturing principal of and interest on the Bonds, the excess may, to the extent permitted by applicable federal tax law, be used to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay maturing principal of the Bonds, then either the Agency at its option may provide the amount necessary for such payment from (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund, or (c) from any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or the Trustee is to withdraw the necessary amount from the following funds in order of priority: (i) the Bond Redemption Fund, but only to the extent that amounts therein are in excess of amounts required for the redemption of Bonds for which the notice of redemption has been given, (ii) the Revenue Fund, (iii) the Debt Service Reserve Fund, and (iv) the Insurance Reserve Fund.

Debt Service Reserve Fund

The Bond Resolution creates and establishes a Debt Service Reserve Fund and provides that the Debt Service Reserve Requirement as of any date shall be the sum of amounts established for each Series of Bonds by each Series Resolution. The aggregate Debt Service Reserve Requirement with respect to the Series Bonds is equal, as of the date of calculation, to three percent (3%) of the aggregate principal amount of the then Outstanding Series Bonds. The balance in the Debt Service Reserve Fund on March 31, 2012, was $48,344,801, which was at least equal to the Debt Service Reserve Requirement for all Series of Bonds then Outstanding.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The moneys held in or credited to a debt service reserve fund are to be used solely for the payment of principal of bonds of the Agency as the same mature, the purchase of such bonds, the payment of interest thereon or the payment of any premium required when such bonds are redeemed before maturity, provided that the moneys in such fund are not to be withdrawn therefrom at any time in such amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency is not to issue any additional bonds or notes which are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of such issuance does not equal or exceed the minimum amount required by the resolution creating such fund unless the Agency deposits in each such fund at the time of such issuance from the proceeds of the bonds or otherwise an amount which, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by

> the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency ….

In the opinion of Bond Counsel and counsel to the Agency, under current law the State Legislature is legally authorized *but is not legally obligated* to appropriate such amounts.

Insurance Reserve Fund

The Bond Resolution creates and establishes an Insurance Reserve Fund to be used for the purpose of paying that portion of the claim for loss with respect to any defaulted Program Obligation which is not paid by a public or private insuring agency. As of any particular date of calculation, the Insurance Reserve Requirement is the sum of amounts, if any, established for each Series of Bonds by the applicable Series Resolution. Currently, there is no balance in the Insurance Reserve Fund, as there is no Insurance Reserve Requirement for any Series of Bonds Outstanding.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a Series Resolution, without limitation as to amount, to provide funds for the purpose of financing Program Obligations and, in addition, to refund outstanding Bonds or other obligations of the Agency. No additional Series of Bonds may be issued except upon receipt by the Trustee of (i) an Agency Certificate (in which the Agency may make certain assumptions permitted in a Cash Flow Certificate) certifying (a) that an amount equal to the Debt Service Reserve Requirement effective upon issuance of such Bonds will be on deposit in the Debt Service Reserve Fund and an amount equal to the Insurance Reserve Requirement effective upon issuance of such Bonds will be on deposit in the Insurance Reserve Fund, and (b) that estimated Revenues are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year, and (ii) written confirmation that the then existing ratings of the Bonds will not be impaired. A Cash Flow Certificate need not be filed in connection with the issuance of additional Bonds unless the Series Resolution authorizing Bonds of the series so provides.

Any additional Bonds issued under the Bond Resolution will be on parity with the 2005 Series M Bonds and all other Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Bond Resolution, except as otherwise expressly provided therein.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondowners that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Bondowners, are fully met and discharged.

THE RESIDENTIAL HOUSING FINANCE PROGRAM

The following information supplements and modifies, to the extent inconsistent therewith, the information in the Original Official Statement under the headings "The Residential Housing Finance Program" and "Program Loans To Be Made from Series Bonds."

General

Under the Bond Resolution, the Agency may issue Bonds to finance Program Obligations in order to provide financing for housing for low and moderate income persons, including single family loans, home improvement loans, multifamily loans and other housing-related loans, and to secure such loans in such manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans which are unsecured. All Outstanding Bonds issued under the Bond Resolution are secured on a parity, except as otherwise expressly provided in the Bond Resolution.

History and Transition to "MBS" Model

The Agency's Program formerly provided funds for the purchase by the Agency of newly originated Program Loans at a price and bearing interest at rates established from time to time on the basis of the interest cost of the Bonds and local mortgage market conditions. Such were the Program Loans financed with proceeds of the Series Bonds as further described under the heading "Program Loans To Be Made from Series Bonds" in the Original Official Statement. Except with respect to Home Improvement Program Loans, Program Loans purchased by the Agency historically have had 30-year terms. In 2006, however, the Agency implemented a program to offer Program Loans with 40-year terms under its CASA Program (as hereinafter defined, see "Special Assistance Programs"). The Agency terminated the 40-year loan program in October 2008. Historically, the Agency has purchased Program Loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the related Series of Bonds, the costs of servicing the Program Loans and other Program Expenses. The Agency may require the payment of discount points to reduce the overall interest rate on the Program Loans, provide adequate compensation to Lenders and defray Agency operation costs and expenses.

Effective for commitments made on or after September 1, 2009, the Agency changed the Program from a "whole loan" model to an "MBS" (mortgage-backed securities) model, in which the Agency acquires mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") (as defined in the Resolutions, "Program Securities") instead of directly acquiring mortgage loans from lenders. The Agency has entered into a Servicing Agreement, dated as of July 9, 2009 (the "Servicing Agreement"), with the Trustee and U.S. Bank National Association, as master servicer (the "Master Servicer"), for a term ending August 31, 2012 (subject to multiple renewal and termination rights). Pursuant to the Servicing Agreement, the Master Servicer is to acquire single family mortgage loans meeting Program requirements and pool such Program Loans into Program Securities to be purchased by the Trustee on behalf of the Agency. For additional information regarding the Master Servicer, see Appendix F to this Supplement.

Recent Program Developments

Certain borrowers may be eligible for assistance for entry costs, if needed for borrower qualification for the mortgage loan. (See "Homeownership Assistance Fund Loans" and "HOME Homeowner Entry Loan Program Loans" under "Other Programs" in this Supplement.)

In August 2010, the Agency began offering the Fannie Mae Housing Finance Agency Affordable Advantage loan product under the Minnesota Mortgage Program for borrowers with a qualifying credit score and who do not receive entry cost assistance. The Affordable Advantage loan product enabled eligible state housing finance agencies to deliver loans with up to 100% loan-to-value ratios without mortgage insurance, although borrowers were required to contribute at least $1,000 of their own funds. The loan product carried a higher Fannie Mae guarantee fee and the Agency agreed to repurchase the loan in the first six months if the loan became four months consecutively delinquent or if the loan was delinquent at the sixth month, did not become current and became four months consecutively delinquent thereafter. The Affordable Advantage Program terminated effective March 31, 2011. Before termination, the Agency had purchased with proceeds of Bonds Program Securities backed by Affordable Advantage loans in the approximate principal amount of $12.97 million. The Agency no longer has a repurchase obligation in respect of any of these loans.

In May 2012, the Agency began offering the Fannie Mae HFA Preferred Risk Sharing™ loan product under the Minnesota Mortgage Program for borrowers who meet the qualifying guidelines. Initially, entry cost assistance will not be available from the Agency in connection with these loans. The HFA Preferred Risk Sharing™ loan product enables eligible state housing finance agencies to deliver loans with up to 97% loan-to-value ratios without mortgage insurance. The loan product carries a higher Fannie Mae guarantee fee and the Agency must agree to repurchase the loan if it becomes delinquent in the first six months and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the sixth month, does not become current and remains delinquent for four consecutive months thereafter. The Agency has initial authority to purchase $75 million in HFA Preferred Risk Sharing Program Securities.

The Agency has also recently approved changes to its first mortgage and entry cost assistance programs. Anticipated to become effective on or about October 1, 2012, the Agency will streamline its single family first mortgage programs by eliminating CASA and modifying the program currently called the Minnesota Mortgage Program. The Agency will retain modified versions of its two entry cost assistance programs described below under the caption "Other Programs," which provide interest-free and deferred downpayment and entry cost assistance to lower-income borrowers, but it will add a third option, an interest-bearing, fully-amortizing entry cost assistance loan, which will be available to any borrower eligible for an Agency first mortgage.

Program Loans

Under the "whole loan" model utilized by the Agency until 2009, Program Loans were purchased from (1) Lenders including any bank, savings bank, credit union or mortgage company organized under the laws of Minnesota or the United States or nonprofit licensed by the State of Minnesota, and any mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veterans Affairs, or (2) any agency or instrumentality of the United States or the State.

Subject to the right of the Agency to modify the terms of Program Loans as described under "Security for the Bonds—Modification of Terms of Program Loans" in this Supplement, the Agency under applicable Series Resolutions has agreed to take or require a Servicer to take all measures, actions and proceedings reasonably necessary and deemed by it to be most effective to recover the balance due on a Defaulted Program Loan, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the Mortgage, renting or selling the Home, collection of any applicable mortgage insurance or guaranty, and preservation of the title to and value of the Home pending recovery of the balance of the Defaulted Program Loan. (See "State Laws Affecting Foreclosures" in Appendix E to this Supplement.)

Program Securities

Under the "MBS" model, the Trustee, on behalf of the Agency, is to purchase mortgage-backed GNMA I and GNMA II-Custom Pool securities, guaranteed as to timely payment of principal of and interest by GNMA, mortgage-backed Fannie Mae Securities, guaranteed as to payment of principal and interest by Fannie Mae, and mortgage-backed Freddie Mac Securities, guaranteed as to payment by Freddie Mac (each a Program Security), each of which is backed by pools of mortgage loans which have been made by Lenders to qualified borrowers to finance the purchase of single family residential housing located in the State, in accordance with the Servicing Agreement, the Participation Agreements, the Manual and other Program documents. For additional information regarding GNMA, Fannie Mae, Freddie Mac, Program Securities and the Master Servicer, see Appendix F to this Supplement.

The Agency may participate each Program Security between different sources of funds of the Agency, so long as the interest of each has equal priority as to lien in proportion to the amount of the Program Security secured, but such interests need not be equal as to interest rate.

Servicing of Program Loans

Under the Program, the Agency has set forth requirements for the servicing and accounting of Program Loans in a Servicing Manual. Servicing may be granted to Lenders that demonstrate adequate technical capability to the Agency's satisfaction. Each Servicer must maintain at all times a fidelity bond and an errors and omissions policy issued by a company having a current rating in Best's Insurance Reports of A/AAA or better. Servicers are required to ensure that mortgagors maintain on each home a hazard insurance policy providing fire and extended coverage equal to or greater than that customary in the geographic area in which the home is located. Servicers are required to advise the Agency if a home is exposed to a risk not otherwise covered by the hazard insurance policy and the Agency may require additional coverage.

The Agency requires its Servicers to supply reports and other data sufficient to reconcile the transactions within its loan portfolio. Servicers remit mortgage collections daily to the Trustee. The Agency may, at any time, terminate a servicing agreement and re-assign servicing. Under the Program, Servicers will receive as compensation a monthly servicing fee not to exceed 0.375%/12 of the outstanding principal amount of Program Loans they service.

The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency's procedures, to bring a delinquency current in the shortest practicable time. Servicers use the following tools in an effort to bring delinquencies current: borrowers may be referred to foreclosure prevention counselors, Servicers may, in some cases, accept partial payments, set up repayment plans with borrowers, enter into forbearance agreements, originate deferred payment second mortgage loans funded with Agency funds, modify the delinquent loan, approve a short sale and accept a deed-in-lieu of foreclosure. The Agency has significant flexibility under the Bond Resolution to modify the terms of a loan, including interest rate reductions, extension of loan term and principal forgiveness. (See "Security for the Bonds—Modification of Terms of Program Loans" in this Supplement.)

Servicing of Program Securities

A servicer of mortgage loans backing a Program Security must be a GNMA, Fannie Mae and Freddie Mac approved servicer experienced in servicing pools of mortgage loans for GNMA, Fannie Mae and Freddie Mac under their respective guaranteed mortgage-backed securities programs and be subject to the standards set forth in the GNMA Servicer's Guide, the Fannie Mae Single Family Selling and Servicing Guide and the Freddie Mac guidelines.

The Agency has entered into the Servicing Agreement with the Master Servicer to service mortgage loans backing Program Securities. For additional information regarding the Master Servicer, see Appendix F to this Supplement. Series Resolutions provide that in the event the Servicing Agreement is cancelled or terminated for any reason, the Agency shall proceed with due diligence to procure a successor Master Servicer, subject to the provisions of the Servicing Agreement and the requirements of each applicable Federal Mortgage Agency. During the period necessary to obtain such successor, the Trustee shall, subject to the approval of the applicable Federal Mortgage Agency, cause to be performed the duties and responsibilities of the Master Servicer, under the Servicing Agreement and shall be compensated therefor, in addition to the compensation payable to it under the Resolutions or any other instrument, in the same manner and amounts as provided under the Servicing Agreement.

Mortgage Loan Portfolio and Acquired Program Securities

As of March 31, 2012, the Agency had outstanding Program Loans receivable of $1,611,382,000 gross, which were financed from the proceeds of Bonds. As of March 31, 2012, excluding the proceeds of short-term bonds and notes, there were no uncommitted proceeds from previous bond sales under the Bond Resolution available for commitment. Certain information relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage loan portfolio funded by Bonds as of March 31, 2012 is contained in Appendix D to this Supplement. Appendix D does not contain information about the mortgage loans transferred to the Bond Resolution as described in the following paragraph.

On April 26, 2012, the Agency issued $150,750,000 in aggregate principal amount of Residential Housing Finance Bonds, 2012 Series A, 2012 Series B, 2012 Series C, and 2012 Series D, and applied a portion of the proceeds thereof to refund certain outstanding Single Family Mortgage Bonds of the Agency. In connection with that transaction, the Agency applied available excess revenues under the Single Family Mortgage Bond Resolution and other Agency funds to optionally redeem and defease all other bonds then outstanding under the Single Family Bond Resolution and transferred substantially all of the mortgage loans thereunder to the Bond Resolution to provide additional security for Outstanding Bonds. Information about the single family mortgage loans pledged under the Single Family Mortgage Bond Resolution as of March 31, 2012 is available in the Single Family Mortgage Bond Resolution, Quarterly Disclosure Report, Information as of March 31, 2012, which is available at the Agency's website at www.mnhousing.gov/investors/reports/disclosure/ index.htm. Future quarterly disclosure reports relating to the Bond Resolution (see "The Agency—Disclosure Information" in this Supplement) will contain mortgage insurance and delinquency and foreclosure statistics for the combined single family mortgage portfolio pledged under the Bond Resolution.

As of March 31, 2012, the following Program Securities (comprising GNMA Securities and Fannie Mae Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

	Principal Amount Outstanding	Percentage
GNMA II	$41,103,000	91.48%
FNMA	3,826,000	8.52
Total	$44,929,000	100.00%

OTHER PROGRAMS

The following information supplements and modifies, to the extent inconsistent therewith, the information in the Original Official Statement under the heading "Other Programs."

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix A to this Supplement.

For example, as of March 31, 2012, the Homeownership Finance Bond Fund had outstanding mortgage-backed securities of $543,147,000 principal amount, which were financed from the proceeds of the Agency's homeownership finance bonds. As of March 31, 2012, the Agency had outstanding home improvement loans receivable of $107,111,000 gross. *None of such loans secure or are available for the payment of principal of or interest on the Bonds*.

The Agency recently defeased its Single Family Mortgage Bond Resolution and transferred substantially all of the excess assets thereunder to the Bond Resolution.

Homeownership Assistance Fund Loans

The Agency has established a Homeownership Assistance Fund created with appropriations by the State Legislature from which Homeownership Assistance Fund loans are made. In addition, the Agency has established the Alternative Loan Fund within the Bond Resolution which is also a source of funding for these loans. A Homeownership Assistance Fund loan is a junior lien loan made by the Agency to the mortgagor to assist in the payment of entry costs (i.e., required down payment and closing costs) on the home.

Mortgagors who meet program income requirements, program targeting criteria and who do not have sufficient cash for down payment and closing costs are eligible for entry cost assistance of up to $4,500.

The entry cost assistance is an interest-free, deferred loan which is due on sale, transfer or refinancing or when the property is no longer occupied by the mortgagor.

Program Loans backing Program Securities made or purchased from the proceeds of a Series of Bonds may or may not be accompanied by Homeownership Assistance Fund loans. The Homeownership Assistance Fund has not been pledged to and is not available for the payment of principal or interest on Outstanding Bonds. Amounts on deposit in the Alternative Loan Fund are available for the payment of principal of or interest on the Bonds and other debt of the Agency, but are not pledged to payment of Outstanding Bonds or other debt.

The Agency may use a portion of the proceeds of a Series of Bonds to make loans for the purpose of entry cost assistance. Any such loans will also back Program Securities pledged to the payment of principal of and interest on the Bonds.

HOME Homeowner Entry Loan Program Loans (HOME HELP)

The Agency has established a HOME HELP program created with federal HOME funds received by the Agency. A HOME HELP loan is a junior lien loan made by the Agency to the mortgagor to assist in the payment of entry costs (i.e., required down payment and closing costs) on the home. HOME HELP loans are available only to mortgagors participating in the Agency's CASA Program. CASA Program participants choose between the use of Homeownership Assistance Funds described above or HOME HELP funds.

CASA borrowers who meet Federal HOME and program requirements, including but not limited to income, house price, Housing Quality Standards, Uniform Relocation Act compliance, and environmental review, are eligible for an amount of $10,000. Mortgagors must have a housing ratio above 25% before the assistance is applied.

The HOME HELP loan is an interest free, deferred loan with a repayment agreement that recaptures 100% of the loan amount for the first six years and 30% of the loan amount after year six. Recapture occurs upon maturity of the CASA program first mortgage, upon voluntary or involuntary sale of the property, or when the property is no longer owner occupied. HOME HELP loans are not pledged to the payment of the Bonds.

TAX EXEMPTION

Dorsey & Whitney LLP, Minneapolis, Minnesota, rendered an opinion of Bond Counsel on the original date of issuance of the Series Bonds that under then-existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants of the Agency intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, interest on the Series Bonds (including the 2005 Series M Bonds) is not includable in gross income of the owners thereof for federal income tax purposes, but interest on the 2005 Series M Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel further opined that interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes but interest on the Series Bonds is includable in the income of financial institutions and corporations for purposes of the Minnesota franchise tax, and interest on the 2005 Series M Bonds is includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts. A copy of the opinion of Bond Counsel delivered on the date of issuance of the 2005 Series M Bonds is set forth in Appendix G to the Original Official Statement. (See also "Tax Exemption and Related Considerations" in the Original Official Statement for additional information.) Dorsey & Whitney LLP has not updated its opinion of Bond Counsel and has not undertaken any investigation to determine whether interest on the Series Bonds is not includable in gross income of the owners thereof for federal or state income tax purposes after the date of issuance of the Series Bonds.

In the opinion of Kutak Rock LLP, Atlanta, Georgia, to be dated concurrently with the delivery of the Replacement Liquidity Facility, the delivery of the Replacement Liquidity Facility, in and of itself, will not adversely affect the exclusion of interest on the 2005 Series M Bonds from gross income for federal income tax purposes, assuming it otherwise exists.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2005 Series M Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2005 Series M Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. No counsel expresses an opinion regarding any pending or proposed federal tax legislation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

Certain legal matters incident to the remarketing of the 2005 Series M Bonds will be passed upon by Kutak Rock LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Replacement Liquidity Provider by Chapman and Cutler LLP, of Chicago, Illinois, and for the Remarketing Agent by its counsel, Kennedy & Graven, Chartered, Minneapolis, Minnesota.

RATINGS

The 2005 Series M Bonds are rated "Aa1/VMIG 1" by Moody's and expected to be rated "AA+/A-1+" by S&P. The short-term ratings assigned to the 2005 Series M Bonds will be conditioned upon the issuance by the Replacement Liquidity Provider of the Replacement Liquidity Facility. The Moody's rating, and the S&P rating, if assigned, reflect only the views of the applicable rating agency, and an explanation of the significance of such ratings may be obtained only from the rating agency and its published materials. The ratings are not a recommendation to buy, sell or hold the 2005 Series M Bonds. There can be no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date hereof, investors should not assume that such ratings are still in effect. A downward revision or withdrawal of a rating is likely to have an adverse effect on the market price and marketability of the 2005 Series M Bonds. The Agency has not assumed any responsibility either to notify the owners of the 2005 Series M Bonds of any proposed change in or withdrawal of such rating subsequent to the date of this Supplement, except in connection with the reporting of events as provided in the Continuing Disclosure Agreement (see Appendix D to the Original Official Statement), or to contest any such revision or withdrawal.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the remarketing of the 2005 Series M Bonds. The Financial Advisor assisted in the preparation of this Supplement and in other matters relating to the remarketing of the 2005 Series M Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the remarketing of the 2005 Series M Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Supplement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RELATIONSHIPS OF PARTIES

Wells Fargo Bank, National Association will serve as the Remarketing Agent, the Trustee, and the Replacement Liquidity Provider, and is a subsidiary of Wells Fargo & Company.

Wells Fargo Bank, National Association ("WFBNA"), the Remarketing Agent for the 2005 Series M Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2005 Series M Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its remarketing agent compensation with respect to the 2005 Series M Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

This Supplement is submitted in connection with the remarketing of the 2005 Series M Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made or incorporated in this Supplement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Supplement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the 2005 Series M Bonds.

The execution and delivery of this Supplement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By /s/ Mary Tingerthal
Commissioner

Dated: July 17, 2012.

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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TABLE OF CONTENTS

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MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report

As Minnesota Housing celebrates the 40th anniversary of its formation, the Agency has achieved strong financial and programmatic results in a year when national and state housing markets continue to be weak. Focusing on the fundamentals of our business lines, we have achieved these results with three key items reflecting positive change from the previous year: reducing homeownership loan delinquencies, with a resulting significant reduction in loan loss expense for the first time in three years; reducing risk exposure by increasing reliance on mortgage-backed securities; and generating greater loan production in a difficult economy. Our strong financial performance paired with reduced risk exposure to whole loans has also made it possible to transfer $13.9 million to our Housing Affordability Fund for use in program funding during the next year.

These results have been achieved as the Agency saw a leadership change during the fiscal year. Last November, Minnesota elected a new Governor for the first time in eight years, and Governor Mark Dayton appointed me as the new Commissioner of Minnesota Housing in January. This has given me the opportunity to return to the Agency where I began my professional career in 1976. After 10 years at the Agency, I spent the intervening period in leadership roles in the financial services industry, working in the private mortgage banking sector and for national non-profit financial intermediaries. Governor Dayton also appointed Ken Johnson, a seasoned public finance professional, as the Agency's new Board Chair.

Several major trends in the financial marketplace provided the backdrop for the Agency's programmatic results.

- During the previous two fiscal years, Minnesota Housing was able to maintain a high level of program activity in a tough economy through the administration of programs that were part of the Federal stimulus program. These programs provided a helpful bridge for housing developers during a time when more traditional finance programs, especially the Low Income Housing Tax Credit, were not functioning effectively in the marketplace. Investors have now returned to the Tax Credit market as the stimulus programs are winding down.
- During a time of historically low interest rates for home mortgages, Minnesota Housing has been able to offer competitively priced mortgages for first time home buyers through careful debt management practices and use of the U.S. Treasury Department's New Issue Bond Program. This program was even more effective because of the Agency's earlier successful shift from holding whole loans to holding mortgage-backed securities, reducing the level of risk on its balance sheet. As investors have shown a preference for bonds backed by mortgage-backed securities, the Agency has enjoyed superior executions on its bond sales.
- As mortgage loan delinquencies and foreclosures nationally have remained stubbornly high, Minnesota Housing saw its delinquency rates fall during the last three months of the fiscal year. This is in part due to a decision by the Agency to proactively offer loan modifications to those borrowers with the financial capacity to maintain their mortgages with lower monthly payments.
- Minnesota Housing received strong bi-partisan support for continued state appropriations, taking only a modest 6.3% reduction from the previous biennium, despite a $5 billion State budget deficit.

During the fiscal year, Minnesota Housing achieved the following programmatic results:

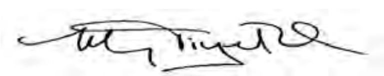
- Made commitments for 2,184 new home mortgages for first time homebuyers, of which 23% were for borrowers from emerging markets.
- Closed on 106 loans for multifamily properties, providing or preserving affordable rental units for more than 4,700 low and moderate income households.
- Made significant progress in committing resources to support housing units for individuals and families that have suffered from long-term homelessness, reaching the 3,582-unit mark towards the State's goal of producing 4,000 such units by the year 2015.
- Received a renewed contract from the Department of Housing and Urban Development (HUD) to manage rental assistance payments for more than 35,000 rental housing units under the Performance-Based Contract Administration program, after successfully competing in HUD's competitive bid process for this program.
- Continued a strong commitment to foreclosure prevention, winning an allocation of more than $3 mil-

lion in counseling resources under the National Foreclosure Mitigation Counseling program that will allow us to assist an estimated 7,937 households. Minnesota Housing also received a significant award under a new federal program – the Emergency Homeowners Loan Program – that will help unemployed and underemployed homeowners to make their mortgage payments for up to 2 years or until they find new employment.

Minnesota Housing also took important steps during the year to ensure the strength of its financial, technology and risk management infrastructure:

- Engaged its financial advisor to conduct a Capital Adequacy assessment, with strong results.
- Made significant investments in technology support for both its single-family mortgage-backed securities platform and its multifamily asset management platform. These are the first steps in a program that will result in significant process improvements over the next 2 to 3 years.
- Engaged seasoned professionals for two new positions – a Chief Risk Officer who reports directly to the Board of Directors and a Senior Credit Officer who reports directly to the Chief Financial Officer.

We are proud that Minnesota Housing stands as a strong financial partner for the lenders, developers and counseling organizations that provide affordable housing opportunities for Minnesotans. Our financial and organizational strength will allow us to achieve our mission – financing and advancing affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities – for many years to come.



Mary Tingerthal, Commissioner
Minnesota Housing
August 24, 2011

Independent Auditors' Report

Members of the Board of Directors
Minnesota Housing Finance Agency
St. Paul, Minnesota

We have audited the accompanying financial statements of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Agency's 2010 financial statements and, in our report dated August 25, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and each major fund.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of the Agency, as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
August 24, 2011

Management's Discussion and Analysis of Financial Condition and Results of Operations is not audited. However, it is supplementary information required by accounting principles generally accepted in the United States of America. This discussion should be read in conjunction with the financial statements and notes thereto.

Introduction

The Minnesota Housing Finance Agency (Minnesota Housing or the Agency) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. Minnesota Housing is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified state-defined programs and to pay debt service and related expenses on state appropriation-backed nonprofit housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes. The Agency's mission is to finance and advance affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

Minnesota Housing is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

Minnesota Housing operates three program divisions — Multifamily, Single Family and Community Development — which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, the Housing Trust Fund and the Alternative Loan Fund. The federal Low Income Housing Tax Credit is another resource the Agency allocates. The members of Minnesota Housing (the Board) consist of six public members appointed by the Governor with the advice and consent of the state senate and the State Auditor as an ex-officio member..

Discussion of Financial Statements

The Financial Section of this report consists of three parts: the independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are prepared on an accrual basis and presented on an Agency-wide basis and by fund.

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net Assets and the Statement of Activities. Significant interfund transactions have been eliminated within the Agency-wide statements. Assets and revenues of the separate funds that comprise the Agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used for every corporate purpose.
- The fund financial statements provide information about the financial position and results of operations for Minnesota Housing's eight proprietary funds.
- The financial statements also include "Notes to Financial Statements" which provide more detailed explanations of certain information contained in the Agency-wide and fund financial statements.

Supplementary Information is presented following the Notes to Financial Statements for certain funds of Minnesota Housing, which have been established under the bond resolutions under which Minnesota Housing issues bonds and other debt for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2010. Although not required, these comparative totals are intended to facilitate an understanding of Minnesota Housing's financial position and results of operations for fiscal year 2011 in comparison to the prior fiscal year.

Discussion of Individual Funds

General Reserve

The purposes of General Reserve are to maintain sufficient liquidity for Minnesota Housing operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). The costs of administering Minnesota Housing programs are captured on the Statement of Revenues and Expenses for General Reserve. The fees earned are generally related to the administration of the federal Low Income Housing Tax Credit program, administration of the federal Housing Assistance Payment program, and contract administration of the Section 8 program for developments not financed by Minnesota Housing.

Rental Housing

The majority of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts that are for substantially the same length of time as the mortgage loans.

Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies. Maintaining asset quality is a high priority for Minnesota Housing; therefore, this portfolio receives a significant amount of oversight.

All of Minnesota Housing's bond-financed multifamily loans, except one loan financed under Multifamily Housing, are financed in Rental Housing as of June 30, 2011. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, the limited obligation notes issued under separate resolutions, and the restricted by covenant Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3) and limited obligation note accounts.

Bonds have been issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, certain entry cost housing assistance loans, and subordinated home improvement mortgage loans. The majority of the single family loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA), or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2011 (see Homeownership Finance, below). Minnesota Housing may also issue bonds for its home improvement loan program under this bond resolution although no bonds were issued to support home improvement lending during fiscal year 2011.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2011 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program, for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, for tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2011 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

Discussion of Individual Funds (continued)

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Single Family

This fund was the principal source of financing for Minnesota Housing's bond-financed homeownership programs until fiscal year 2002 when Minnesota Housing began using the more flexible Residential Housing Finance fund as its principal source of financing for these programs. The majority of the loans in Single Family have either FHA insurance or a VA or RD guarantee.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Mortgage-backed securities were funded for the first time by bonds issued under this resolution during fiscal year 2011.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds have been issued for a rental project under construction. The mortgage loan had closed but had yet to be funded as of the end of fiscal year 2011.

State and Federal Appropriated Funds

The appropriated funds are maintained by Minnesota Housing for the purpose of receiving and disbursing monies appropriated by the state and federal government for housing. All of the appropriated funds' net assets are restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

The State Appropriated fund was established to account for funds received from the state legislature, which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs.

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs.

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted

General Overview (continued)

in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board. Agency-wide financial statements reflect totals of similar accounts for various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency covenants or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically set forth in the respective bond resolutions and are pledged for the primary benefit of the respective bondholders and swap counterparties. General Reserve is created under the Minnesota Housing bond resolutions as part of the pledge of the general obligation of Minnesota Housing. Minnesota Housing covenants in the bond resolutions that it will use the assets in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the Minnesota Housing enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

Minnesota Housing has no taxing power and neither the State of Minnesota nor any political subdivision thereof is legally obligated to pay the principal of or interest on bonds or other obligations issued by Minnesota Housing. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in Minnesota Housing to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to Minnesota Housing by the State of Minnesota or made available to Minnesota Housing from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of State Appropriated and Federal Appropriated funds are not pledged or available to secure bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof.

In addition to its audited annual financial statements, Minnesota Housing has published unaudited quarterly disclosure reports for the Single Family, Residential Housing Finance, and Homeownership Finance bond resolutions and unaudited semiannual disclosure reports for the Rental Housing bond resolution. Recent disclosure reports can be found in the "Investors" section on Minnesota Housing's web site at www.mnhousing.gov.

Condensed Financial Information

Selected Elements from Statement of Net Assets (in $000s)

		Agency-wide Total		
		As of June 30, 2011	As of June 30, 2010	Change
Assets	Cash and Investments	$1,449,604	$1,403,723	$ 45,881
	Loans receivable, Net	2,065,339	2,268,115	(202,776)
	Interest Receivable	17,601	18,838	(1,237)
	Total Assets	3,614,326	3,785,148	(170,822)
Liabilities	Bonds Payable	2,555,414	2,704,507	(149,093)
	Interest Payable	46,799	48,211	(1,412)
	Accounts Payable and Other Liabilities	17,062	21,582	(4,520)
	Funds Held for Others	96,996	87,425	9,571
	Total Liabilities	2,750,720	2,900,100	(149,380)
Net Assets	Restricted by Bond Resolution	281,199	278,195	3,004
	Restricted by Covenant	469,496	476,902	(7,406)
	Restricted by Law	111,466	128,320	(16,854)
	Total Net Assets	863,606	885,048	(21,442)

Selected Elements From Statement of Revenues, Expenses, and Changes in Net Assets (in $000s)

		Agency-wide Total		
		Fiscal 2011	Fiscal 2010	Change
Revenues	Interest Earned	$151,328	$155,845	$ (4,517)
	Appropriations Received	303,615	284,483	19,132
	Fees and Reimbursements	18,855	17,769	1,086
	Total Revenues (1)	491,613	486,313	5,300
Expenses	Interest Expense	97,189	101,516	(4,327)
	Appropriations Disbursed	286,572	270,185	16,387
	Fees and Reimbursements	6,203	6,725	(522)
	Payroll, Gen. & Admin.	32,753	32,263	490
	Loan Loss/Value Adjust's	71,089	56,486	14,603
	Total Expenses (1)	513,055	486,984	26,071
	Revenues over (under) Expenses	(21,442)	(671)	(20,771)
	Beginning Net Assets	885,048	885,719	(671)
	Ending Net Assets	863,606	885,048	(21,442)

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
As of June 30, 2011							
Excluding Pool 3	Pool 3	Total	As of June 30, 2010	Change	As of June 30, 2011	As of June 30, 2010	Change
$1,324,968	$ 28,687	$1,353,655	$1,302,496	$ 51,159	$ 95,949	$101,227	$ (5,278)
2,004,893	25,558	2,030,451	2,232,189	(201,738)	34,888	35,926	(1,038)
17,017	348	17,365	18,501	(1,136)	236	337	(101)
3,427,030	54,593	3,481,623	3,642,506	(160,883)	132,703	142,642	(9,939)
2,555,414	-	2,555,414	2,704,507	(149,093)	-	-	-
46,799	-	46,799	48,211	(1,412)	-	-	-
14,922	97	15,019	15,045	(26)	2,043	6,537	(4,494)
78,206	-	78,206	80,301	(2,095)	18,790	7,124	11,666
2,743,392	(13,909)	2,729,483	2,885,778	(156,295)	21,237	14,322	6,915
281,199	-	281,199	278,195	3,004	-	-	-
400,994	68,502	469,496	476,902	(7,406)	-	-	-
-	-	-	-	-	111,466	128,320	(16,854)
683,638	68,502	752,140	756,728	(4,588)	111,466	128,320	(16,854)

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2011							
Excluding Pool 3	Pool 3	Total	Fiscal 2010	Change	Fiscal 2011	Fiscal 2010	Change
$147,917	$ 1,545	$149,462	$ 153,283	$ (3,821)	$ 1,866	$ 2,562	$ (696)
-	-	-	-	-	303,615	284,483	19,132
15,222	(1,013)	14,209	13,920	289	4,646	3,849	797
180,471	350	180,821	193,930	(13,109)	310,792	292,383	18,409
97,189	-	97,189	101,516	(4,327)	-	-	-
-	-	-	-	-	286,572	270,185	16,387
23,147	1,045	24,192	24,332	(140)	64	72	(8)
23,432	3,782	27,214	27,260	(46)	5,539	5,003	536
22,398	14,416	36,814	34,933	1,881	34,275	21,553	12,722
166,166	19,243	185,409	188,041	(2,632)	327,646	298,943	28,703
14,305	(18,893)	(4,588)	5,889	(10,477)	(16,854)	(6,560)	(10,294)
683,233	73,495	756,728	750,839	5,889	128,320	134,880	(6,560)
683,638	68,502	752,140	756,728	(4,588)	111,466	128,320	(16,854)

FINANCIAL HIGHLIGHTS

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements included as supplementary information in this 2011 Financial Report.

General Reserve and Bond Funds — Statement of Net Assets

Loans receivable, investments, cash and cash equivalents, deferred loss on interest rate swap agreements, real estate owned, and interest receivable comprise the majority of assets in the General Reserve and bond funds. Equipment, fixtures, furniture, capitalized software costs, and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets.

Loans receivable, net is the largest single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net decreased 9% to $2,030.5 million at June 30, 2011 as a result of repayments, prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans. The reduction in loans receivable during fiscal year 2011 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio increased due to an increase in the estimated loss per delinquent loan which was only partially offset by a decrease in the homeownership loan delinquency rates as displayed in the following delinquency data. Minnesota Housing also has amortizing home improvement and rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio increased due to increased total loan delinquency rates (as displayed in the following delinquency data) and because of an increase in the reserve for inactive loans, which are excluded from the delinquency data. Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. The reserve for loan loss for the multifamily portfolio was relatively unchanged during fiscal year 2011. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2011		June 30, 2010	
Current and less than 60 days past due	15,299	92.0%	16,732	90.8%
60-89 days past due	310	1.9%	414	2.2%
90-119 days past due	149	0.9%	232	1.3%
120+ days past due and foreclosures[1]	862	5.2%	1,057	5.7%
Total count	16,620		18,435	
Total past due[1]	1,321	8.0%	1,703	9.2%

(1) In addition to loans customarily included in foreclosure statistics, "foreclosures" include homeownership loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed. This causes the delinquency rates in the table not to be directly comparable to delinquency rates reported by the Mortgage Bankers Association of America.

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2011		June 30, 2010	
Current and less than 60 days past due	8,798	97.2%	9,133	97.4%
60-89 days past due	57	0.6%	76	0.8%
90-119 days past due	38	0.4%	48	0.5%
120+ days past due	164	1.8%	123	1.3%
Total count	9,057		9,380	
Total past due	259	2.8%	247	2.6%

The 60+ day delinquency rate as of June 30, 2011 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately three percentage points the delinquency rates of similar loan data available as of March 31, 2011 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that comparable delinquency data from other available sources is not directly comparable.

FHA/VA insurance claims, net consist of non-performing homeownership loans that are FHA insured or VA guaranteed. These loans are reclassified as claims receivable at the time the Agency files a claim. FHA/VA insurance claims,net decreased 32% to $7.761 million at June 30, 2011 as a result of a decrease in the claim amount per loan.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned increased 2% to $24.604 million at June 30, 2011 as a result of increased foreclosures within the homeownership portfolio.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2011, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2011, being less than 1.62% of total net loans receivable. Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

There are no loans in General Reserve.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents increased 4% to $1,353.7 million at June 30, 2011. The increase is principally a result of two items. First, loans receivable decreased $201.7 million during fiscal year 2011 which resulted in an increase in cash and investments. Second, that increase was reduced by the cash and investments required to pay down bonds payable by $149.1 million. Certain mortgage-backed securities are pledged as security for the payment of certain Agency bonds and are held in an acquisition account. Mortgage-backed securities with these two characteristics are classified on the statement of net assets as "Investments- program mortgage-backed securities." All other mortgage-backed securities, including those held in anticipation of the Agency issuing mortgage revenue bonds (warehoused mortgage-backed securities), are classified as "Investment securities- other."

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 6% to $17.365 million at June 30, 2011. The decrease is a result of a decrease in interest receivable on loans due to the reduction in the amount of outstanding loans.

Bonds payable, net is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable decreased 6% to $2,555.4 million at June 30, 2011 because scheduled redemptions and early bond redemptions of existing debt outpaced new bonding issuance.

General Reserve and Bond Funds — Statement of Net Assets (continued)

The companion category of interest payable decreased 3% to $46.799 million at June 30, 2011 primarily due to a decrease in bonds payable, net during fiscal year 2011.

While there is no debt issued in General Reserve, there is a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and certain capital expenditures. Funds held for others in General Reserve decreased 3% to $78.206 million at June 30, 2011 as multifamily escrows decreased.

Accounts payable and other liabilities were virtually unchanged at $15.019 million at June 30, 2011. The two largest components of accounts payable continue to be: arbitrage rebate liability on tax-exempt bonds calculated pursuant to federal law and payable to the United States Treasury, which decreased $1.408 million; and yield compliance liability, which increased $1.080 million. Minnesota Housing obtains from independent calculation specialists annual calculations of its arbitrage rebate liability. Other accounts payable items increased a net $0.302 million.

Interfund payable/receivable exists primarily as a result of interfund borrowing and pending administrative and program reimbursements between funds. Most administrative expenses are paid from General Reserve, with the bond funds and appropriated funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

Net assets of General Reserve and bond funds are divided into two primary categories. Net Assets Restricted by Bond Resolution are pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Net Assets Restricted by Covenant are subject to a covenant with bondholders that the Agency will use the money in General Reserve and money that would otherwise have been released to General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant. Net assets decreased 1% to $752.140 million at June 30, 2011. If Pool 3 net expense were excluded, net assets would have increased 2%.

General Reserve and Bond Funds — Revenues Over Expenses

Revenues over expenses of General Reserve and bond funds decreased 178% from fiscal year 2010 when considering Pool 3 net expenses and the net effect of unrealized gains and losses that resulted from market valuation adjustments to certain investment assets. Ignoring the effects of unrealized gains and losses on investments, total revenues decreased 2%. Total expenses, excluding Pool 3, decreased 6% compared to the prior fiscal year. The largest revenue component, interest earned, decreased during fiscal year 2011. Combined interest revenues of General Reserve and bond funds from loans and investments decreased 2% to $149.462 million compared to the prior fiscal year. Loan interest revenue decreased 10% in fiscal year 2011 as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model. Investment interest revenue increased 59% in fiscal year 2011 because program mortgage-backed securities were purchased for the first time by the Homeownership Finance bond resolution and because of increased warehousing of mortgage-backed securities in Pool 2.

Administrative reimbursements to General Reserve from bond funds were $18.053 million in fiscal year 2011 compared to $17.769 million during the prior fiscal year. The increase is a result of an increase in the total assets of the bond funds upon which the administrative reimbursement is calculated. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $2.680 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2011 compared to $3.979 million during the prior fiscal year. The decrease is mainly a result of decreased overhead reimbursement from State Appropriated during fiscal year 2011. Investment earnings within the State Appropriated fund were insufficient to reimburse $5.182 million of cumulative overhead expense.

Other fee income to General Reserve and bond funds of $11.529 million increased by $1.588 million compared to the prior fiscal year. The primary components are fees earned from the federal low income

General Reserve and Bond Funds — Revenues Over Expenses (continued)

housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments administration, and various loan programs. During fiscal year 2011 the Agency received $0.691 million as a result of a penalty that was independently calculated and imposed on a former guaranteed investment contract bidder by the United States Department of Justice.

Minnesota Housing recorded $0.903 million of unrealized losses on investment securities during fiscal year 2011, compared to $9.048 million of unrealized gains during the prior year, a decrease of $9.951 million.

Interest expense of the bond funds decreased 4% to $97.189 million compared to the prior year as a result of a lower amount of outstanding debt during fiscal year 2011.

Combined expenses for loan administration, trustee fees and administrative reimbursements in the bond funds decreased by 1% to $24.192 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $18.053 million, an interfund charge to the bond funds was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $17.716 million decreased 1% from the prior year. Other general operating expense in General Reserve and bond funds increased 1% to $9.498 million compared to the prior fiscal year. Reductions in carrying value of certain low interest rate deferred loans in the bond funds increased 53% to $14.387 million. The increase related to increased disbursements of deferred subordinated multifamily loans.

Provision for loan loss expense in the bond funds decreased $3.103 million or 12% to $22.427 million. The provision for loan loss expense for the homeownership loan portfolio decreased $4.585 million because new delinquencies (upon which a portion of the provision for loan loss expense is calculated as an estimate) were less than the prior fiscal year. The provision for loan loss expense for the home improvement loan portfolio increased $0.265 million as a result of the slight increase in loan delinquency rates. The provision for loan loss expense for the homeownership down payment assistance loan portfolio decreased $0.155 million. The provision for loan loss expense for the multifamily loan portfolio increased $1.372 million mainly due to newly originated first mortgage loans. The Agency's practice is to assign a general loss provision for newly originated multifamily loans. Please refer to the loans receivable comments in the Financial Highlights section of the Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding loan asset quality.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Investment Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2011, $10.029 million of Pool 1 funds in excess of requirements were transferred to Pool 2. Revenues over expenses in General Reserve that are in excess of the Housing Endowment Fund (Pool 1) requirement are transferred periodically to the Housing Investment Fund (Pool 2) for use in housing programs. Pool 2 also recorded a $13.900 million contribution to Pool 3 to be used for highly subsidized housing programs. Revenues over expenses plus non-operating transfers in the Housing Investment Fund (Pool 2) may be transferred periodically, with approval of the Board, to the Housing Affordability Fund (Pool 3) for use in more highly subsidized housing programs. Board investment guidelines establishes required balances for Pool 1 and Pool 2. In addition, Pool 2 made $14.256 million in bond sale contributions, as follows: Homeownership Finance bond fund $13.066 million, Multifamily Housing bond fund $0.549 million, and Rental Housing bond resolution $0.641 million.

Combined revenues over expenses, including unrealized gains and losses for General Reserve and the bond funds, decreased $10.477 million to $(4.588) million compared to the prior fiscal year. After removing the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses increased 102% to $13.991 million.

Total combined net assets of General Reserve and bond funds decreased 1% to $752.140 million as of June 30, 2011 as a result of expenses exceeding revenues for fiscal year 2011. The net assets of each individual bond fund increased, except for Residential Housing Finance, as a result of net revenues over expenses by fund and non-operating transfers of assets between funds. After the $10.029 million transfer of Pool 1 excesses to Pool 2, the net assets of General Reserve decreased $2.240 million mainly as a result of a

$2.029 million decrease in the Pool 1 requirement (which resides in General Reserve) caused by a decrease in the balance of outstanding loans on which its requirement is based, and a $0.186 million decrease in net assets invested in capital assets.

State and Federal Appropriated Funds — Statement of Net Assets

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development ordinarily requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the appropriated funds and for the balance of net assets restricted by law.

Investments, cash, and cash equivalents are the largest categories of assets in the appropriated funds. The June 30, 2011 combined balance decreased 5% to $95,949 million as a result of combined disbursements for programs, loans and expenses exceeding the combined appropriations received and revenues during the fiscal year.

Certain state appropriations are expended as housing loans with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2011 State Appropriated fund net loans receivable decreased 3% to $34.888 million, reflecting lower net loan program activity.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds at June 30, 2011 decreased 30% to $0.236 million primarily as a result of lower interest rates on investments.

Accounts payable and other liabilities represent amounts payable for HUD's share of savings from certain debt refinancing activities and accrued expenses for federal and state housing programs. The balance payable at June 30, 2011 was $2.043 million compared to $6.537 million at June 30, 2010. The decrease in accounts payable and other liabilities is largely attributable to Section 1602/Exchange program funds received by the Agency at the end of fiscal year 2010 which were then paid to the ultimate recipients of those funds during fiscal year 2011.

For administrative convenience, certain State Appropriated fund loans are administered within the bond funds, resulting in an interfund receivable for the loan disbursement and servicing activities. Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. At June 30, 2011 the combined net interfund payable was $0.404 million.

At June 30, 2011 the balance of funds held for others was $18.790 million. In October 2009 and February 2011 the Agency issued nonprofit housing bonds under an indenture of trust. The indenture permits capital funding for long-term homeless households and other purposes through the issuance of Agency bonds secured solely by state appropriations. The proceeds of these provide capital funding for permanent supportive housing in seven multifamily housing developments. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. The bonds are not recorded as a liability by the Agency since they are not an obligation of the Agency (see Appropriation Debt Obligation in notes to financial statements). The balance of the undisbursed proceeds of the issued bonds in the amount of $18.493 million is recorded as funds held for others. Excess federal housing assistance payments received for administration of the Section 8 program and the interest income earned on those unexpended funds in the amount of $0.297 million is also recorded as funds held for others.

All of the net assets of the appropriated funds are restricted by law for use with housing programs only and are not pledged or available to secure the bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof. The combined net assets of the appropriated funds decreased to $111.466 million as of June 30, 2011, reflecting combined revenues less than disbursements and expenses during fiscal year 2011.

State and Federal Appropriated Funds — Revenues Over Expenses

State and Federal Appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by Minnesota Housing, the State of Minnesota or agencies of the federal government. Unexpended appropriations are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received increased from $284.483 million in fiscal year 2010 to $303.615 million at in fiscal year 2011. Federal appropriations received increased by $12.065 million, mostly due to increased funding in fiscal year 2011 for Section 8 contract administration, the National Stabilization Program (NSP), the Tax Credit Assistance Program (TCAP), and the Section 1602/ Exchange Program. These increases were partially offset by a decrease in HOME program funds. State appropriations received increased by $3.637 million, mainly due to appropriations received for debt service and other expenses for the nonprofit housing bonds.

Interest income from investments decreased as investment yields in general were below previous levels and the average balance of investment assets was less than the prior fiscal year. The combined interest income from investments decreased 34% to $1.585 million for fiscal year 2011.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.281 million as relatively few loans bear interest.

Fees earned and other income in the amount of $2.175 million were recorded in the State Appropriated fund during fiscal year 2011. This consisted mainly of private donations and interagency transfers of funds to support certain state housing programs. Fees earned and other income of $3.667 million were recorded in the Federal Appropriation fund in fiscal year 2011. These were Energy Saver Rebate Program funds received from a Minnesota state agency to reimburse homeowners for qualifying energy improvements.

Unrealized gains or losses on investments are recorded to reflect current market valuations of investments, and may be reversed over time as investments are held. Combined unrealized losses of $0.531 million were recorded at June 30, 2011 compared to $0.641 million unrealized losses at June 30, 2010.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs decreased 44% to $1.196 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the State Appropriated fund to the extent of investment earnings on unexpended state appropriations. During fiscal year 2011 investment earnings in the State Appropriated fund were insufficient to reimburse $5.182 million of overhead expenses incurred in General Reserve during this fiscal year and unreimbursed expenses for the last fiscal year. Combined appropriations disbursed increased 6% to $286.572 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $29.656 million and federal appropriations disbursed of $256.916 million.

Increased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in higher expense from reductions in carrying value of certain loans. Net reductions of carrying value increased 62% to $32.544 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund increased 3% to $1.872 million at June 30, 2011. Other general operating expenses in the Federal Appropriation fund of $3.667 million are homeowner reimbursement for qualifying energy improvements from the Energy Saver Rebate Program.

Combined revenues were less than combined expenditures of the appropriated funds by $16.854 million at June 30, 2011. Ultimately, the entire State and Federal Appropriated funds' net assets will be expended for housing programs.

Significant Long-Term Debt Activity

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2011 long-term bonds totaling $2,202.1 million and short-term bonds totaling $350.9 million. Bond proceeds and related revenues are held by trustees, who are responsible for administration of bond resolution requirements including payment of debt service. The bond resolutions may require funding debt service reserve accounts and insurance reserve accounts. At June 30, 2011, amounts held by the respective trustees in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During 2011 fiscal year, Minnesota Housing issued 11 series of bonds and notes aggregating $1,391.1 million, compared to the issuance of eight series totaling $1,384.9 million the previous fiscal year. Aided by the United States Treasury's New Issue Bond Program, long-term debt issuance to finance mortgage lending was more robust in fiscal year 2011 than it was in recent recessionary years. Long-term bonds are issued as capital is needed for program purposes and as opportunities arise to economically refund outstanding bonds. Short-term bonds and notes and other indebtedness are issued to preserve tax-exempt bonding authority for future program use and to warehouse purchases of mortgage-backed securities in advance of permanent financing.

A total of $1,484.9 million in principal payments and $97.2 million of interest payments were made during fiscal year 2011. Of the total principal payments, $1,294.9 million retired short-term debt and $144.6 million were payments made prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code and Treasury regulations governing either qualified mortgage bonds or bonds issued to provide qualified residential rental projects. Minnesota Housing's ability to issue tax-exempt debt is limited by its share of the state's allocation of private activity volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 10-year rule) that prohibits refunding of mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed such mortgage loans.

While most of the Agency's bonds are tax-exempt, taxable bonds have also been issued to supplement limited tax-exempt authority in order to meet demand for mortgage loans. Taxable bonds may also be issued to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

The Agency also had outstanding at June 30, 2011 certain conduit bonds and appropriation-backed bonds which are not obligations of the Agency and which are discussed in notes to the financial statements. Board policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to $5.0 billion.

At June 30, 2011 Minnesota Housing's issuer ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors That May Affect Financial Condition and/or Operations

Legislative Actions

Following protracted negotiations, the Governor and legislature agreed on a package of measures to address the state's $5 billion deficit. As part of the package, state appropriations to the agency were reduced by 6.3%, for a base biennial budget of $76.096 million. The base for the previous biennium was $82 million. The reduction was slightly larger than that proposed by the Governor, but was less than either of the House or Senate bills.

Federal Stimulus Funds

As part of the Housing and Economic Recovery Act 2008 (HERA), Congress established the Neighborhood Stabilization Program (NSP) and the U.S. Treasury sponsored New Issue Bond Program (NIBP). Congress has funded the NSP program three times: once through HERA, once through the American Recovery and Reinvestment Act of 2009 (ARRA), and a third time through the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). HERA and Dodd-Frank NSP funds were allocated among states and communities on a formula basis. The Governor designated Minnesota Housing as the administrator of the $38.8 million HERA and the $5 million Dodd-Frank allocations to the state, of which it has disbursed $30.7 million. Minnesota Housing has used both state appropriations and Agency resources to assist with efforts to remediate neighborhoods in the state hardest hit by the foreclosure crisis.

NIBP has provided competitive bond interest rates in an otherwise difficult bond market. The program is scheduled to end December 31, 2011.

ARRA included two funding programs to assist housing tax credit projects that were stalled due to the unfavorable tax credit market. The Agency administers $28.4 million under the Tax Credit Assistance program (TCAP) and over $62 million under the Section 1602/Exchange Program.

100% of the TCAP grant amount has been committed to projects and 99.98% has been expended; 100% of the Section 1602/Exchange funds have been committed to projects and 92.3% has been disbursed.

Nationwide Foreclosure Crisis

The nationwide housing foreclosure crisis continued to impact borrowers in Minnesota Housing's loan portfolio despite the Agency's practice of providing mortgage products designed to promote sustainable homeownership. Loan delinquencies and foreclosures were lower in fiscal year 2011 for the homeownership portfolio and slightly higher for the home improvement portfolios as described in Management's Discussion and Analysis of Financial Condition and Results of Operations–Financial Highlights. Economic conditions and their future impact on the Agency's loan portfolios are unpredictable. The Agency regularly reviews loan portfolio performance and records additional loss reserves when justified by actual delinquency, foreclosure and property loss experience. The Agency additionally utilizes several loss mitigation techniques to assist homeowners with avoiding foreclosure and to minimize Agency losses on foreclosed loans.

The Agency transitioned to a mortgage-backed securities business model during fiscal year 2010. This model was adopted to minimize losses on future homeownership lending.

Liquidity Facilities for Variable Rate Bonds

Standby liquidity facilities for certain variable rate bonds are scheduled to expire in calendar year 2012.

Additional Information

Questions and inquiries may be directed to Mr. Bill Kapphahn at Minnesota Housing Finance Agency, 400 Sibley Street, Suite 300, St. Paul, MN 55101 (651-296-7608 or 800-657-3769 or if T.T.Y. 651-297-2361)

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Net Assets (in thousands)
As of June 30, 2011 (with comparative totals as of June 30, 2010)

		Agency-wide Total as of June 30, 2011	Agency-wide Total as of June 30, 2010
Assets	Cash and cash equivalents	$ 527,605	$ 646,706
	Investments- program mortgage-backed securities	356,227	$33,686
	Investment securities- other	565,772	723,331
	Loans receivable, net	2,065,339	2,268,115
	Interest receivable on loans	14,142	16,287
	Interest receivable on investments	3,459	2,551
	Deferred loss on interest rate swap agreements	30,815	37,077
	FHA/VA insurance claims, net	7,761	11,407
	Real estate owned, net	24,604	24,026
	Unamortized bond issuance costs	13,307	12,927
	Capital assets, net	1,445	1,631
	Other assets	3,850	7,404
	Total assets	$3,614,326	$3,785,148
Liabilities	Bonds payable, net	$2,555,414	$2,704,507
	Interest payable	46,799	48,211
	Interest rate swap agreements	30,815	37,077
	Deferred revenue- service release fees	3,634	1,298
	Accounts payable and other liabilities	17,062	21,582
	Funds held for others	96,996	87,425
	Total liabilities	2,750,720	2,900,100
	Commitments and contingencies		
Net Assets	Restricted by bond resolution	281,199	278,195
	Restricted by covenant	469,496	476,902
	Restricted by law	111,466	128,320
	Invested in capital assets	1,445	1,631
	Total net assets	863,606	885,048
	Total liabilities and net assets	$3,614,326	$3,785,148

See accompanying notes to financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

		Agency-wide Total for the Year Ended June 30, 2011	Agency-wide Total for the Year Ended June 30, 2010
Revenues	Interest earned on loans	$123,823	$137,118
	Interest earned on investments- program mortgage-backed securities	7,814	702
	Interest earned on investments- other	19,691	18,025
	Appropriations received	303,615	284,483
	Administrative reimbursement	1,484	1,849
	Fees earned and other income	17,371	15,920
	Unrealized gains on investments	(1,434)	8,407
	Total revenues	472,364	466,504
Expenses	Interest	97,189	101,516
	Loan administration and trustee fees	6,203	6,725
	Salaries and benefits	17,716	17,815
	Other general operating	15,037	14,448
	Appropriations disbursed	286,572	270,185
	Reduction in carrying value of certain low interest rate deferred loans	46,931	29,441
	Provision for loan losses	24,158	27,045
	Total expenses	493,806	467,175
	Change in net assets	(21,442)	(671)
	Total net assets, beginning of year	885,048	885,719
Net Assets	Total net assets, end of year	$863,606	$885,048

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Assets	Cash and cash equivalents	$ 57,539	$ 45,721	$ 223,081	$ 38,088
	Investments- program mortgage-backed securities	-	-	33,002	-
	Investment securities- other	45,318	40,757	425,165	11,537
	Loans receivable, net	-	171,839	1,741,123	117,871
	Interest receivable on loans	-	944	12,271	860
	Interest receivable on investments	257	694	976	108
	Deferred loss on interest rate swap agreements	-	-	30,815	-
	FHA/VA insurance claims, net	-	-	6,747	1,014
	Real estate owned, net	-	-	23,804	800
	Unamortized bond issuance costs	-	1,752	8,564	631
	Capital assets, net	1,445	-	-	-
	Other assets	1,320	5	162	721
	Total assets	$105,879	$261,712	$2,505,710	$171,630
Liabilities	Bonds payable, net	$ -	$157,692	$1,883,409	$ 97,505
	Interest payable	-	3,063	37,701	2,525
	Interest rate swap agreements	-	-	30,815	-
	Deferred revenue- service release fees	-	-	3,634	-
	Accounts payable and other liabilities	5,481	5,801	3,223	462
	Interfund payable (receivable)	879	(1)	(1,347)	63
	Funds held for others	77,590	-	616	-
	Total liabilities	83,950	166,555	1,958,051	100,555
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	95,157	98,647	71,075
	Restricted by covenant	20,484	-	449,012	-
	Restricted by law	-	-	-	-
	Invested in capital assets	1,445	-	-	-
	Total net assets	21,929	95,157	547,659	71,075
	Total liabilities and net assets	$105,879	$261,712	$2,505,710	$171,630

See accompanying notes to financial statements

Bond Funds		Appropriated Funds			
Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total as of June 30, 2011	Total as of June 30, 2010
$ 93,735	$15,523	$ 52,042	$ 1,876	$ 527,605	$ 646,706
323,225	-	-	-	356,227	33,686
486	478	32,968	9,063	565,772	723,331
-	(382)	34,888	-	2,065,339	2,268,115
-	54	13	-	14,142	16,287
1,197	4	190	33	3,459	2,551
-	-	-	-	30,815	37,077
-	-	-	-	7,761	11,407
-	-	-	-	24,604	24,026
2,195	165	-	-	13,307	12,927
-	-	-	-	1,445	1,631
12	-	-	1,630	3,850	7,404
$420,850	$15,842	$120,101	$12,602	$3,614,326	$3,785,148
$401,808	$15,000	$ -	$ -	$2,555,414	$2,704,507
3,472	38	-	-	46,799	48,211
-	-	-	-	30,815	37,077
-	-	-	-	3,634	1,298
52	-	268	1,775	17,062	21,582
2	-	39	365	-	-
-	-	18,493	297	96,996	87,425
405,334	15,038	18,800	2,437	2,750,720	2,900,100
15,516	804	-	-	281,199	278,195
-	-	-	-	469,496	476,902
-	-	101,301	10,165	111,466	128,320
-	-		-	1,445	1,631
15,516	804	101,301	10,165	863,606	885,048
$420,850	$15,842	$120,101	$12,602	$3,614,326	$3,785,148

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Revenues	Interest earned on loans	$ -	$10,055	$105,346
	Interest earned on investments- program mortgage-backed securities	-	-	1,321
	Interest earned on investments- other	292	2,045	13,129
	Appropriations received	-	-	-
	Administrative reimbursement	20,733	-	-
	Fees earned and other income	10,289	616	621
	Unrealized gains (losses) on investments	(95)	(859)	389
	Total revenues	31,219	11,857	120,806
Expenses	Interest	-	7,736	79,411
	Loan administration and trustee fees	-	141	5,539
	Administrative reimbursement	-	1,555	14,829
	Salaries and benefits	17,716	-	-
	Other general operating	5,714	-	3,784
	Appropriations disbursed	-	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	964	13,423
	Provision for loan losses	-	138	21,952
	Total expenses	23,430	10,534	138,938
	Revenues over (under) expenses	7,789	1,323	(18,132)
Other changes	Non-operating transfer of assets between funds	(10,029)	641	(4,227)
	Change in net assets	(2,240)	1,964	(22,359)
Net Assets	Total net assets, beginning of year	24,169	93,193	570,018
	Total net assets, end of year	$21,929	$95,157	$547,659

See accompanying notes to financial statements.

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 7,787	$ -	$354	$ 281	$ -	$123,823	$137,118
-	6,493	-	-	-	7,814	702
2,349	274	17	1,248	337	19,691	18,025
-	-	-	47,801	255,814	303,615	284,483
-	-	-	-	-	20,733	21,658
-	-	3	2,175	3,667	17,371	15,920
(565)	224	3	(350)	(181)	(1,434)	8,407
9,571	6,991	377	51,155	259,637	491,613	486,313
5,539	4,304	199	-	-	97,189	101,516
405	55	(1)	64	-	6,203	6,725
1,069	568	32	1,196	-	19,249	19,809
-	-	-	-	-	17,716	17,815
-	-	-	1,872	3,667	15,037	14,448
-	-	-	29,656	256,916	286,572	270,185
-	-	-	32,544	-	46,931	29,441
337	-	-	1,731	-	24,158	27,045
7,350	4,927	230	67,063	260,583	513,055	486,984
2,221	2,064	147	(15,908)	(946)	(21,442)	(671)
-	13,066	549	-	-	-	-
2,221	15,130	696	(15,908)	(946)	(21,442)	(671)
68,854	386	108	117,209	11,111	885,048	885,719
$71,075	$15,516	$804	$101,301	$10,165	$863,606	$885,048

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$21,046	$ 155,398
	Investment in loans/loan modifications and program mortgage-backed securities	-	(14,440)	(74,043)
	Interest received on loans and program mortgage-backed securities	-	10,997	101,893
	Other operating	-	-	(3,686)
	Fees and other income received	10,231	616	4,256
	Salaries, benefits and vendor payments	(21,918)	(145)	(7,220)
	Appropriations received	-	-	-
	Appropriations disbursed	-	-	-
	Administrative reimbursement from funds	21,026	(1,555)	(14,829)
	Deposits into funds held for others	31,942	-	-
	Disbursements made from funds held for others	(35,135)	-	-
	Interfund transfers and other assets	(1,155)	(1)	153
	Net cash provided (used) by operating activities	4,991	16,518	161,922
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	23,125	1,939,445
	Principal repayment on bonds and notes	-	(15,880)	(2,217,165)
	Interest paid on bonds and notes	-	(7,106)	(82,654)
	Financing costs paid related to bonds issued	-	(430)	(839)
	Interest paid/received between funds	-	-	(482)
	Principal paid/received between funds	-	-	-
	Premium paid on redemption of bonds	-	-	-
	Agency contribution to program funds	-	641	(3,957)
	Transfer of cash between funds	(11,057)	-	11,057
	Net cash provided (used) by noncapital financing activities	(11,057)	350	(354,595)
Cash flows from investing activities	Investment in real estate owned	-	-	(4,387)
	Interest received on investments	1,524	2,164	11,833
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	71,074
	Proceeds from maturity, sale or transfer of investment securities	25,000	28,135	1,772,099
	Purchase of investment securities	(15,053)	(37,703)	(1,645,898)
	Purchase of loans between funds	-	-	1,856
	Net cash provided (used) by investing activities	11,471	(7,404)	206,577
	Net increase (decrease) in cash and cash equivalents	5,405	9,464	13,904
Cash and cash equivalents:	Beginning of year	52,134	36,257	209,177
	End of year	$ 57,539	$45,721	$ 223,081

See accompanying notes to financial statements

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 14,328	$ 3,175	$ -	$ 3,462	$ -	$ 197,409	$ 168,347
(109)	(316,300)	382	(34,755)	-	(439,265)	(164,519)
7,332	6,896	300	282	-	127,700	130,382
-	-	-	(1,874)	(3,667)	(9,227)	(4,862)
-	-	3	2,175	3,667	20,948	14,247
(414)	(75)	(3)	(64)	-	(29,839)	(29,754)
-	-	-	47,801	259,341	307,142	284,336
-	-	-	(30,399)	(260,806)	(291,205)	(270,969)
(1,069)	(568)	(32)	(1,430)	-	1,543	2,087
-	-	-	21,879	-	53,821	42,670
-	-	-	(10,215)	-	(45,350)	(39,987)
(19)	-	-	25	-	(997)	(1,179)
20,049	(306,872)	650	(3,113)	(1,465)	(107,320)	130,799
-	141,613	-	-	-	2,104,183	1,440,910
(18,900)	-	-	-	-	(2,251,945)	(1,208,085)
(5,768)	(959)	(167)	-	-	(96,654)	(100,549)
-	(2,053)	(60)	-	-	(3,382)	(2,650)
482	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,767	549	-	-	-	-
-	-	-	-	-	-	-
(24,186)	141,368	322	-	-	(247,798)	129,626
(677)	-	-	-	-	(5,064)	(3,557)
2,134	(923)	13	1,332	203	18,280	17,171
5,655	-	-	-	-	76,729	64,797
6,872	-	-	60,085	10,498	1,902,689	1,362,531
(13,393)	(476)	(475)	(32,789)	(10,830)	(1,756,617)	(1,465,447)
-	-	-	(1,856)	-	-	-
591	(1,399)	(462)	26,772	(129)	236,017	(24,505)
(3,546)	(166,903)	510	23,659	(1,594)	(119,101)	235,920
41,634	260,638	15,013	28,383	3,470	646,706	410,786
$ 38,088	$ 93,735	$ 15,523	$ 52,042	$ 1,876	$ 527,605	$ 646,706

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance
Revenues over (under) expenses	$ 7,789	$ 1,323	$ (18,132)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:			
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(62)	1,248
Depreciation	1,540	-	-
Realized losses (gains) on sale of securities, net	(5)	77	183
Unrealized losses (gains) on securities, net	95	859	(389)
Provision for loan losses	-	138	21,952
Reduction in carrying value of certain low interest rate and/or deferred loans	-	964	13,423
Capitalized interest on loans and real estate owned	-	(105)	(7,965)
Interest earned on investments	(287)	(2,251)	(12,404)
Interest expense on bonds and notes	-	7,736	79,411
Changes in assets and liabilities:			
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	6,606	81,355
Decrease (increase) in interest receivable on loans	-	29	1,943
Increase (decrease) in arbitrage rebate liability	-	1,209	(908)
Increase (decrease) in accounts payable	(24)	(2)	2,097
Increase (decrease) in interfund payable, affecting operating activities only	285	(1)	(17)
Increase (decrease) in funds held for others	(3,193)	-	-
Other	(1,209)	(2)	125
Total	(2,798)	15,195	180,054
Net cash provided (used) by operating activities	$ 4,991	$ 16,518	$ 161,922

See accompanying notes to financial statements

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2011	Total for the Year Ended June 30, 2010
$ 2,221	$ 2,064	$ 147	$ (15,908)	$ (946)	$ (21,442)	$ (671)
(175)	403	-	-	-	1,414	690
-	-	-	-	-	1,540	2,590
(271)	-	-	(30)	(153)	(199)	469
565	(224)	(3)	350	181	1,434	(8,407)
337	-	-	1,731	-	24,158	27,045
-	-	-	32,544	-	46,931	29,442
(506)	-	-			(8,576)	(6,724)
(2,164)	(274)	(17)	(1,218)	(185)	(18,800)	(18,504)
5,539	4,304	199	-	-	97,189	101,515
14,219	(313,125)	382	(31,293)	-	(241,856)	3,828
226	-	(54)	1	-	2,145	(1,038)
86	-	-	-	-	387	126
(6)	(20)	(4)	(745)	(3,836)	(2,540)	2,987
(19)	-	-	(209)	(48)	(9)	-
-	-	-	11,664	-	8,471	2,682
(3)	-	-	-	3,522	2,433	(5,231)
17,828	(308,936)	503	12,795	(519)	(85,878)	131,470
$ 20,049	$ (306,872)	$ 650	$ (3,113)	$ (1,465)	$ (107,320)	$ 130,799

Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. The Agency, as a special purpose agency engaged in business-type activities, is a component unit of the State of Minnesota, and is reflected as a proprietary fund in the state's comprehensive annual financial report. The Agency receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government or other entities for similar program purposes.

The Agency is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency, which are included in this report, all of which conform to the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net assets of General Reserve are available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

Rental Housing

Activities relating to bond-financed multifamily housing programs are maintained under the Rental Housing bond resolution. Loans are generally secured by first mortgages on real property. The Rental Housing bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Residential Housing Finance

Included within Residential Housing Finance are the bond funds, which include bonds issued and outstanding under the Residential Housing Finance bond resolution; limited obligation notes issued under separate resolutions; the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3); and limited obligation note accounts,. All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2010 (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, some related entry cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets of the bonds issued and outstanding under the resolution are pledged to the repayment of Residential Housing Finance bonds, except that the limited obligation debt is issued under separate resolutions and is secured by the proceeds thereof.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are three subfunds: Housing Investment Fund (Pool 2), Housing Affordability Fund (Pool 3) and limited obligation note accounts. Except for funds in limited obligation note accounts and certain mortgage-backed securities warehoused for a Minnesota local governmental housing and redevelopment authority, funds deposited therein would otherwise be available to be transferred to General Reserve. The Alternative Loan

Nature of Business and Fund Structure (continued)

Fund is not pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency and, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2011 this fund provided capital for several Agency programs including its home improvement loan program, its multifamily first-mortgage loan program, warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, for tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses, and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire Agency high interest-rate debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2011 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

The Residential Housing Finance bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

The limited obligation debt resolutions prescribe the application of debt proceeds and permitted investments.

Single Family

Bonds issued for homeownership programs were issued under Single Family until 2002 when the Agency began using Residential Housing Finance. The Agency generally expects to issue bonds for homeownership programs under Homeownership Finance. Loans in Single Family are secured by first mortgages on real property.

The Single Family bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Mortgage-backed securities were funded for the first time this fiscal year by bonds issued under this resolution.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds have been issued for a rental housing project that is under construction. The mortgage loan had closed but had yet to be funded as of the end of fiscal year 2011.

State Appropriated

The State Appropriated fund was established to account for funds received from the Minnesota legislature which are to be used for programs for low- and moderate-income persons and families in the form of low-

Nature of Business and Fund Structure (continued)

interest loans, no-interest deferred loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs. The net assets of the State Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. The net assets of the Federal Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies.

Basis of Accounting

The Agency's financial statements have been prepared on the basis of the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Generally Accepted Accounting Principles

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* The Agency has applied all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the statement of net assets is not presented in a classified format.

New Accounting Pronouncements

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides amendments for the following: National Council on Governmental Accounting Statement No. 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences; Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans; Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools; Statement No. 40, Deposit and Investment Risk Disclosures; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The provisions of GASB Statement No. 59 are effective for the Agency's fiscal year ended June 30, 2011. The adoption of this statement did not affect the Agency's financial statements.

Cash and Cash Equivalents

Cash equivalents may include commercial paper, money market funds, repurchase agreements, State investment pool holdings and any other investments, primarily U.S. treasury and agency securities that have 90 or less days remaining to maturity at the time of purchase. Investment agreements are also classified as cash and cash equivalents.

Investments- Program Mortgage-backed Securities and Investment Securities-Other

The Agency carries all investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are recorded as revenue. However,

Summary of Significant Accounting Policies (continued)

unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation are recorded as funds held for others. Also, unrealized loss on investments on mortgage-backed securities warehoused for a Minnesota local governmental housing and redevelopment authority is recorded as a deferred loss. Investments- program mortgage-backed securities, as previously described, are shown separately on the statement of net assets.

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses, unamortized premiums or discounts and fees.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: FHA insurance, RD guarantee, VA guarantee, or private mortgage insurance.

Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2011.

Premiums, discounts or fees resulting from the purchase of homeownership mortgage loans at other than face value are amortized over the life of the loans using the effective interest method. Estimated loan prepayments are taken into account in determining the life of homeownership mortgage loans for purposes of such amortization. Premiums or discounts resulting from the purchase of home improvement loans are amortized on a straight-line basis over the average loan life. Premiums, discounts or fees resulting from the origination of multifamily development loans are amortized using the effective interest method over the term of the loan. The amount amortized is included in interest earned on loans.

Interest Receivable on Loans

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, until they become "real estate owned" (described below) for homeownership loans, or until they are classified by the Agency as inactive for home improvement loans.

Deferred Loss on Interest Rate Swaps Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2011. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

FHA/VA Insurance Claims Receivable, Net

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category. FHA/VA insurance claims receivable, net is carried at its estimated realizable value.

Real Estate Owned, Net

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance. Real estate owned, net is carried at its estimated realizable value.

Summary of Significant Accounting Policies (continued)

Unamortized Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method in the Single Family, Residential Housing Finance, Homeownership Finance, and Multifamily Housing funds. In the Rental Housing fund, bond issuance costs are amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Bonds Payable, Net

Bonds payable are carried at their unpaid principal balances, net of unamortized premiums, discounts and deferred gain or loss on refunding. Premiums and discounts are amortized using the effective interest method in the Residential Housing Finance fund and the Single Family fund. In the Rental Housing fund, deferred gain or loss on refunding is amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2011 and they have been determined to be effective hedges under the applicable accounting guidance, they are recorded here as a liability.

Deferred Revenue- Service Release Fees

The Agency's master servicer pays the Agency a fee for the right to service the loans backing mortgage-backed securities that are purchased by the Agency. These fees are initially recorded as Deferred Revenue-Service Release Fees then amortized to Fees Earned and Other Income using the effective interest method over the expected life of the loans.

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative fees receivable and payable between funds; non-operating transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3); and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds held for others are primarily escrow amounts held by the Agency on behalf of multifamily housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds and is not included in the investment income of General Reserve.

Undisbursed proceeds of nonprofit housing state appropriation bonds are recorded in Funds Held for Others until disbursed for their intended purpose.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow funds and funds held for, and reimbursable to, HUD, such as Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to Funds Held For Others and not included in the investment income of Federal Appropriated.

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those assets restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Summary of Significant Accounting Policies (continued)

Restricted by Covenant

Restricted by Covenant Net Assets represents those assets in General Reserve and those assets that would otherwise be available to be transferred to General Reserve under the applicable bond resolutions. Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board establishes investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Invested in Capital Assets

This represents the balance of capital assets, net of depreciation. No related debt exists.

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2010 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, unearned discounts on loans, proceeds of debt issued to preserve bonding authority, proceeds of escrowed bonds issued under the federal New Issue Bond Program, premiums on loans, deferred bond issuance costs, unrealized appreciation and depreciation on investments including all mortgage-backed securities, and deferred loss on interest rate swap agreements.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs but only to the extent of interest earnings on unexpended state appropriations.

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $1.487 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $19.249 million between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, fees in connection with operating the federal Low Income Housing Tax Credits program, annual fees related to certain multifamily housing development loans, fees from the Low Income Rental Class program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program, housing development operating subsidies received from other state agencies and fees for issuing and monitoring conduit bonds. Fees earned and other income is recorded as it is earned.

Summary of Significant Accounting Policies (continued)

Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans

The carrying value of certain Housing Affordability Fund (Pool 3) loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

The Agency utilizes the Other Changes section of the Statement of Revenues, Expenses and Changes in Net Assets to describe various transfers between funds.

Non-operating Transfer of Assets Between Funds

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3) to maintain the Pool 1 required balance; and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2011 were $78.1 million and $4.2 million for Residential Housing Finance and Single Family, respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency, as an agency of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebateable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in Accounts Payable and based on estimated calculations performed by an independent calculation specialist on an ongoing basis. Also included in this category is yield compliance liability.

Cash, Cash Equivalents and Investment Securities

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State investment pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law or Board policy.

Cash and Cash Equivalents are generally stated at cost, which approximates market value. Certain investment agreements are stated at an amount that is less than cost. The balances were composed of the following at June 30, 2011 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Fund	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$57,539	$ -	$ 57,539
Federal Appropriated Accounts	-	1,568	308	-	1,876
State Appropriated Accounts	142	18,411	33,489	-	52,042
Rental Housing	5	23,580	-	22,136	45,721
Residential Housing Finance	1,245	117,900	-	103,936	223,081
Single Family	231	4,492	-	33,365	38,088
Homeownership Finance	-	93,735	-	-	93,735
Multifamily Housing	-	15,523	-	-	15,523
Combined Totals	$1,623	$275,209	$91,336	$159,437	$527,605

Deposits were cash awaiting investment, consisting of interest earned on investments received too late on the last day of the fiscal year to be invested and loan servicer deposits in transit.

The State investment pool is an internal investment pool managed by the Minnesota State Board of Investment (SBI). The SBI invests in debt securities, including U.S. treasury securities, U.S. agency securities, bankers' acceptances, high grade corporates, and commercial paper. This investment pool is unrated.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions. As of June 30, 2011, all the investment agreement providers, or the investment agreement guarantors if more highly rated, had a Standard & Poor's long-term credit rating of "A+" or higher and a Moody's long-term credit rating of "A1" or higher, except for Depfa Bank PLC's Standard & Poor's rating which is discussed below. The individual investment agreements are unrated. Substantially all of the agreements contain "termination" clauses so that the Agency may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken. Certain investment agreements with Depfa Bank PLC ($33.942 million) and Credit Agricole CIB ($11.503 million) require downgrade to the ratings on the related bonds before triggering the termination clauses. Because Depfa Bank PLC's rating is "BBB" from Standard & Poor's and Credit Agricole CIB's ratings was downgraded by Standard and Poor's to "A+" during fiscal year 2011, the Agency reduced the carrying value of those agreements by $0.612 million as of June 30, 2011.

Cash, Cash Equivalents and Investment Securities (continued)

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, certificates of deposit, commercial paper and corporate notes) are recorded at fair market value and were allocated to the following funds at June 30, 2011 (in thousands):

Investment Securities

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve Account	$ 45,238	$ -	$ 80	$ 45,318
Federal Appropriated Accounts	8,990	-	73	9,063
State Appropriated Accounts	32,759	-	209	32,968
Rental Housing	40,839	-	(82)	40,757
Residential Housing Finance	421,872	31,680	4,615	458,167
Single Family Mortgage	11,511	-	26	11,537
Homeownership Finance	477	317,995	5,239	323,711
Multifamily Housing	475	-	3	478
Combined Totals	$562,161	$349,675	$10,163	$921,999

U.S. Treasury securities, U.S. Agency securities, corporate notes, mortgage-backed securities and commercial paper in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions in the Agency's name. Certificates of deposit pledged as collateral for certain limited obligation notes with the Federal Home Loan Bank of Des Moines are held by the Federal Home Loan Bank of Des Moines in the Agency's name.

Investment securities are subject to credit risk. The following table classifies investment securities by their lowest Standard & Poor's/Moody's rating. U.S. Treasury securities are not classified because they are not considered to have credit risk. Investment securities' credit rating categories (without qualifiers) at June 30, 2011 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AAA/Aaa	AA/Aa
Certificates of deposit	$265,870	$265,870	$ —
U.S. Agencies	603,755	603,755	—
Municipals	24,090	—	24,090
Agency-wide Totals	$893,715	$869,625	$ 24,090
U.S. Treasuries	10,983		
Agency-wide Totals	$904,698		

Cash, Cash Equivalents and Investment Securities (continued)

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of $3.613 million and net discounts of $1.249 million), along with the weighted average maturities (in years) as of June 30, 2011, consisted of the following (in thousands):

		Weighted Average Maturity, in Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated
Deposits	$ 1,623	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Certificates of deposit	$ 265,870	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial paper	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market fund	$ 275,209	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State investment pool	$ 91,336	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment agreements	$ 159,437	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US Agencies	$ 603,755	1.7	13.2	24.0	13.6	29.1	14.8	2.3	14.6
US Treasuries	$ 10,983	0.0	0.0	8.7	5.6	0.0	0.0	0.0	6.4
Municipals	$ 24,090	0.0	0.0	0.0	0.0	0.0	0.0	13.7	0.0
Corporate notes	$ 5,200	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0
Agency-wide Totals	$1,437,503								
Weighted Average Maturity		0.7	6.3	5.9	3.1	22.4	0.4	1.8	9.8

Investments in any one issuer, excluding $.406 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, as of June 30, 2011 were as follows (in thousands):

Investment Issuer	Amount
Federal Home Loan Bank of Des Moines, certificates of deposit	$265,870
Federal National Mortgage Association, U.S. Agencies	103,868

The Agency maintained certain deposits and investments throughout fiscal year 2011 that were subject to custodial credit risk. As of June 30, 2011, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $275,209 in a money market fund and $91,336 in the State investment pool)	$ 368,168
Investment securities (which excludes investment agreements) uninsured, uncollateralized and not held in the Agency's name	994,087
Agency-wide Total	$1,362,255

Net realized gain on sale of investment securities of $0.199 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service and insurance reserves. The required balances at June 30, 2011 were as follows (in thousands):

Funds	Amount
Multifamily Housing Bonds	$ 479
Rental Housing	19,493
Residential Housing Finance	48,162
Single Family Mortgage	6,375
Combined Totals	$74,509

Loans Receivable, Net

Loans receivable, net at June 30, 2011 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Premiums (Discounts) and Fees	Loans Receivable, Net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	180,456	(7,249)	(1,368)	171,839
Residential Housing Finance	1,774,876	(34,505)	752	1,741,123
Single Family	119,701	(1,077)	(753)	117,871
Multifamily Housing	-	-	(382)	(382)
State Appropriated	36,224	(1,336)	-	34,888
Federal Appropriated	-	-	-	-
Agency-wide Totals	$2,111,257	$(44,167)	$(1,751)	$2,065,339

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. The majority of the loans in the Single Family fund and a significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses. Losses on mortgage loans in the Single Family fund are also secured by an insurance reserve fund established under the bond resolution.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. During fiscal year 2011 the unpaid principal amount of loans with such characteristics aggregated $9.588 million in the Residential Housing Finance Housing Affordability Fund (Pool 3), $0.944 million in Rental Housing and $34.843 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and below.

Loans receivable, net and gross in Residential Housing Finance at June 30, 2011 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	$1,408,913	$1,420,589
Other homeownership loans, generally secured by a second mortgage	1,918	1,988
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	111,670	114,506
Homeownership, first mortgage loans	35,067	36,700
Multifamily, first mortgage loans	157,996	174,438
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	25,559	26,655
Residential Housing Finance Totals	$1,741,123	$1,774,876

The Agency is limited by statute to financing real estate located within the State of Minnesota. Collectability depends on , among other things, local economic conditions.

Other Assets

Other assets, including receivables, at June 30, 2011 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve	$1,310	$ 10	$1,320
Rental Housing	—	5	5
Residential Housing Finance	—	162	162
Single Family	—	721	721
Homeownership Finance	—	12	12
Multifamily Housing	—	—	—
State Appropriated	—	—	—
Federal Appropriated	1,630	—	1,630
Agency-wide Totals	$2,940	$910	$3,850

Bonds Payable, Net

Bonds payable, net at June 30, 2011 were as follows (in thousands):

Funds	Par Bonds Outstanding	Net Unamortized Premium and Deferred Fees	Net Unamortized Deferred Loss	Bonds Payable, Net
Rental Housing	$ 159,200	$ -	$(1,508)	$ 157,692
Residential Housing Finance	1,881,285	2,503	(379)	1,883,409
Single Family	97,505	-	-	97,505
Homeownership Finance	399,990	1,818	-	401,808
Multifamily Housing	15,000	-	-	15,000
Totals	$2,552,980	$4,321	$(1,887)	$2,555,414

Summary of bond activity from June 30, 2010 to June 30, 2011 (in thousands):

Funds	June 30, 2010 Bonds Outstanding, at Par	Par Issued	Par Repaid	June 30, 2011 Bonds Outstanding, at Par
Rental Housing	$ 151,955	$ 23,125	$ 15,880	$ 159,200
Residential Housing Finance	2,103,005	1,228,445	1,450,165	1,881,285
Single Family	116,405	-	18,900	97,505
Homeownership Finance	260,490	139,500	-	399,990
Multifamily Housing	15,000	-	-	15,000
Totals	$ 2,646,855	$ 1,391,070	$ 1,484,945	$ 2,552,980

Bonds Payable, Net (continued)

Bonds payable at June 30, 2011 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Rental Housing Bonds				
1995 Series C-2	5.85% to 5.95%	2015	$ 38,210	$ 3,490
1995 Series D	5.80% to 6.00%	2022	234,590	8,245
1997 Series A	5.45% to 5.875%	2028	4,750	3,655
1998 Series A	5.375%	2028	5,505	5,505
1998 Series B	6.60%	2019	4,180	2,290
1998 Series C	4.85% to 5.20%	2029	2,865	2,220
1999 Series A	4.75% to 5.10%	2024	4,275	2,980
1999 Series B	5.60% to 6.15%	2025	3,160	1,890
2000 Series A	5.65% to 6.15%	2030	9,290	5,220
2000 Series B	5.90%	2031	5,150	4,125
2001 Series A	4.50% to 5.35%	2033	4,800	4,115
2002 Series A	3.65% to 4.05%	2014	27,630	10,430
2003 Series A	4.55% to 4.95%	2045	12,770	11,875
2003 Series B	4.15% to 5.08%	2031	1,945	1,680
2003 Series C-1	4.35% to 5.20%	2034	2,095	1,875
2004 Series A	3.60% to 5.00%	2035	9,345	7,470
2004 Series B	4.00% to 4.85%	2035	3,215	2,920
2004 Series C	3.45% to 4.40%	2022	80,000	37,015
2005 Series A-1	4.25% to 4.85%	2035	1,725	1,590
2006 Series A-1	4.40% to 5.10%	2047	6,615	6,420
2006 Series B	4.89%	2037	5,020	4,755
2006 Series C-1	4.96%	2037	2,860	2,705
2007 Series A-1	4.65%	2038	3,775	3,605
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,605
2010 Series A-2	1.25%	2012	2,630	2,630
2010 Series B	1.75%	2013	8,000	8,000
2011 Series A	0.5% to 5.45%	2041	8,890	8,890
			496,895	159,200
Residential Housing Finance Bonds				
2002 Series A	4.75% to 5.30%	2019	$ 14,035	$ 3,190
2002 Series B	5.00% to 5.65%	2033	59,650	11,160
2002 Series A-1	4.20% to 4.90%	2019	6,860	3,955
2002 Series B-1	4.30% to 5.35%	2033	25,760	11,130
2002 Series E	4.30% to 5.00%	2020	12,805	7,060
2002 Series F	4.45% to 5.40%	2032	52,195	19,040
2002 Series H	4.93%	2012	20,000	10,000
2003 Series A	3.25% to 4.30%	2034	40,000	13,200
2003 Series B	Variable	2033	25,000	25,000
2003 Series I	4.30% to 5.25%	2020	25,000	6,970
2003 Series J	Variable	2033	25,000	20,480
2004 Series A	3.20% to 4.25%	2018	22,480	18,465
2004 Series B	3.60% to 5.00%	2033	94,620	39,850

continued

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2004 Series C	4.70%	2035	$ 14,970	$ 12,445
2004 Series E-1	4.10% to 4.60%	2016	5,110	3,360
2004 Series E-2	4.40% to 4.60%	2016	6,475	4,255
2004 Series F-1	4.40% to 4.50%	2012	4,600	220
2004 Series F-2	4.40% to 5.25%	2034	36,160	19,045
2004 Series G	Variable	2032	50,000	36,690
2005 Series A	3.75% to 4.125%	2018	14,575	7,575
2005 Series B	4.75% to 5.00%	2035	20,425	13,760
2005 Series C	Variable	2035	25,000	18,915
2005 Series G	4.25% to 4.30%	2018	8,950	7,875
2005 Series H	4.00% to 5.00%	2036	51,050	32,190
2005 Series I	Variable	2036	40,000	30,365
2005 Series J	3.625% to 4.00%	2015	11,890	10,880
2005 Series K	3.95% to 4.40%	2028	41,950	26,310
2005 Series L	4.75% to 5.00%	2036	48,165	33,895
2005 Series M	Variable	2036	60,000	44,765
2005 Series O	3.90% to 4.20%	2015	4,510	4,510
2005 Series P	4.15% to 5.00%	2036	65,490	47,935
2006 Series A	3.60% to 4.00%	2016	13,150	7,585
2006 Series B	4.60% to 5.00%	2037	43,515	33,020
2006 Series C	Variable	2037	28,335	24,075
2006 Series F	3.85% to 4.25%	2016	11,015	5,805
2006 Series G	4.85% to 5.50%	2037	58,985	51,155
2006 Series H	5.85%	2036	15,000	5,790
2006 Series I	4.20% to 5.75%	2038	95,000	73,590
2006 Series J	6.00% to 6.51%	2038	45,000	34,820
2006 Series L	3.60% to 3.95%	2016	6,740	4,765
2006 Series M	4.625% to 5.75%	2037	35,260	34,025
2006 Series N	5.27% to 5.76%	2037	18,000	11,965
2007 Series C	3.70% to 3.95%	2017	12,515	9,455
2007 Series D	4.60% to 5.50%	2038	62,485	53,795
2007 Series E	Variable	2038	25,000	19,035
2007 Series H	3.65% to 3.95%	2017	12,230	12,230
2007 Series I	4.00% to 5.50%	2038	100,270	83,365
2007 Series J	Variable	2038	37,500	29,260
2007 Series L	4.10% to 5.50%	2048	105,000	91,160
2007 Series M	6.345%	2038	70,000	61,135
2007 Series P	3.50% to 3.90%	2017	4,305	4,035
2007 Series Q	3.90% to 5.50%	2038	42,365	37,495
2007 Series R	4.51% to 4.76%	2013	2,840	1,415
2007 Series S	Variable	2038	18,975	18,975
2007 Series T	Variable	2048	37,160	31,425

continued

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2008 Series A	3.00% to 4.65%	2023	$ 25,090	$ 19,705
2008 Series B	5.50% to 5.65%	2033	34,910	31,695
2008 Series C	Variable	2048	40,000	40,000
2009 Series A	2.35% to 5.20%	2023	26,795	22,085
2009 Series B	5.00% to 5.90%	2038	33,205	28,185
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	1.25% to 4.00%	2020	19,830	17,490
2009 Series E	2.05% to 5.10%	2040	103,960	100,860
2009 Series F	Variable	2031	34,120	31,530
			2,191,280	1,615,415
Limited Obligation Notes				
Series 2011 B	0.15%	2011	53,000	53,000
Series 2011 B	0.21%	2011	212,870	212,870
			265,870	265,870
Single Family Mortgage Bonds				
1994 Series E	5.60% to 5.90%	2025	31,820	9,775
1996 Series A	6.375%	2028	34,480	1,960
1996 Series C	6.10%	2015	12,345	390
1996 Series D	6.00%	2017	23,580	440
1996 Series E	6.25%	2023	14,495	790
1996 Series F	6.30%	2028	18,275	990
1997 Series D	5.80% to 5.85%	2021	15,885	1,860
1997 Series E	5.90%	2029	23,495	1,590
1998 Series F-1	5.45%	2017	10,650	540
1998 Series G-1	5.60%	2022	6,150	815
1998 Series H-1	5.65%	2031	14,885	1,975
1998 Series F-2	5.70%	2017	11,385	1,360
1998 Series G-2	6.00%	2022	6,605	1,910
1998 Series H-2	6.05%	2031	15,965	4,640
1999 Series H	5.30% to 5.80%	2021	16,350	2,740
1999 Series I	6.05%	2031	34,700	3,285
1999 Series J	5.00%	2017	4,745	1,640
1999 Series K	4.50% to 5.35%	2033	44,515	13,150
2000 Series F	Variable	2031	20,000	5,360
2000 Series G	4.50% to 5.40%	2025	39,990	11,435
2000 Series H	5.50%	2023	32,475	7,345
2001 Series A	5.35% to 5.45%	2022	14,570	4,560
2001 Series B	5.00% to 5.675%	2030	34,855	5,195
2001 Series E	3.55% to 4.90%	2035	23,000	13,760
			505,215	97,505

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2011 Bonds Outstanding, at Par
Homeownership Finance Bonds				
2009 Series A	Variable	2011	$ 260,490	$ 84,990
2009 Series A-1	3.01%	2041	108,000	108,000
2009 Series A-2	3.55%	2041	67,500	67,500
2010 Series A	0.45% to 4.25%	2028	72,000	72,000
2011 Series A	0.50% to 1.25%	2013	3,740	3,740
2011 Series B	1.25% to 4.50%	2031	63,760	63,760
			575,490	399,990
Multifamily Housing Bonds				
Series 2009	3.01%	2051	15,000	15,000
			15,000	15,000
Combined Totals			$4,049,750	$2,552,980

The final maturities of the Homeownership Finance Bonds, 2009 Series A are listed in the foregoing table as 2011, because the conditions for release of proceeds of these bonds under the Treasury Department's New Issue Bond Program had not been met as of June 30, 2011. If the conditions for release of proceeds are satisfied, the bonds will bear interest at a long-term rate and amortize over a term ending on July 1, 2041.

The Agency uses special and optional redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% to 102% of the unpaid principal and accrued interest as set forth in the applicable series resolution.

Annual debt service requirements to maturity for bonds outstanding as of June 30, 2011, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2012	$ 12,015	$ 7,218	$ 297,705	$ 59,780
2013	21,815	6,686	42,390	58,126
2014	12,725	6,056	34,390	56,676
2015	7,280	5,543	36,960	55,379
2016	7,405	5,215	37,370	53,968
2017-2021	34,590	20,755	201,440	247,877
2021-2026	18,635	14,066	254,955	207,629
2027-2031	17,590	9,251	346,365	153,369
2032-2036	12,980	5,310	391,075	87,288
2037-2041	9,425	2,599	217,645	18,384
2042-2046	4,210	662	13,085	1,247
2047-2051	530	25	7,905	185
2051-2056	-	-	-	-
Total	$159,200	$83,386	$1,881,285	$999,908

Bonds Payable, Net (continued)

	Single Family		Homeownership Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2012	$ 3,255	$ 5,029	$ 4,270	$ 8,564
2013	3,335	4,864	90,660	10,415
2014	3,660	4,683	5,765	10,355
2015	4,005	4,485	5,885	10,276
2016	3,930	4,271	6,040	10,170
2017-2021	24,180	17,787	33,445	48,279
2021-2026	24,750	11,081	41,765	41,615
2027-2031	23,350	4,882	53,810	31,615
2032-2036	7,040	695	69,270	20,815
2037-2041	-	-	84,060	8,343
2042-2046	-	-	5,020	82
2047-2051	-	-	-	-
2051-2056	-	-	-	-
Totals	$97,505	$57,777	$399,990	$200,529

	Multifamily Housing		Combined Totals	
Fiscal Year	Principal	Interest	Principal	Interest
2012	$ -	$ 451	$ 317,245	$ 81,042
2013	110	450	158,310	80,541
2014	230	445	56,770	78,215
2015	230	438	54,360	76,121
2016	230	431	54,975	74,055
2017-2021	1,200	2,048	294,855	336,746
2021-2026	1,200	1,867	341,305	276,258
2027-2031	1,640	1,663	442,755	200,780
2032-2036	1,800	1,396	482,165	115,504
2037-2041	2,310	1,093	313,440	30,419
2042-2046	2,670	724	24,985	2,715
2047-2051	3,200	282	11,635	492
2051-2056	180	1	180	1
	$15,000	$11,289	$2,552,980	$1,352,889

Principal due on limited obligation notes is reflected in the table above based on the maturity date of the notes. This presentation does not alter the expectation that these notes will be redeemed in whole or in part from proceeds of refunding bonds or notes issued on or before the maturity date. Limited obligation notes are secured by certificates of deposit which are included in Investment Securities in the statement of net assets.

Residential Housing Finance Bonds 2003 Series B and J; 2004 Series G; 2005 Series C, I and M; 2006 Series C; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; and 2009 Series C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2011 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

Bonds Payable, Net (continued)

Single Family Bonds, 2000 Series F accrue interest at a variable rate that is recalculated each calendar month. The rate is the one-month LIBOR (London Interbank Offered Rate) plus 0.30% per annum provided that the rate may not exceed 11.00% per annum. Future interest due for this series, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2011 continue for the term of the bonds. Interest payments on this series of bonds will vary with the one-month LIBOR rate.

The income and assets of each of the bond funds are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond resolutions contain covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2011, it is in compliance with those covenants in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Call notices were issued on or before June 30, 2011 for the redemption of certain bonds thereafter. See Subsequent Events.

Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2011. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2011. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net assets. The fair values exclude accrued interest. As of June 30, 2011, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net assets as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2011 is included in the asset account identified as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under Residential Housing Finance Bonds from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Swap Payments and Associated Debt

Using rates as of June 30, 2011, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming interest rates remain the same for the term of the bonds, are as follows (in thousands). As interest rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2012	$ 11,515	$ 688	$14,813	$ 27,016
2013	815	379	14,105	15,299
2014	1,125	377	13,350	14,852
2015	1,440	374	12,591	14,405
2016	4,195	371	11,768	16,334
2017-2021	35,775	1,753	48,255	85,783
2022-2026	70,775	1,524	34,656	106,955
2027-2031	106,540	1,158	23,959	131,657
2032-2036	118,830	671	14,316	133,817
2037-2041	44,825	199	3,388	48,412
2042-2045	9,110	81	1,052	10,243
2042-2045	5,570	13	164	5,747

Interest Rate Swaps (continued)

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the three counterparties thereto as of June 30, 2011, are contained in the three tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Counterparty: UBS AG

Moody's Aa3 (negative outlook) / Standard & Poor's A+ (stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30,2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2003B	$ 25,000	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR* plus 0.23% per annum	$ (1,001)	$ (345)
RHFB 2003J	20,480	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR* plus 0.23% per annum	(1,816)	(394)
RHFB 2005C	18,915	March 2, 2005	January 1, 2035	3.587%	64% of 1 month LIBOR* plus 0.28% per annum	(1,150)	(226)
RHFB 2006C	24,075	March 21, 2006	January 1, 2037	3.788%	64% of 1 month LIBOR* plus 0.29% per annum	(1,955)	(286)
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA** Index plus 0.06% per annum	(713)	(125)
RHFB 2007T (Taxable)	31,425	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(2,588)	(600)
Counterparty	$ 138,870					$ (9,223)	$ (1,976)

Counterparty: Royal Bank of Canada

Moody's Aa1 (stable outlook) / Standard & Poor's AA- (positive outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30, 2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2004G	$ 36,690	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR* plus 0.26% per annum	$ (2,899)	$ (725)
RHFB 2007E (Taxable)	19,035	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR*	(1,868)	(445)
RHFB 2007J (Taxable)	29,260	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR*	(2,825)	(653)
RHFB 2008C (Taxable)	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR* plus 0.30% per annum	(3,543)	(879)
RHFB 2009C (Taxable)	40,000	February 12, 2009	July 1, 2039	3.070%	64% of 1 month LIBOR* plus 0.30% per annum	(4,679)	(879)
RHFB 2009F	31,530	December 1, 2009	September 12, 2017	2.365%	100% of weekly SIFMA** plus 0.80% per annum	(976)	85
Counterparty	$196,515					$ (16,790)	$ (3,494)

Interest Rate Swaps (continued)

Counterparty: Citibank, N.A.

Moody's A1 (negative watch) / Standard & Poor's A+ (negative outlook)

Associated Bond Series	Notional Amount as of June 30, 2011	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value (1) as of June 30, 2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011
RHFB 2005I	$ 30,365	June 2, 2005	January 1, 2036	3.570%	64% of 1 month LIBOR* plus .28% per annum	$ (2,045)	$ (356)
RHFB 2005M	44,765	August 4, 2005	January 1, 2036	3.373%	64% of 1 month LIBOR* plus 0.29% per annum	(2,757)	(439)
Counterparty	$ 75,130					$ (4,802)	$ (795)
Combined Totals	$410,515					$ (30,815)	$ (6,528)

(1) A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency. Fair values exclude accrued interest.

* London Inter-Bank Offered Rate

** Securities Industry and Financial Markets Association Municipal Swap Index

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of June 30, 2011, the Agency did not have a net credit risk exposure to any of its three counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $3 million if the ratings are not less than "A" and "A2", and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2011, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps*) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Interest Rate Swaps (continued)

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month, taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2011, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.08% to 0.09% per annum while the variable interest rate on the associated swaps ranged from 0.17% to 0.45% per annum. As of June 30, 2011, the interest rate on the Agency's variable rate taxable debt ranged from 0.19% to 0.24% per annum while the variable interest rate on the corresponding swaps was 0.19% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

Conduit Debt Obligation

On December 21, 2005, the Agency issued tax-exempt bonds on a conduit basis to assist a Minnesota nonprofit organization in preserving assisted elderly rental housing. The proceeds of the bonds were used by the organization to refinance certain HUD Section 202 elderly housing projects. The bonds were sold on a private placement basis. As of June 30, 2011, \$30.5 million of the bonds were outstanding. Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Appropriation Debt Obligation

The Agency has outstanding bonds under a certain indenture of trust that permits capital funding for permanent supportive housing for long-term homeless households and other purposes. As of June 30, 2011, \$33.130 million of bonds were outstanding. These bonds are secured solely by state appropriations. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2011 consisted of the following (in thousands):

Funds	Arbitrage Rebate Payable to the Federal Government and Yield Compliance Liability	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve	$ —	$3,342	$ 2,139	$ 5,481
Rental Housing	5,784	—	17	5,801
Residential Housing Finance	2,415	—	808	3,223
Single Family	434	—	28	462
Homeownership Finance	—	—	52	52
Multifamily Housing	—	—	—	—
State Appropriated	—	—	268	268
Federal Appropriated	—	—	1,775	1,775
Agency-wide Totals	$8,633	$3,342	$5,087	$17,062

The amount of arbitrage rebate payable and yield compliance liability that is not due within one year in Rental Housing is $5.784 million, in Residential Housing Finance is $1.724 million and in Single Family is $0.434 million, for a total of $7.942 million.

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2011 consisted of the following (in thousands):

	Due from								
Due to: Funds	General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ —	$—	$—	$—	$—	$—	$176	$365	$541
Rental Housing	—	—	—	—	1	—	—	—	1
Residential Housing Finance	1,420	—	—	—	—	—	—	—	1,420
Single Family	—	—		—	1	—	—	—	1
Homeownership Finance Bonds	—	—	—	—	—	—	—	—	0
Multifamily Housing Bonds	—	—	—	—	—	—	—	—	0
State Appropriated	—	—	73	64	—	—	—	—	137
Federal Appropriated	—	—	—	—	—	—	—	—	0
Agency-wide Totals	$1,420	$ 0	$73	$64	$ 2	$ 0	$176	$365	$2,100

All balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2011 consisted of the following (in thousands)

Transfer to: Funds	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$—	$1,555	$14,829	$1,069	$568	$32	$1,427	$1,547	$21,027
Rental Housing	—	—	—	—	—	—	—	—	$0
Residential Housing Finance	—	—	—	—	—	—	1,859		1,859
Single Family	—	—	482	—	—	—	—	—	482
Homeownership Finance	—	—	—	—	—	—	—	—	$0
Multifamily Housing	—	—	—	—	—	—	—	—	$0
State Appropriated	—	—	17	19	—	—	—	—	36
Federal Appropriated	—	250	—	—	—	—	—	—	250
Agency-wide Totals	$ 0	$1,805	$15,328	$1,088	$568	$32	$3,286	$1,547	$23,654

Interfund transfers recorded in Interfund Payable (Receivable) were made to move loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $1.856 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated; and to make payments from Single Family to Residential Housing Finance on loans outstanding between those funds. Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2011, consisted of the following (in thousands):

Transfer to: Funds	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ —	$—	$ —	$—	$—	$—	$—	$—	$ 0
Rental Housing	—	—	641	—	—	—	—	—	641
Residential Housing Finance	10,029	—	—	—	—	—	—	—	10,029
Single Family	—	—							0
Homeownership Finance Bonds	—	—	13,066	—	—	—	—	—	13,066
Multifamily Housing Bonds	—	—	549	—	—	—	—	—	549
State Appropriated	—	—	—	—	—	—	—	—	$0
Federal Appropriated	—	—	—	—	—	—	—	—	$0
Agency-wide Totals	$10,029	$0	$14,256	$ 0	$ 0	$ 0	$ 0	$ 0	$24,285

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Net Assets

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer excess money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenanted that it will use the money in General Reserve (or any such transferred funds deposited directly in the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's general obligation bonds, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $469.496 million of net assets restricted by covenant are restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

The Housing Endowment Fund (Pool 1) is maintained in the Restricted by Covenant Net Assets of General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3) are maintained in the Restricted by Covenant Net Assets of Residential Housing Finance fund.

The combined net assets of the General Reserve and bond funds (exclusive of Pool 3) are required by Board investment guidelines to be not less than the combined net assets of the same funds as of the immediately preceding fiscal year end. These combined net assets were $683.233 million as of June 30, 2010 and are $683.638 million as of June 30, 2011.

The following table describes total net assets restricted by covenant, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2011 (in thousands):

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Mitigate Pool 1 Unrealized Depreciation in Fair Market Value	Total Net Assets Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve				
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriated loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 20,484	$ —	$—	$ 20,484
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	—	(70)	70	—
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	$ 20,484	$(70)	$70	$ 20,484

Net Assets (continued)

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Mitigate Pool 1 Unrealized Depreciation in Fair Market Value	Total Net Assets Restricted by Covenant
Housing Investment Fund (Pool 2), Residential Housing Finance				
An amount that causes the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of the combined net assets of the same funds for the immediately preceding audited fiscal year end or the combined net assets of the same funds for the immediately preceding fiscal year end plus current fiscal year income over expenses and transfers to Pool 2 less an amount transferred to Pool 3 ($13,900 for fiscal year 2011). Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	379,101	—	—	379,101
Unrealized depreciation in fair market value of investments	—	1,409	—	1,409
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	379,101	1,409	—	380,510
Housing Affordability Fund (Pool 3), Residential Housing Finance				
Funds in excess of the combined requirement of Pool 1, Pool 2 and General Reserve may be transferred to Pool 3. Assets are invested in deferred loans, zero percent and low interest-rate loans, other loans with higher than ordinary risk factors, or, pending use, investment-grade securities.	67,993	—	—	67,993
Unrealized appreciation in fair market value of investments	—	509	—	509
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	67,993	509	—	68,502
Agency-wide Total	$467,578	$1,848	$70	$469,496

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Net Assets Restricted by Law. The $10.165 million of net assets restricted by law in the Federal Appropriated fund as of June 30, 2011 are restricted by federal requirements that control the use of the funds. The $101.301 million of net assets restricted by law in the State Appropriated fund as of June 30, 2011 are restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (the System), a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

Employees who retire at "normal" retirement age or, for those hired on or before June 30, 1989, at an age where they qualify for the "Rule of 90" (i.e., at an age where age plus years of service equals or exceeds 90) are entitled to an unreduced monthly benefit payable for life. For those hired on or before June 30, 1989, normal retirement age is age 65, or age 62 with 30 years of service. For those hired after June 30, 1989, normal retirement age is the Social Security retirement age. The monthly benefit is calculated according to the "step formula" for anyone retiring under the Rule of 90. For those hired on or before June 30, 1989 and not retiring under the Rule of 90, the monthly benefit is calculated according to the step formula or the "level formula," whichever provides the largest benefit. For those hired after June 30, 1989, the monthly benefit is calculated according to the level formula. Under the step formula, an employee earns a 1.2% credit for each of the first 10 years of employment and a 1.7% credit for each year thereafter. The monthly benefit is then determined by applying the sum of these credits to the average monthly salary earned during the employee's five years of greatest earnings. Under the level formula the monthly benefit is computed just as it is under the step formula except that an employee earns a 1.7% credit for each year of employment, not just for those years beyond the first 10. A reduced benefit is available to those retiring at age 55 with at least three years of service. With 30 years of service, a reduced benefit is available at any age to those hired on or before June 30, 1989. The System also provides death and disability benefits. Benefits are established by Minnesota state law.

The statutory pension contribution rates for the employee and employer (as a percentage of salary) are 5% each.

The Agency's pension contribution to the System for the fiscal year ended June 30, 2011 was $775 thousand.

Details of the benefit plan are provided on a System-wide basis. The Agency portion is not separately determinable. The funding status of the System's benefit plan is summarized as follows.

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Actual Covered Payroll (Previous FY)	UAAL as a % of Covered Payroll
07/01/10	$8,960,391	$10,264,071	$1,303,680	87.30%	$2,327,398	56.01%
07/01/09	9,030,401	10,512,760	1,482,359	85.90%	2,329,499	63.63%
07/01/08	9,013,456	9,994,602	981,146	90.18%	2,256,528	43.48%

Schedule of Employer Contributions
(dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate	Actual Covered Payroll	Actual Member Contributions	Annual Required Employer Contributions	Actual Employer Contributions*	Percent Contributed
2010	14.85%	$2,327,398	$115,180	$230,439	$113,716	49.35%
2009	12.39%	2,329,499	108,866	179,759	107,211	59.64%
2008	11.76%	2,256,528	99,280	166,088	96,746	58.25%

*This includes contributions from other sources (if applicable).

Defined Benefit Pension Plan (continued)

The information presented was as of July 1, 2010, which is the latest actuarial information available.

The above summarizes the defined benefit pension plan. Please refer to the July 1, 2010, Minnesota State Employees Retirement Fund Actuarial Valuation and Review for a more comprehensive description. The actuarial valuation and review can be obtained from the financial information page of the Minnesota State Retirement System website at www.msrs.state.mn.us. The information contained in that website is also available in alternative formats to individuals with disabilities. Please call 1-800-657-5757 or use the MN Relay Service at 1-800-627-3529.

Other Postemployment Benefits

The Agency's employees participate in the State of Minnesota-sponsored hospital, medical, and dental insurance group. State statute requires that former employees and their dependents be allowed to continue participation indefinitely, under certain conditions, in the insurance that the employees participated in immediately before retirement. The former employees must pay the entire premium for continuation coverage. An implicit rate subsidy exists for the former participants that elect to continue coverage. That subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate greater claims on average than active participants.

The State of Minnesota obtained an actuarial valuation from an independent firm of its postretirement medical benefits as of July 1, 2006 to determine its other postemployment benefits (OPEB) liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The State and the Agency recorded the liability for the first time during fiscal year 2008. The State calculated the Agency's portion of the OPEB obligation based upon active employee count. For the Agency in fiscal year 2008, the annual required contribution (ARC) was $96 thousand, the employer contribution was $58 thousand and the net OPEB obligation (NOO) was $38 thousand. The NOO is $151 thousand for fiscal year 2010. The NOO was recorded as an expense and a corresponding liability by the Agency. The Agency recorded an additional $50 thousand for fiscal year 2011 increasing the NOO to $201 thousand.

This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 4.75% and the assumed payroll growth rate was 4.0%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 50% rate. The projected annual medical claims cost trend rate is 9.13% initially, reduced by decrements to an ultimate rate of 5.0% for the year 2026 and beyond. Mortality was determined using 1983 Group Annuity Mortality Tables.

The funding status, from the report dated July 31, 2008, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

The funding status is summarized as follows.

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$0	$564,809	$564,809	0.0%	$1,961,643	28.79%
07/01/08	0	664,452	664,452	0.0	1,891,300	35.13
06/30/10	0	693,297	693,297	0.0	2,048,761	33.84

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
06/30/09	$65,480	$24,055	36.74%	$ 73,127
06/30/10	67,663	28,343	41.89	112,447
06/30/11	66,526	34,208	51.42	144,765
06/30/12	70,195	46,519	66.27	168,441

Other Postemployment Benefits (continued)

Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45
(dollars in thousands)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Interests on NOO	ARC Adjustment with Interest (h) / (e) * 1.0475	Amortization Factor	Annual OPEB Cost (a) + (c) – (d)	Change in NOO (f) – (b)	NOO Balance LY + (g)
06/30/09	65,200	24,055	1,506	1,226	27.0839*	65,480	41,425	73,127
06/30/10	67,018	28,343	3,474	2,828	27.0839*	67,663	39,320	112,447
06/30/11	65,534	34,208	5,341	4,349	27.0839*	66,526	32,318	144,765
06/30/12	68,918	46,519	6,876	5,599	27.0839*	70,195	23,676	168,441

*30-year amortization using 4.75% interest and 4.00% payroll growth.

Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $1,000 deductible per claim for the following coverage limits.

Type of coverage	Coverage Limit
Real and personal property loss	$ 4,781,597
Business interruption/loss of use/extra expense	50,000,000
Bodily injury and property damage per person	500,000
Bodily injury and property damage per occurrence	1,500,000
Faithful performance/commercial crime	14,000,000
Employee dishonesty	250,000

Minnesota Housing retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three fiscal years.

The Agency participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota Housing participates in the State of Minnesota Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims. Minnesota Housing workers compensation costs and claims have been negligible during the last three fiscal years.

Commitments

As of June 30, 2011, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve	$ —
Rental Housing	9,285
Multifamily Finance	15,000
Residential Housing Finance	113,648
Single Family	—
Homeownership Finance	119,344
State Appropriated	66,864
Federal Appropriated	29,774
Agency-wide Totals	$353,915

Commitments (continued)

Board-approved selections of future loans or other housing assistance for multifamily housing projects are included in the above table. Multifamily developers frequently proceed with their projects based upon their selection by the Board and, therefore, a selection is treated like a de facto commitment although it is merely a reservation of funds. The Agency retains the unilateral discretion to cancel any reservation of funds that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through May 2012 and for parking through February 2012, totalling $1.133 million. Combined office facilities and parking lease expense for fiscal year 2011 was $1.204 million.

On June 30, 2011 the Agency had in place a $32.2 million revolving line of credit with the Federal Home Loan Bank of Des Moines collateralized with $36.1 million of mortgage-backed securities, all of which reside in Pool 2. The advances taken during fiscal year 2011 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2011, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$56,000	$711,000	$767,000	$0

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

Subsequent Events

The Agency called for redemption subsequent to June 30, 2011 the following bonds (in thousands):

Program	Redemption Date	Par
Residential Housing Finance	July 1, 2011	$75,465,000
Single Family	July 1, 2011	8,885,000
Homeownership Finance	July 1, 2011	245,000
Rental Housing	July 7, 2011	1,930,000
Rental Housing	July 18, 2011	260,000
Rental Housing	August 1, 2011	1,330,000

On May 26, 2011 the Board of the Agency adopted a series resolution authorizing the issuance of $8.310 million bonds for the purpose of providing funds for certain of the Agency’s homeownership programs. The Homeownership Finance Bonds, 2011 Series C (Mortgage-Backed Securities Program) were delivered on July 20, 2011.

On May 26, 2011 the Board of the Agency adopted a series resolution authorizing the issuance of $33.690 million bonds for the purpose of providing funds for certain of the Agency’s homeownership programs. The Homeownership Finance Bonds, 2011 Series D (Mortgage-Backed Securities Program) were delivered on July 20, 2011.

Subsequent to June 30, 2011 the U.S. Sovereign rating was downgraded by Standard & Poor’s to “AA+” and placed on negative outlook. Moody’s also assigned the U.S. Sovereign “Aaa” rating a negative outlook but has not downgraded the rating as of the date of this report.

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MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2007 – 2011

		2007	2008	2009	2010	2011
Loan Receivable, net (as of June 30)	Multifamily programs	$ 348,974	$ 346,509	$ 348,563	$ 334,565	$329,452
	Homeownership programs	1,588,871	1,899,313	1,934,766	1,780,911	1,589,329
	Home Improvement programs	121,977	115,452	108,893	116,713	111,670
	Total	$2,059,822	$2,361,274	$2,392,222	$2,232,189	$2,030,451
Mortgage-backed securities net, at par (as of June 30)	Program mortgage-backed securities	$ -	$ -	$ -	$ 32,321	$ 49,676
	Warehoused mortgaged-backed securities	-	-	-	107,330	49,688
	Total	$ -	$ -	$ -	$ 139,651	$ 99,364
Bonds Payable, net (as of June 30)	Multifamily programs	$ 191,691	$ 178,431	$ 162,288	$ 165,085	$ 72,692
	Homeownership programs	2,187,297	2,217,945	2,296,445	2,524,422	2,372,722
	Home Improvement programs	20,000	15,000	15,000	15,000	10,000
	Total	$2,398,988	$2,411,376	$2,473,733	$2,704,507	$2,555,414
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 19,306	$ 30,169	$ 41,897	$ 20,874	$ 33,956
	Homeownership programs	424,436	436,263	207,050	55,891	31,372
	Program and warehoused mortgage-backed securities	-	-	-	140,992	288,580
	Home Improvement programs	29,456	19,883	17,977	32,299	22,780
	Total	$ 473,198	$ 486,315	$ 266,924	$ 250,056	$ 376,688
Net Assets (as of June 30)	Total Net Assets*	$ 750,990	$ 662,124	$ 68,242	$ 683,233	$ 683,638
	Percent of total assets*	22.8%	19.9%	20.2%	19.1%	19.9%
Revenue over Expenses	Revenues over expenses*	$ 31,103	$ 35,352	$ 6,118	$ 14,991	$ 14,305

Notes:

*Excludes Pool 3 except for 2007

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Net Assets (in thousands)
General Reserve and Bond Funds
As of June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Assets	Cash and cash equivalents	$ 57,539	$ 45,721	$ 219,159	$ 38,088
	Investments- program mortgage-backed securities	-	-	33,002	-
	Investment securities- other	45,318	40,757	400,400	11,537
	Loans receivable, net	-	171,839	1,715,565	117,871
	Interest receivable on loans	-	944	12,195	860
	Interest receivable on investments	257	694	704	108
	Deferred loss on interest rate swap agreements	-	-	30,815	-
	FHA/VA insurance claims, net	-	-	6,747	1,014
	Real estate owned, net	-	-	23,804	800
	Unamortized bond issuance costs	-	1,752	8,564	631
	Capital assets, net	1,445	-	-	-
	Other assets	1,320	5	162	721
	Total assets	105,879	261,712	2,451,117	171,630
Liabilities	Bonds payable, net	$ -	$157,692	$1,883,409	$ 97,505
	Interest payable	-	3,063	37,701	2,525
	Interest rate swap agreements	-	-	30,815	-
	Deferred revenue- service release fees	-	-	3,634	-
	Accounts payable and other liabilities	5,481	5,801	3,126	462
	Interfund payable (receivable)	879	(1)	12,659	63
	Funds held for others	77,590	-	616	-
	Total liabilities	83,950	166,555	1,971,960	100,555
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	95,157	98,647	71,075
	Restricted by covenant	20,484	-	380,510	-
	Restricted by law	-	-	-	-
	Invested in capital assets	1,445	-	-	-
	Total net assets	21,929	95,157	479,157	71,075
	Total liabilities and net assets	$105,879	$261,712	$2,451,117	$171,630

Bond Funds						
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total as of June 30, 2011	General Reserve & Bond Funds Excluding Pool 3 Total as of June 30, 2010	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total as of June 30, 2011	General Reserve & Bond Funds Total as of June 30, 2010
$93,735	$15,523	$ 469,765	$ 610,246	$ 3,922	$ 473,687	$ 614,853
323,225	-	356,227	33,686	-	356,227	33,686
486	478	498,976	608,474	24,765	523,741	653,957
-	(382)	2,004,893	2,208,963	25,558	2,030,451	2,232,189
-	54	14,053	16,195	76	14,129	16,273
1,197	4	2,964	2,067	272	3,236	2,228
-	-	30,815	37,077	-	30,815	37,077
-	-	7,761	11,407	-	7,761	11,407
-	-	24,604	24,026	-	24,604	24,026
2,195	165	13,307	12,927	-	13,307	12,927
-	-	1,445	1,631	-	1,445	1,631
12	-	2,220	2,249	-	2,220	2,252
420,850	15,842	3,427,030	3,568,948	54,593	3,481,623	3,642,506
$401,808	$15,000	$2,555,414	$2,704,507	$ -	$2,555,414	$2,704,507
3,472	38	46,799	48,211	-	46,799	48,211
-	-	30,815	37,077	-	30,815	37,077
-	-	3,634	1,298	-	3,634	1,298
52	-	14,922	14,970	97	15,019	15,045
2	-	13,602	(649)	(14,006)	(404)	(661)
-	-	78,206	80,301	-	78,206	80,301
405,334	15,038	2,743,392	2,885,715	(13,909)	2,729,483	2,885,778
15,516	804	281,199	278,195	-	281,199	278,195
-	-	400,994	403,407	68,502	469,496	476,902
-	-	-	-	-	-	-
-	-	1,445	1,631	-	1,445	1,631
15,516	804	683,638	683,233	68,502	752,140	756,728
$420,850	$15,842	$3,427,030	$3,568,948	$ 54,593	$3,481,623	$3,642,506

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2011 (with comparative totals as of June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Revenues	Interest earned on loans	$ -	$10,055	$104,968	$ 7,787
	Interest earned on investments-program mortgage-backed securities	-	-	1,321	-
	Interest earned on investments- other	292	2,045	11,962	2,349
	Administrative reimbursement	20,733	-	-	-
	Fees earned and other income	10,289	616	599	-
	Unrealized gains (losses) on Investments	(95)	(859)	1,606	(565)
	Total revenues	31,219	11,857	120,456	9,571
Expenses	Interest	-	7,736	79,411	5,539
	Loan administration and trustee fees	-	141	5,529	405
	Administrative reimbursement	-	1,555	13,794	1,069
	Salaries and benefits	17,716	-	-	-
	Other general operating	5,714	-	2	-
	Reduction in carrying value of certain low interest rate deferred loans	-	964	31	-
	Provision for loan losses	-	138	20,928	337
	Total expenses	23,430	10,534	119,695	7,350
	Revenues over (under) expenses	7,789	1,323	761	2,221
Other changes	Non-operating transfer of assets between funds	(10,029)	641	(18,127)	-
	Change in net assets	(2,240)	1,964	(17,366)	2,221
Net Assets	Total net assets, beginning of year	24,169	93,193	496,523	68,854
	Total net assets, end of year	$21,929	$95,157	$479,157	$71,075

Bond Funds						
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2010	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total for the Year Ended June 30, 2011	General Reserve & Bond Funds Total for the Year Ended June 30, 2010
$ -	$354	$123,164	$136,622	$ 378	$123,542	$136,945
6,493	-	7,814	702	-	7,814	702
274	17	16,939	14,673	1,167	18,106	15,636
-	-	20,733	21,658	-	20,733	21,658
-	3	11,507	9,803	22	11,529	9,941
224	3	314	8,068	(1,217)	(903)	9,048
6,991	377	180,471	191,526	350	180,821	193,930
4,304	199	97,189	101,516	-	97,189	101,516
55	(1)	6,129	6,646	10	6,139	6,653
568	32	17,018	16,653	1,035	18,053	17,679
-	-	17,716	17,815	-	17,716	17,815
-	-	5,716	8,847	3,782	9,498	9,445
		-	-			-
-	-	995	748	13,392	14,387	9,403
-	-	21,403	24,310	1,024	22,427	25,530
4,927	230	166,166	176,535	19,243	185,409	188,041
2,064	147	14,305	14,991	(18,893)	(4,588)	5,889
13,066	549	(13,900)	-	13,900	-	-
15,130	696	405	14,991	(4,993)	(4,588)	5,889
386	108	683,233	668,242	73,495	756,728	750,839
$15,516	$804	$683,638	$683,233	$68,502	$752,140	$756,728

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$21,046	$ 153,719	$ 14,328
	Investment in loans and program mortgage-backed securities	-	(14,440)	(53,636)	(109)
	Interest received on loans and program mortgage-backed securities	-	10,997	101,539	7,332
	Other operating	-	-	(2)	-
	Fees and other income received	10,231	616	4,234	-
	Salaries, benefits and vendor payments	(21,918)	(145)	(7,134)	(414)
	Administrative reimbursement from funds	21,026	(1,555)	(13,794)	(1,069)
	Deposits into funds held for others	31,942	-	-	-
	Disbursements made from funds held for others	(35,135)	-	-	-
	Interfund transfers and other assets	(1,155)	(1)	94	(19)
	Net cash provided (used) by operating activities	4,991	16,518	185,020	20,049
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	23,125	1,939,445	-
	Principal repayment on bonds and notes	-	(15,880)	(2,217,165)	(18,900)
	Interest paid on bonds and notes	-	(7,106)	(82,654)	(5,768)
	Financing costs paid related to bonds issued	-	(430)	(839)	-
	Interest paid/received between funds	-	-	(482)	482
	Agency contribution to program funds	-	641	(3,957)	-
	Transfer of cash between funds	(11,057)	-	11,057	-
	Net cash provided (used) by noncapital financing activities	(11,057)	350	(354,595)	(24,186)
Cash flows from investing activities	Investment in real estate owned	-	-	(4,387)	(677)
	Interest received on investments	1,524	2,164	10,653	2,134
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	71,074	5,655
	Proceeds from maturity, sale or transfer of investment securities	25,000	28,135	1,720,323	6,872
	Purchase of investment securities	(15,053)	(37,703)	(1,613,499)	(13,393)
	Purchase of loans between funds	-	-	-	-
	Net cash provided (used) by investing activities	11,471	(7,404)	184,164	591
	Net increase (decrease) in cash and cash equivalents	5,405	9,464	14,589	(3,546)
Cash and cash equivalents	Beginning of year	52,134	36,257	204,570	41,634
	End of year	$57,539	$45,721	$ 219,159	$38,088

Bond Funds					
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Year Ended June 30, 2011	General Reserve & Bond Funds Year Ended June 30, 2010
$ 3,175	$ -	$ 192,268	$ 1,679	$ 193,947	$ 165,140
(316,300)	382	(384,103)	(20,407)	(404,510)	(141,854)
6,896	300	127,064	354	127,418	130,209
-	-	(2)	(3,684)	(3,686)	(3,038)
-	3	15,084	22	15,106	11,200
(75)	(3)	(29,689)	(86)	(29,775)	(29,682)
(568)	(32)	4,008	(1,035)	2,973	3,413
-	-	31,942	-	31,942	29,480
-	-	(35,135)	-	(35,135)	(31,551)
-	-	(1,081)	59	(1,022)	(1,275)
(306,872)	650	(79,644)	(23,098)	(102,742)	132,042
141,613	-	2,104,183	-	2,104,183	1,440,910
-	-	(2,251,945)	-	(2,251,945)	(1,208,085)
(959)	(167)	(96,654)	-	(96,654)	(100,549)
(2,053)	(60)	(3,382)	-	(3,382)	(2,650)
-	-	-	-	-	-
2,767	549	-	-	-	-
-	-	-	-	-	-
141,368	322	(247,798)	-	(247,798)	129,626
-	-	(5,064)	-	(5,064)	(3,557)
(923)	13	15,565	1,180	16,745	14,429
-	-	76,729	-	76,729	64,797
-	-	1,780,330	51,776	1,832,106	1,315,711
(476)	(475)	(1,680,599)	(32,399)	(1,712,998)	(1,408,702)
-	-	-	1,856	1,856	2,096
(1,399)	(462)	186,961	22,413	209,374	(15,226)
(166,903)	510	(140,481)	(685)	(141,166)	246,442
260,638	15,013	610,246	4,607	614,853	368,411
$ 93,735	$15,523	$ 469,765	$ 3,922	$ 473,687	$ 614,853

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

		Bond Funds		
	General Reserve	Rental Housing	Residential Housing Finance Excluding Pool 3	Single Family
Revenues over (under) expenses	$7,789	$1 ,323	$ 761	$ 2,221
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:				
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(62)	1,274	(175)
Depreciation	1,540	-	-	-
Realized losses (gains) on sale of securities, net	(5)	77	168	(271)
Unrealized losses (gains) on securities, net	95	859	(1,606)	565
Provision for loan losses	-	138	20,928	337
Reduction in carrying value of certain low interest rate and/or deferred loans	-	964	31	-
Capitalized interest on loans and real estate owned	-	(105)	(7,965)	(506)
Interest earned on investments	(287)	(2,251)	(11,222)	(2,164)
Interest expense on bonds and notes	-	7,736	79,411	5,539
Changes in assets and liabilities:				
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	6,606	100,083	14,219
Decrease (increase) in interest receivable on loans	-	29	1,941	226
Increase (decrease) in arbitrage rebate liability	-	1,209	(908)	86
Increase (decrease) in accounts payable	(24)	(2)	2,075	(6)
Increase (decrease) in interfund payable, affecting operating activities only	285	(1)	(73)	(19)
Increase (decrease) in funds held for others	(3,193)	-	-	-
Other	(1,209)	(2)	122	(3)
Total	(2,798)	15,195	184,259	17,828
Net cash provided (used) by operating activities	$4,991	$16,518	$185,020	$20,049

Bond Funds					
Homeownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Year Ended June 30, 2011	General Reserve & Bond Funds Year Ended June 30, 2010
$ 2,064	$147	$ 14,305	$(18,893)	$ (4,588)	$ 5,889
403	-	1,440	(26)	1,414	690
-	-	1,540	-	1,540	2,590
-	-	(31)	15	(16)	469
(224)	(3)	(314)	1,217	903	(9,048)
-	-	21,403	1,024	22,427	25,530
-	-	995	13,392	14,387	9,404
-	-	(8,576)	-	(8,576)	(6,724)
(274)	(17)	(16,215)	(1,182)	(17,397)	(16,115)
4,304	199	97,189	-	97,189	101,515
(313,125)	382	(191,835)	(18,728)	(210,563)	23,286
-	(54)	2,142	2	2,144	(1,038)
-	-	387	-	387	126
(20)	(4)	2,019	22	2,041	(96)
-	-	192	56	248	(753)
-	-	(3,193)	-	(3,193)	(2,071)
-	-	(1,092)	3	(1,089)	(1,612)
(308,936)	503	(93,949)	(4,205)	(98,154)	126,153
$(306,872)	$650	$ (79,644)	$(23,098)	$(102,742)	$132,042

Other Information

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APPENDIX B

CERTAIN FINANCIAL STATEMENTS OF THE AGENCY

(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)

AS OF MARCH 31, 2012

AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)

AS PREPARED BY THE AGENCY'S ACCOUNTING DEPARTMENT

DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance ("RHFB") excluding Pool 3, Single Family, and RHFB Pool 3 (the "Funds") as of March 31, 2012 and for the nine-month period then ended was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of these Funds as of March 31, 2012 and for the nine-month period then ended, subject to year-end adjustments.

State and federal appropriated funds are excluded from this presentation because assets and revenues of these funds are not pledged or available to support bonds or other obligations of the Agency or its general obligation pledge in respect thereof.

Financial results for RHFB Pool 3 are reported separately from other Funds' results because the Agency has made no commitment to retain any net asset balance in that fund. This fund is not pledged to the payment of any debt obligations of the Agency but, to the extent net assets are available in this fund, they are generally available to pay any debt obligation of the Agency.

This presentation excludes management's discussion and analysis which is required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix B should be read in connection with the audited financial statements included in Appendix A, including the notes to those financial statements.

General Reserve & Bond Funds
Statement of Net Assets
as of
March 31, 2012
(unaudited)
(with comparative totals as of March 31, 2011)
(in thousands)

	Bond Funds									
	General Reserve	Rental Housing	RHFB Excluding Pool 3	Single Family	Homeownership Finance Bonds	Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	General Reserve and Bond Funds Total as of March 31, 2012	General Reserve and Bond Funds Total as of March 31, 2011
Assets										
Cash and cash equivalents	$ 96,531	$ 43,606	$ 157,034	$ 36,141	$ 24,304	$ 817	$ 358,433	$ 4,315	$ 362,748	$ 487,181
Investments-program mortgage-backed securities	-	-	31,194	-	569,680	-	600,874	-	600,874	218,241
Investment securities-other	5,221	40,598	140,452	11,228	490	468	198,457	28,166	226,623	685,593
Loans receivable, net	-	162,605	1,570,263	104,546	-	14,543	1,851,957	29,475	1,881,432	2,071,852
Interest receivable on loans and program mortgage-backed securities	-	881	10,891	696	1,908	55	14,431	73	14,504	14,950
Interest receivable on investments	79	408	1,218	469	3	2	2,179	117	2,296	3,056
Deferred loss on interest rate swap agreements	-	-	37,851	-	-	-	37,851	-	37,851	26,726
FHA/VA insurance claims	-	-	9,286	1,298	-	-	10,584	-	10,584	10,347
Real estate owned	-	-	18,991	738	-	-	19,729	-	19,729	28,763
Unamortized bond issuance costs	-	1,572	7,602	529	3,675	162	13,540	-	13,540	12,898
Capital assets, net	1,246	-	-	-	-	-	1,246	-	1,246	1,108
Other assets	963	4	11	1	5	-	984	-	984	1,954
Total assets	$104,040	$ 249,674	$ 1,984,793	$ 155,646	$ 600,065	$ 16,047	$ 3,110,265	$ 62,146	$ 3,172,411	$ 3,562,669
Liabilities										
Bonds payable, net	$ -	$ 139,154	$ 1,445,327	$ 81,085	$ 547,118	$ 15,000	$ 2,227,684	$ -	$ 2,227,684	$ 2,668,585
Interest payable	-	1,086	16,713	1,072	4,592	38	23,501	-	23,501	23,292
Interest rate swap agreements	-	-	37,851	-	-	-	37,851	-	37,851	26,726
Deferred revenue-service release fees	-	-	5,049	-	-	-	5,049	-	5,049	3,179
Accounts payable and other liabilities	4,511	5,946	1,387	729	32	195	12,800	2	12,802	13,478
Interfund payable (receivable)	2,233	-	(2,938)	52	41	-	(612)	(1)	(613)	(488)
Funds held for others	77,170	-	-	-	-	-	77,170	-	77,170	82,846
Total liabilities	83,914	146,186	1,503,389	82,938	551,783	15,233	2,383,443	1	2,383,444	2,817,618
Commitments and contingencies										
Net Assets										
Restricted by bond resolution	-	103,488	79,837	72,708	48,282	814	305,129	-	305,129	278,790
Restricted by covenant	18,880	-	401,567	-	-	-	420,447	62,145	482,592	465,153
Invested in capital assets	1,246	-	-	-	-	-	1,246		1,246	1,108
Total net assets	20,126	103,488	481,404	72,708	48,282	814	726,822	62,145	788,967	745,051
Total liabilities and net assets	$104,040	$ 249,674	$ 1,984,793	$ 155,646	$ 600,065	$ 16,047	$ 3,110,265	$ 62,146	$ 3,172,411	$ 3,562,669

Refer to disclaimer on page B-2.

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Assets
for the nine months ended
March 31, 2012
(unaudited)
(with comparative totals for the nine months ended March 31, 2011)
(in thousands)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: RHFB Excluding Pool 3	Bond Funds: Single Family	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	General Reserve and Bond Funds Nine Months Ended March 31, 2012	General Reserve and Bond Funds Nine Months Ended March 31, 2011
Revenues										
Interest earned on loans	$ -	$ 8,069	$ 71,522	$ 5,140	$ -	$ 491	$ 85,222	$ 415	$ 85,637	$ 93,482
Interest earned on investments-program mortgage-backed securities	-	-	434	-	14,422	-	14,856	-	14,856	4,546
Interest earned on investments-other	23	1,732	6,030	1,135	51	20	8,991	533	9,524	14,098
Administrative reimbursement	16,278	-	-	-	-	-	16,278	-	16,278	15,616
Fees earned and other income	6,996	390	603	-	-	-	7,989	107	8,096	8,504
Unrealized gains (losses) on securities	70	301	3,527	158	23,140	(10)	27,186	799	27,985	(10,231)
Total revenues	23,367	10,492	82,116	6,433	37,613	501	160,522	1,854	162,376	126,015
Expenses										
Interest	-	5,558	53,186	3,481	11,436	342	74,003	-	74,003	72,458
Loan administration and trustee fees	-	126	3,827	272	123	2	4,350	9	4,359	4,610
Administrative reimbursement	-	1,196	9,514	744	1,930	72	13,456	786	14,242	13,513
Salaries and benefits	13,008	-	-	-	-	-	13,008	-	13,008	13,281
Other general operating	3,801	-	-	-	-	-	3,801	1,414	5,215	6,677
Reduction in carrying value of certain low interest rate deferred loans	-	(26)	(713)	-	-	-	(739)	5,101	4,362	11,502
Provision for loan losses	-	(4,693)	14,007	303	-	75	9,692	668	10,360	15,651
Total expenses	16,809	2,161	79,821	4,800	13,489	491	117,571	7,978	125,549	137,692
Revenues over (under) expenses	6,558	8,331	2,295	1,633	24,124	10	42,951	(6,124)	36,827	(11,677)
Other changes										
Non-operating transfer of assets between funds	(8,361)	-	(48)	-	8,642	-	233	(233)	-	-
Change in net assets	(1,803)	8,331	2,247	1,633	32,766	10	43,184	(6,357)	36,827	(11,677)
Net Assets										
Total net assets, beginning of period	21,929	95,157	479,157	71,075	15,516	804	683,638	68,502	752,140	756,728
Total net assets, end of period	$ 20,126	$ 103,488	$ 481,404	$ 72,708	$ 48,282	$ 814	$ 726,822	$ 62,145	$ 788,967	$ 745,051

General Reserve & Bond Funds
Statement of Cash Flows
for the nine months ended
March 31, 2012
(unaudited)
(with comparative totals for the nine months ended March 31, 2012)
(in thousands)

		Bond Funds								
	General Reserve	Rental Housing	RHFB Excluding Pool 3	Single Family	Homeownership Finance Bonds	Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	General Reserve and Bond Funds Nine Months Ended March 31, 2012	General Reserve and Bond Funds Nine Months Ended March 31, 2011
Cash flows from operating activities:										
Principal repayments on loans and program mortgage-backed securities	$ -	$ 22,609	$ 118,902	$ 9,877	$ 17,839	$ -	$ 169,227	$ 1,116	$ 170,343	$ 150,733
Investment in loans and program mortgage-backed securities	-	(8,587)	(29,015)	(23)	(234,604)	(15,000)	(287,229)	(12,416)	(299,645)	(244,475)
Interest received on loans and program mortgage-backed securities	-	8,088	68,989	4,860	12,937	490	95,364	401	95,765	94,552
Other operating	-	-	-	-	-	-	-	(1,414)	(1,414)	(2,698)
Fees and other income received	7,352	390	5,653	-	-	-	13,395	107	13,502	11,776
Salaries, benefits and vendor payments	(16,472)	(41)	(7,787)	(269)	(142)	193	(24,518)	(104)	(24,622)	(23,225)
Administrative reimbursement from funds	16,044	(1,196)	(9,514)	(744)	(1,897)	(72)	2,621	(786)	1,835	2,316
Deposits into funds held for others	24,006	-	-	-	-	-	24,006	-	24,006	24,307
Disbursements made from funds held for others	(24,935)	-	-	-	-	-	(24,935)	-	(24,935)	(22,408)
Interfund transfers and other assets	(1,098)	-	147	534	6	-	(411)	105	(306)	(618)
Net cash provided (used) by operating activities	4,897	21,263	147,375	14,235	(205,861)	(14,389)	(32,480)	(12,991)	(45,471)	(9,740)
Cash flows from noncapital financing activities:										
Proceeds from sale of bonds and notes	-	-	25,000	-	152,127	-	177,127	-	177,127	1,427,861
Principal repayment on bonds and notes	-	(18,770)	(462,305)	(16,420)	(6,230)	-	(503,725)	-	(503,725)	(1,468,586)
Interest paid on bonds and notes	-	(7,123)	(73,243)	(4,831)	(10,438)	(339)	(95,974)	-	(95,974)	(90,170)
Financing costs paid related to bonds issued	-	-	(522)	-	(1,939)	-	(2,461)	-	(2,461)	(2,136)
Agency contribution to progam funds	-	-	(1,689)	-	1,689	-	-	-	-	-
Transfer of cash between funds	(6,635)	-	5,943	-	-	-	(692)	692	-	-
Net cash provided (used) by noncapital financing activities	(6,635)	(25,893)	(506,816)	(21,251)	135,209	(339)	(425,725)	692	(425,033)	(133,031)
Cash flows from investing activities:										
Investment in real estate owned	-	-	(5,100)	(579)	-	-	(5,679)	-	(5,679)	(4,350)
Interest received on investments	711	1,981	2,751	1,197	1,222	20	7,882	771	8,653	13,596
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	58,164	3,969	-	-	62,133	-	62,133	54,077
Proceeds from maturity, sale or transfer of investment securities	40,019	63,908	539,197	19,087	999	13,452	676,662	39,190	715,852	1,035,377
Purchase of investment securities	-	(63,374)	(296,065)	(18,605)	(1,000)	(13,450)	(392,494)	(28,900)	(421,394)	(1,084,960)
Purchase of loans between funds	-	-	(1,631)	-	-	-	(1,631)	1,631	-	1,359
Net cash provided (used) by investing activities	40,730	2,515	297,316	5,069	1,221	22	346,873	12,692	359,565	15,099
Net increase (decrease) in cash and cash equivalents	38,992	(2,115)	(62,125)	(1,947)	(69,431)	(14,706)	(111,332)	393	(110,939)	(127,672)
Cash and cash equivalents:										
Beginning of period	57,539	45,721	219,159	38,088	93,735	15,523	469,765	3,922	473,687	614,853
End of period	$ 96,531	$ 43,606	$ 157,034	$ 36,141	$ 24,304	$ 817	$ 358,433	$ 4,315	$ 362,748	$ 487,181

Refer to disclaimer on page B-2.

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the nine months ended
March 31, 2012
(unaudited)
(with comparative totals for the nine months ended March 31, 2012)
(in thousands

		Bond Funds								
	General Reserve	Rental Housing	RHFB Excluding Pool 3	Single Family	Homeownership Finance Bonds	Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	General Reserve and Bond Funds Nine Months Ended March 31, 2012	General Reserve and Bond Funds Nine Months Ended March 31, 2012
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:										
Revenues over (under) expenses	$ 6,558	$ 8,331	$ 2,295	$ 1,633	$ 24,124	$ 10	$ 42,951	$ (6,124)	$ 36,827	$ (11,677)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of (discounts) premiums and fees on loans and program mortgage-backed securities	-	(70)	718	(113)	423	-	958	(17)	941	981
Depreciation	917	-	-	-	-	-	917	-	917	1,157
Realized losses (gains) on securities, net	175	(57)	(989)	(26)	(23)	(2)	(922)	(5)	(927)	283
Unrealized (gains) losses on securities, net	(70)	(301)	(3,527)	(158)	(23,140)	10	(27,186)	(799)	(27,985)	10,231
Provision for loan losses	-	(4,692)	14,007	303	-	75	9,693	668	10,361	15,651
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(26)	(713)	-	-	-	(739)	5,101	4,362	11,502
Capitalized interest on loans and real estate owned	-	-	(4,989)	(331)	-	-	(5,320)	-	(5,320)	(6,674)
Interest earned on investments	(198)	(1,712)	(4,920)	(1,547)	(28)	(18)	(8,423)	(528)	(8,951)	(13,367)
Interest expense on bonds and notes	-	5,558	53,186	3,480	11,436	342	74,002	-	74,002	72,458
Changes in assets and liabilities:										
Decrease (increase) in loans receivable and program mortgage backed secuirities, excluding loans transferred between funds	-	14,022	89,887	9,854	(216,765)	(15,000)	(118,002)	(11,300)	(129,302)	(93,742)
Decrease (increase) in interest receivable on loans and program mortgage-backed securities	-	63	1,304	164	(1,908)	(1)	(378)	3	(375)	1,323
Increase (decrease) in arbitrage rebate liability	-	62	(121)	438	-	-	379	-	379	41
(Decrease) increase in accounts payable	(546)	83	1,057	1	(26)	195	764	(95)	669	664
(Decrease) increase in interfund payable, affecting operating activities only	(225)	1	29	(11)	39	-	(167)	105	(62)	232
(Decrease) increase in funds held for others	(929)	-	-	-	-	-	(929)	-	(929)	1,899
Other	(785)	1	151	548	7	-	(78)	-	(78)	(702)
Total	(1,661)	12,932	145,080	12,602	(229,985)	(14,399)	(75,431)	(6,867)	(82,298)	1,937
Net cash provided (used) by operating activities	$ 4,897	$ 21,263	$ 147,375	$ 14,235	$ (205,861)	$ (14,389)	$ (32,480)	$ (12,991)	$ (45,471)	$ (9,740)

General Reserve & Bond Funds
Cash and Cash Equivalents
(unaudited)

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates market value and comprise the following at March 31, 2012 (in thousands):

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve	$ -	$ -	$ 96,531	$ -	$ 96,531
Rental Housing	-	23,848	-	19,758	43,606
Residential Housing Finance	893	93,513	-	62,628	157,034
Single Family	30	4,828	-	31,283	36,141
Homeownership Finance	-	24,304	-	-	24,304
Multifamily Housing	-	817	-	-	817
Subtotal	923	147,310	96,531	113,669	358,433
RHFB Pool 3	30	4,285	-	-	4,315
Total	$ 953	$ 151,595	$ 96,531	$ 113,669	$ 362,748

Minnesota Housing

General Reserve & Bond Funds
Investment Securities
(unaudited)

Investment Securities

Investment securities (comprising US Treasuries, US Agencies, certificates of deposit, commercial paper, corporate notes and mortgage-backed securities*) are recorded at fair market value and were allocated to the following funds at March 31, 2012 (in thousands):

Funds	Amortized Cost	Unrealized Appreciation in Fair Market Value	Estimated Fair Market Value
General Reserve	$ 5,017	$ 204	$ 5,221
Rental Housing	40,379	219	40,598
Residential Housing Finance	166,694	4,952	171,646
Single Family	11,044	184	11,228
Homeownership Finance	539,726	30,444	570,170
Multifamily Housing	475	(7)	468
Subtotal	763,335	35,996	799,331
RHFB Pool 3	26,858	1,308	28,166
Total	$ 790,193	$ 37,304	$ 827,497

*Mortgage-Backed Securities Investments

Mortgage-backed securities (MBS) that are pledged as security for the payment of Agency bonds and are held in an acquisition account are presented as “Investments- program mortgage-backed securities” on the financial statements. The Agency may also hold non-program MBS which are included with “Investment securities-other.” All investments, including program and non-program MBS, are reported at fair market value on the statement of net assets. The difference between the fair market value and the amortized cost is presented as “unrealized gains (losses) on securities” on the statement of revenues, expenses and changes in net assets.

General Reserve & Bond Funds
Loans Receivable, net
unaudited

Loans Receivable, net

Loans receivable, net at March 31, 2012 consist of the following (in thousands):

Funds	Gross Loans Receivable	Allowance for Loan Losses	Unamortized (Discounts)/ Premiums	Loans Receivable, net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	170,283	(6,379)	(1,299)	162,605
Residential Housing Finance	1,600,856	(30,447)	(146)	1,570,263
Single Family	106,029	(842)	(641)	104,546
Homeownership Finance	-	-	-	-
Multifamily Housing	15,000	(75)	(382)	14,543
Subtotal	1,892,168	(37,743)	(2,468)	1,851,957
RHFB Pool 3	148,974	(118,900)	(599)	29,475
Total	$ 2,041,142	$ (156,643)	$ (3,067)	$ 1,881,432

Included in the table above are certain loans residing in RHFB Pool 3 that were originated at interest rates ranging from 0% to 5% and repayment of which was deferred for up to 30 years. These loans are generally in either a second or lower mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination most were fully reserved resulting in a net carrying value of zero. As of March 31, 2012, the principal amount of loans with such characteristics aggregated $129.438 million in RHFB Pool 3.

Loans Receivable, net (continued)

Change in Loan Loss Reserve Methodology

The Agency changed the loan loss reserve methodology for first lien multifamily mortgage loans for the fiscal year ending June 30, 2012. The previous methodology assigned a static fixed percentage loan loss reserve based upon the category of each loan (Section 236, bridge, etc.). The new methodology examines quarterly the financial risk loan by loan and assigns a loan loss reserve percentage based upon that risk. The effects of the changed methodology on the financial statements as of March 31, 2012 were as follows (in thousands):

Funds	Previous Methodology- Allowance for Loan Loss	New Methodology- Allowance for Loan Loss	Decrease in Provision for Loan Loss Expense
Residential Housing Finance- Pool 2	$ 10,886	$ 2,152	$ 8,734
Rental Housing	10,687	6,379	4,308
Multifamily Housing Bonds	750	75	675
Total	$ 22,323	$ 8,606	$ 13,717

General Reserve & Bond Funds
Bonds Payable, net
unaudited

Bonds Payable, net

Bonds payable, net at March 31, 2012 consisted of the following (in thousands):

Funds	Par Bonds Outstanding	Net Unamortized Premium and Deferred Fees	Net Unamortized Deferred Loss	Bonds Payable, Net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	140,430	-	(1,276)	139,154
Residential Housing Finance	1,443,980	1,718	(371)	1,445,327
Single Family	81,085	-	-	81,085
Homeownership Finance	543,445	3,673	-	547,118
Multifamily Housing	15,000	-	-	15,000
Subtotal	2,223,940	5,391	(1,647)	2,227,684
RHFB Pool 3	-	-	-	-
Total	$ 2,223,940	$ 5,391	$ (1,647)	$ 2,227,684

Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of March 31, 2012. The fair values approximate the termination payments that would have been due had the swaps been terminated as of March 31, 2012. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net assets. The fair values exclude accrued interest. As of March 31, 2012, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net assets as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of March 31, 2012 is included in the asset account identified as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the two counterparties thereto as of March 31, 2012, are contained in the two tables below (in thousands). A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency.

All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

General Reserve & Bond Funds
Interest Rate Swaps
(unaudited)

Counterparty: The Bank of New York Mellon

Moody's Aa1 (stable outlook) / Standard & Poor's AA- (negative outlook)

Associated Bond Series	Notional Amount as of March 31, 2012	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value as of March 31, 2012	Increase (Decrease) in Fair Value since Fiscal Year Ended June 30, 2011
RHFB 2003B	$ 25,000	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR* plus 0.23% per annum	$ (1,626)	$ (625)
RHFB 2003J	19,770	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR* plus 0.23% per annum	(2,232)	(416)
RHFB 2005C	17,825	March 2, 2005	January 1, 2035	3.587%	64% of 1 month LIBOR* plus 0.28% per annum	(1,159)	(9)
RHFB 2005I	28,505	June 2, 2005	January 1, 2036	3.570%	64% of 1 month LIBOR* plus 0.28% per annum	(2,229)	(184)
RHFB 2005M	41,725	August 4, 2005	January 1, 2036	3.337%	64% of 1 month LIBOR* plus 0.29% per annum	(3,063)	(306)
RHFB 2006C	23,185	March 21,2006	January 1, 2037	3.788%	64% of 1 month LIBOR* plus 0.29% per annum	(2,190)	(235)
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA** Index plus 0.06% per annum	(1,753)	(1,040)
RHFB 2007T	26,955	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(2,952)	(364)
	$ 201,940					$ (17,204)	$ (3,179)

General Reserve & Bond Funds
Interest Rate Swaps
(unaudited)

Counterparty: Royal Bank of Canada

Moody's Aa1 (negative watch)*** / Standard & Poor's AA- (stable outlook)

Associated Bond Series	Notional Amount as of March 31, 2012	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value as of March 31, 2012	Increase (Decrease) in Fair Value since Fiscal Year Ended June 30, 2011
RHFB 2004G	$ 34,340	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR* plus 0.26% per annum	$ (3,063)	$ (164)
RHFB 2007E	17,615	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR*	(1,952)	(83)
RHFB 2007J	27,070	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR*	(3,022)	(196)
RHFB 2008C	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR* plus 0.30% per annum	(5,039)	(1,497)
RHFB 2009C	40,000	February 12, 2009	July 1, 2039	3.070%	64% of 1 month LIBOR* plus 0.30% per annum	(6,395)	(1,716)
RHFB 2009F	27,510	December 1, 2009	September 12, 2017	2.365%	100% of weekly SIFMA** plus 0.80% per annum	(1,176)	(200)
	$ 186,535					$ (20,647)	$ (3,856)
Grand Total	$ 388,475					$ (37,851)	$ (7,035)

* London Inter-Bank Offered Rate
** Securities Industry and Financial Markets Association
***On June 21, 2012, Moody's reduced the unsecured long-term debt rating of the Royal Bank of Canada to AA3 with a stable outlook.

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, substantial impairment of credit ratings, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of March 31, 2012, the Agency did not have a net credit risk exposure to either of its two counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $3 million if the ratings are not less than "A" and "A2", and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of March 31, 2012, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps*) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of March 31, 2012, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.09% to 0.18% per annum while the variable interest rate on the associated swaps ranged from 0.16% to 0.50% per annum. As of March 31, 2012, the interest rate on the Agency's variable rate taxable debt was 0.22% per annum while the variable interest rate on the corresponding swaps ranged from 0.27% to 0.30% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

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APPENDIX C

MORTGAGE INSURANCE PROGRAMS AND STATE LAWS AFFECTING FORECLOSURES

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in regulations of the Federal Housing Administration ("FHA"), Rural Development ("RD") and the Veterans Administration ("VA"), respectively, and of the regulations, master insurance contracts and other such information of the various private mortgage insurers. Program Loans purchased by the Agency are not limited by the Resolutions to the foregoing programs and it is possible that insurance benefits under other federal or private programs in which the Agency may participate could be more or less favorable.

While all Program Loans are subject to the applicable mortgage insurance programs, Program Loans that back Program Securities are further guaranteed by GNMA, Fannie Mae or Freddie Mac as further described in Appendix F to this Supplement.

Federal Housing Administration Single-Family Mortgage Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contain five or more dwelling units or less than five such units.

The regulations governing all of the FHA programs under which the mortgage loans may be insured provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to the Department of Housing and Urban Development ("HUD").

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash, unless the mortgage holder specifically requests payment in debentures issued by HUD. Under others, HUD has the option, at its discretion, to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on single family mortgage loans in cash, with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment.

HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher. The HUD debenture interest rates applicable to the FHA insured mortgages which the Agency has acquired or committed to acquire are in most cases lower than the interest rates of such mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of institution of foreclosure proceedings or acquisition of the property. The mortgage holder 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 2/3 of the mortgagee's foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, or, if the property has suffered damage because of failure of the mortgage holder to take action to inspect and preserve the property, it is generally required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage holder prior to such conveyance or assignment. For mortgages insured on or after April 19, 1992, if the property has been damaged during the mortgage holder's possession by events other than fire, flood, earthquake or tornado notwithstanding reasonable action by the mortgage holder, HUD may require the mortgage holder to repair the property prior to conveyance to HUD as a condition to payment of an insurance claim.

Veterans Administration Guaranty Program

The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranteed by the VA covering mortgage financing of the purchase of a one to four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee, as the VA may elect. The program has no mortgage loan limits (other than that the amount may not exceed the property's reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years. The guaranty provisions for mortgage loans are as follows: (a) for home and condominium loans of $45,000 or less, 50% of the loan is guaranteed (for loans with an original principal balance of $45,000 and not more than $56,250, the guaranty will not exceed $22,500); (b) for home and condominium loans of more than $56,250 but less than or equal to $144,000, 40% of the loan is guaranteed subject to a maximum guaranty of $36,000; (c) for home and condominium loans of more than $144,000, 25% of the principal amount of the loan is guaranteed subject to a maximum guarantee amount hereinafter described; and (d) for loans for manufactured homes, 40% of the loan is guaranteed (with a maximum guaranty of $20,000). The maximum guaranty amount for loans greater than $144,000 is generally 25% of the Freddie Mac conforming loan limit (currently $417,000); however, pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the maximum guaranty amount for such loans originated in 2009 through 2011 is 25% of the greater of (i) the Freddie Mac conforming loan limit or (ii) 125% of the area median price for a single family residence in the county in which the property securing the loan is located. 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 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 mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

Rural Development (RD) Insured Program

Loans insured by RD may be made to purchase new or existing homes in designated rural areas. Eligible rural areas have a population not in excess of 10,000 persons or if located outside a Metropolitan Statistical Area, not in excess of 25,000. Loans may be made up to 100% of the market value of the property or 100% of the acquisition cost, whichever is less. The maximum loan amount is the applicable FHA maximum loan amount. The interest rate of these 30 year mortgages may not exceed the higher of the current VA rate or the Fannie Mae required net yield for 90 day commitments on a 30 year fixed rate mortgage with actual/actual remittance plus 60 basis points. RD covers all losses on foreclosed loans up to 35% of the original principal. Any loss in excess of this amount carries an 85% guarantee. It is the present administrative policy of the Agency to tender a claim to RD by the earlier of (a) six months after the date of acquisition of the property through foreclosure or (b) 30 days after the sale of the property. The Agency retains title to the property and may apply the insurance proceeds and any sale proceeds to the outstanding debt.

Private Mortgage Insurance Programs

Under outstanding Series Resolutions, all Program Loans insured by a private mortgage insurance company are to be in any amount not exceeding the Market Value of the Home, provided that the Agency is issued a mortgage insurance policy under which the minimum insured percentage of any claim filed is at least equal to that percentage of the Market Value or sale price of the Home, whichever is less, by which the original principal amount of the mortgage exceeds 80% of such Market Value. Each private mortgage insurer insuring such Program Loans must be a company (a) that is licensed to do business in Minnesota; (b) that has ratings not less than "A2" from Moody's Investors Service, Inc., and "AA" from Standard & Poor's Ratings Services, or that is approved to insure mortgages purchased by Fannie Mae and Freddie Mac, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase Program Loans; and (c) that, by insuring Program Loans financed by the Agency, does not cause the Rating on the Bonds to be adversely affected. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by Fannie Mae in determining whether to approve a private mortgage insurer currently are the following: (a) experienced mortgage insurers are expected to have policyholders' surplus of not less than $5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of 25 times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with Fannie Mae's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that (a) not more than 10% of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families; (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10% of its policyholders' surplus (net of reinsurance); (c) no insurer shall have more than 20% of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60% of its total insurance in force; and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law.

Freddie Mac also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than $5 million; (b) an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis; if a greater unearned premium reserve is required by the state where the insurer is licensed, then such greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50% of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages which have resulted in the conveyance of property which remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85% of its total admitted assets in the form of marketable securities or other highly liquid investments which qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of 25 times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports with the Freddie Mac.

It has been the administrative policy of the Agency to require that any private mortgage insurance policy with respect to a Program Loan to be purchased with the proceeds of Bonds contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within sixty days of presentation of the claim by the mortgage lender; (b) for a mortgage lender to present a claim, the mortgage lender must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor; (c) when a claim is presented, the insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (the Agency's exposure is to be limited to 70% or 75%, depending on the initial loan-to-value ratio of the mortgage loan) and allowing the insured lender to retain title to the property.

The private mortgage insurance companies providing mortgage insurance on outstanding Program Loans under the Bond Resolution are identified in Appendix D to this Supplement. There is no assurance that any private mortgage insurance company will be able or willing to honor its obligations under the mortgage insurance policy as provided therein. In particular, certain private mortgage insurance companies have recently experienced substantial financial difficulties and ratings downgrades, and some are in receivership and are paying claims at the rate of 50 cents on the dollar. No representation is made as to the creditworthiness of any private mortgage insurance company.

State Laws Affecting Foreclosures

Mortgage foreclosures in Minnesota are governed by statute and permit two alternative methods, "by action" or "by advertisement." The latter is normally utilized since it is slightly faster, less expensive, and does not have the same tendency to invite contest as does foreclosure by action. The process is normally initiated by the publication, recordation and service of a notice of foreclosure. This notice must include all relevant information on the mortgage loan and the secured premises as well as a statement of the time and place of sale and the time allowed by law for redemption by the mortgagor. This notice must then be published in a legal newspaper each week for six consecutive weeks. Service of the notice on the mortgagor and any other affected party must be completed at least four weeks prior to the designated date of the foreclosure sale. Compliance with the above publication and service of notice requirements within the prescribed time limitations is essential to the validity of the mortgage foreclosure sale.

Prior to the foreclosure sale, the mortgagor has the right to reinstate the mortgage and prevent foreclosure by curing all defaults on a current basis and by paying attorneys' fees and out-of-pocket disbursements to the extent permitted by statute. If the mortgage is not reinstated, the foreclosure sale is held in the sheriff's office in the county in which the real estate being foreclosed is located. Although anyone can bid at a foreclosure sale, the normal result of the foreclosure sale is that the lien holder bids in the debt without competing bidders (and under the Bond Resolution, the Agency is required to do so), and purchases the mortgaged property from the defaulting borrower through the sheriff, subject to the rights of the borrower and subsequent creditors to redeem.

The holding of such foreclosure sale starts the period of redemption. The period of redemption will normally be six months but can be as long as twelve months. During the period of redemption the mortgagor normally retains the right to remain in possession of the mortgaged property without making mortgage payments or paying real estate taxes. During the period of redemption, the mortgagor has the right to pay off the entire indebtedness, including full principal, accrued interest, any amounts reasonably paid by the mortgagee to preserve the security, and attorneys' fees and disbursements to the extent allowed by statute.

After the period of redemption expires, the mortgagee is entitled to possession of the premises, but may have to bring an unlawful detainer proceeding to enforce its possessory rights, and a proceeding subsequent in the case of Torrens property to perfect its title to the mortgaged property.

It is not unusual, therefore, for a mortgagee to be delayed 10 months or more from the date of initiation of the mortgage foreclosure proceeding until it realizes its possessory rights.

APPENDIX D

CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO

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Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of March 31, 2012

Series	FHA	VA	Rural Development	MGIC	Genworth	Other Private Mortgage Insurers*	Uninsured	Total
Retired	$ 10,769,421	$ 401,305	$ 3,243,353	$ 109,276	$ 542,261	$ 149,357	$ 1,800,404	$ 17,015,377
02AB	4,819,487	95,000	2,943,659	177,968	186,537	218,551	1,630,221	10,071,423
02AB-1	6,007,113	424,381	3,625,869	1,070,607	251,848	330,880	2,126,124	13,836,822
02EF	11,374,640	440,118	6,318,176	434,797	192,981	471,809	2,389,151	21,621,672
03AB	14,381,945	183,528	8,197,190	1,437,908	1,083,766	1,975,702	4,308,128	31,568,167
03IJ	9,261,400	545,059	6,149,198	628,341	553,249	2,375,928	2,430,185	21,943,360
04ABC	19,739,228	1,726,008	12,755,515	5,006,465	1,607,472	6,515,313	7,632,102	54,982,103
04EFG	10,109,911	1,268,525	15,140,425	11,121,111	1,629,165	2,933,748	8,560,257	50,763,142
05ABC	6,594,815	208,301	7,457,123	10,156,527	846,708	2,144,166	4,304,702	31,712,342
05GHI	10,042,949	405,300	16,328,299	12,912,193	1,550,842	4,478,868	8,026,225	53,744,676
05JKLM	23,567,108	1,340,678	24,153,431	14,538,440	3,318,733	11,230,685	13,921,246	92,070,321
05OP	10,420,519	276,353	9,644,768	5,339,150	1,398,243	6,914,191	8,012,925	42,006,149
06ABC	10,237,407	915,051	10,087,893	7,090,689	3,813,471	6,932,846	9,122,625	48,199,982
06FGH	8,043,023	675,722	11,805,910	5,023,426	2,907,091	8,019,940	7,438,106	43,913,218
06FGH-40 Year	-	-	-	954,291	114,882	2,795,754	993,695	4,858,622
06IJ	9,211,216	278,302	19,166,726	12,873,170	5,645,850	7,176,381	9,630,246	63,981,891
06IJ-40 Year	-	-	428,395	6,763,996	2,218,491	4,956,819	2,744,126	17,111,827
06LMN	2,382,706	322,779	6,639,105	10,225,503	5,799,561	3,342,206	4,306,858	33,018,718
06LMN-40 Year	-	-	-	3,515,289	1,359,161	1,542,866	1,226,725	7,644,041
07CDE	4,069,902	339,458	8,862,401	17,059,578	10,780,366	7,277,030	5,403,904	53,792,639
07CDE-40 Year	-	-	-	6,392,887	1,541,230	4,146,696	1,910,318	13,991,131
07HIJ	4,445,929	732,431	11,123,731	31,656,577	17,767,570	10,866,936	5,716,725	82,309,899
07HIJ-40 Year	-	-	-	10,209,402	3,351,409	3,366,812	3,261,455	20,189,078
07LM	7,943,819	788,724	12,350,055	29,390,208	21,326,250	15,495,181	6,962,051	94,256,288
07LM-40 Year	-	-	-	12,878,452	2,974,061	6,631,410	2,883,687	25,367,610
07PQRST	9,257,003	696,462	7,854,034	19,814,541	7,271,930	12,424,079	4,169,729	61,487,778
07PQRST-40 Year	-	-	-	8,461,411	3,411,784	2,498,644	1,309,037	15,680,876
08ABC	24,121,093	299,560	12,523,445	5,785,224	3,048,854	4,589,435	6,016,695	56,384,306
08ABC-40 Year	-	-	-	8,836,015	1,252,090	2,933,157	3,272,911	16,294,173
09ABC	35,805,638	825,678	11,628,395	4,927,207	1,773,525	4,088,395	5,407,934	64,456,772
09ABC-40 Year	-	-	123,026	4,472,283	362,463	2,853,694	3,044,741	10,856,207
09DEF	73,287,479	1,094,517	12,140,632	772,883	489,223	453,203	11,134,701	99,372,638
Total	$ 325,893,751	$ 14,283,240	$ 240,690,754	$ 270,035,815	$ 110,371,067	$ 152,130,682	$ 161,097,939	$ 1,274,503,248
	25.56%	1.12%	18.89%	21.19%	8.66%	11.94%	12.64%	100.00%

*Other Private Mortgage Insurers consists of:
Republic 5.73%, United 2.80%, PMI 1.95%, Radian Guarantee Fund 0.65%, Commonwealth 0.52%, Triad 0.17%, Amerin 0.11%, GMAC 0.01%.

RHFB Whole Loan Mortgage Portfolio
Delinquency and Foreclosure Statistics as of March 31, 2012

			Payments Past Due as a Percentage of the Number of Loans Outstanding								
			30-59 Days		60-89 Days		90-119 Days		120 Days and Greater and Foreclosures[1]		Total [2]
Bond Financed:	Number of Loans	Balance Outstanding	#	%	#	%	#	%	#	%	%
Retired	454.0	$17,015,377	42.0	9.25	5.0	1.10	9.0	1.98	12.0	2.64	5.73
02AB	145.0	10,071,423	7.0	4.83	1.0	0.69	-	-	8.0	5.52	6.21
02AB-1	166.0	13,836,822	7.0	4.22	5.0	3.01	2.0	1.20	6.0	3.61	7.83
02EF	315.0	21,621,672	18.0	5.71	4.0	1.27	5.0	1.59	15.0	4.76	7.62
03AB	379.5	31,568,167	16.0	4.22	5.0	1.32	4.0	1.05	17.0	4.48	6.85
03IJ	260.0	21,943,360	11.0	4.23	3.0	1.15	2.0	0.77	14.0	5.38	7.31
04ABC	797.0	54,982,103	48.0	6.02	9.5	1.19	5.0	0.63	40.0	5.02	6.84
04EFG	516.5	50,763,142	31.0	6.00	8.0	1.55	5.0	0.97	27.5	5.32	7.84
05ABC	305.0	31,712,342	19.0	6.23	6.0	1.97	3.0	0.98	17.5	5.74	8.69
05GHI	515.0	53,744,676	22.0	4.27	7.0	1.36	3.0	0.58	33.5	6.50	8.45
05JKLM	930.0	92,070,321	38.0	4.09	12.0	1.29	3.0	0.32	60.0	6.45	8.06
05OP	407.5	42,006,149	22.5	5.52	5.0	1.23	3.0	0.74	20.5	5.03	6.99
06ABC	453.0	48,199,982	21.0	4.64	10.5	2.32	5.0	1.10	22.5	4.97	8.39
06FGH	399.5	43,913,218	20.5	5.13	6.0	1.50	7.0	1.75	26.0	6.51	9.76
06FGH-40 Year	31.0	4,858,622	-	-	1.0	3.23	3.0	9.68	4.0	12.90	25.81
06IJ	637.5	63,981,891	34.5	5.41	12.0	1.88	10.0	1.57	29.0	4.55	8.00
06IJ-40 Year	109.0	17,111,827	7.0	6.42	2.0	1.83	1.0	0.92	11.0	10.09	12.84
06LMN	303.5	33,018,718	11.0	3.62	3.5	1.15	1.5	0.49	12.5	4.12	5.77
06LMN-40 Year	50.0	7,644,041	1.0	2.00	1.0	2.00	1.0	2.00	9.0	18.00	22.00
07CDE	458.0	53,792,639	19.0	4.15	11.0	2.40	3.5	0.76	22.0	4.80	7.97
07CDE-40 Year	94.0	13,991,131	10.0	10.64	-	-	1.0	1.06	8.0	8.51	9.57
07HIJ	646.5	82,309,899	34.5	5.34	12.0	1.86	9.0	1.39	38.5	5.96	9.20
07HIJ-40 Year	128.0	20,189,078	5.0	3.91	-	-	-	-	11.0	8.59	8.59
07LM	793.5	94,256,288	48.0	6.05	12.0	1.51	4.0	0.50	43.5	5.48	7.50
07LM-40 Year	167.0	25,367,610	8.0	4.79	2.0	1.20	4.0	2.40	18.0	10.78	14.37
07PQRST	500.5	61,487,778	15.0	3.00	13.5	2.70	0.5	0.10	31.0	6.19	8.99
07PQRST-40 Year	105.0	15,680,876	10.0	9.52	2.0	1.90	-	-	8.0	7.62	9.52
08ABC	512.0	56,384,306	25.0	4.88	9.0	1.76	6.0	1.17	14.0	2.73	5.66
08ABC-40 Year	115.0	16,294,173	4.0	3.48	4.0	3.48	1.0	0.87	6.0	5.22	9.57
09ABC	620.5	64,456,772	30.5	4.92	16.5	2.66	1.5	0.24	35.0	5.64	8.54
09ABC-40 Year	86.0	10,856,207	6.0	6.98	1.0	1.16	-	-	-	-	1.16
09DEF	1,347.0	99,372,638	65.0	4.83	18.0	1.34	10.0	0.74	56.0	4.16	6.24
Total Bond Financed	12,747.0	$ 1,274,503,248	656.5	5.15	207.5	1.63	113.0	0.89	676.0	5.30	7.82

All Loans are serviced by US Bank Home Mortgage.

If the number of loans allocated to a series of Bonds in the table is expressed in an increment of 0.5, the allocation reflects the fact that proceeds of Bonds of the series were used, with an equal amount of funds from another source (which may be another series of Bonds or a series of Single Family Mortgage Bonds) to purchase the mortgage loan. In such cases, while principal repayments and prepayments are allocated equally to each funding source, interest payments on the mortgage loan are not allocated pro rata.

(1) Included in "Foreclosures" are loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed in addition to those customarily included in delinquency statistics.

(2) 30-59 days not included in total.

See page D-3 for comparative delinquency and foreclosure statistics.

Comparative 60+ Day Delinquency Statistics[1]	At 12/31/2011	At 3/31/2012
Residential Housing Finance Bond Resolution Loan Portfolio	6.70%	5.37%
Mortgage Bankers Association of America, Minnesota[2]	2.91%	not yet available
Mortgage Bankers Association of America, National[2]	4.78%	not yet available

Comparative Foreclosure Statistics[3]	At 12/31/2011	At 3/31/2012
Residential Housing Finance Bond Resolution Loan Portfolio	1.23%	1.28%
Mortgage Bankers Association of America, Minnesota[2]	2.07%	not yet available
Mortgage Bankers Association of America, National[2]	2.90%	not yet available

(1) This table compares 60+ day delinquency statistics. The delinquency rates do not include those delinquent loans referred to an attorney, where the first legal documents have been filed, or where any further foreclosure proceedings have occurred. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio differs from that in the table on page H-1.

(2) Mortgage Bankers Association of America average of 60+ days delinquency and foreclosure statistics adjusted by the Agency to reflect the proportions of insurance types in the Residential Housing Finance Bond Resolution loan portfolio. The unadjusted 12/31/11 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.98% Minnesota and 3.32% national. The unadjusted 12/31/11 Mortgage Bankers Association of America foreclosure rate is 1.67% Minnesota and 2.67% national. None of the delinquency and foreclosure rates presented are seasonally adjusted. Reprinted by permission of the Mortgage Bankers Association. For more information, contact the Mortgage Bankers Association, 1331 L Street NW, Washington D.C. 20005, (202) 557-2700 http://www.mortgagebankers.org

(3) This table compares foreclosure statistics, where "foreclosures" include only those loans referred to an attorney and with the first legal documents filed, but not loans for which a foreclosure sale has been held. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio is not directly comparable to the table on page D-2.

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APPENDIX E

CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES FOR BONDS OUTSTANDING

as of March 31, 2012

(unaudited)

Liquidity Provider	Related Bond Series	Bonds Outstanding	Expiration Date
Lloyds TSB Bank	2003 Series B	$ 25,000,000	7/23/2012
	2003 Series J	20,120,000	7/23/2012
	2004 Series G	35,500,000	7/23/2012
	2005 Series C	18,355,000	7/23/2012
	2005 Series I	29,415,000	7/23/2012
	2005 Series M	43,210,000	8/03/2012
		$171,600,000	
State Street Bank and Trust Company	2006 Series C	$ 23,620,000	3/21/2013
	2007 Series E	17,660,000	3/21/2013
	2007 Series J	28,150,000	3/21/2013
	2007 Series S	18,975,000	3/21/2013
	2007 Series T	29,045,000	3/21/2013
		$117,450,000	
Federal Home Loan Bank of Des Moines	2008 Series C	$ 40,000,000	8/07/2015
	2009 Series C	40,000,000	2/12/2016
	2009 Series F	29,695,000	12/1/2016
		$109,695,000	

With respect to the liquidity facilities provided by Lloyds TSB Bank that have expiration dates of July 23, 2012 the Agency expects to replace such liquidity facilities before the July 23, 2012 expiration dates with liquidity facilities provided by Royal Bank of Canada.

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APPENDIX F

CERTAIN INFORMATION RELATING TO GNMA, FANNIE MAE, FREDDIE MAC AND CERTAIN PROGRAM SECURITIES AND THE MASTER SERVICER

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE-BACKED SECURITIES

This summary does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide and to the documents referred to herein for full and complete statements of their provisions. Additional information is available at www.ginniemae.gov.

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

Each GNMA Security is to be issued under either the GNMA I Program or the GNMA II Program. Although there are a number of differences between GNMA I Securities and GNMA II-Custom Pool Securities, those differences do not adversely affect the availability of Revenues with which to pay principal of and interest on Outstanding Bonds. Each GNMA Security is to be backed by a pool of mortgage loans in a minimum aggregate amount of $25,000 and multiples of $1 in excess of $25,000. The Master Servicer is required to pay to the Trustee (in the case of a GNMA I Security) or to the Central Paying and Transfer Agent (in the case of a GNMA II-Custom Pool Security), and such Central Paying and Transfer Agent shall be required to pay to the Trustee, as the owner of the GNMA Security, the regular monthly installments of principal and interest on the mortgage loans backing the GNMA Security (less such Master Servicer's servicing fee, which includes the GNMA guaranty fee), whether or not the Master Servicer receives such installments, plus any mortgage prepayments received by the Master Servicer in the previous month. The Government National Mortgage Association guarantees the timely payment of the principal of and interest on the GNMA Security.

In order to issue GNMA Securities, the Master Servicer must first apply to and receive from the Government National Mortgage Association a commitment to guarantee securities. Such a commitment authorizes the Master Servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the commitment. The Master Servicer is required to pay the application fee to the Government National Mortgage Association for such commitments. The amount of commitments to guarantee GNMA Securities that the Government National Mortgage Association can approve in any federal fiscal year is limited by statute and administrative procedures. The total annual amount of available commitments is established in appropriation acts and related administrative procedures.

The issuance of each GNMA Security by the Master Servicer is subject to the following conditions, among others: (i) the purchase by the Master Servicer of mortgage loans in a minimum aggregate principal amount at least equal to the minimum size permitted by the Government National Mortgage Association for each GNMA Security (such origination being subject, among other conditions, to the availability of FHA mortgage insurance and VA guarantees), (ii) the submission by the Master Servicer to the Government National Mortgage Association of certain documents required by the Government National Mortgage Association in form and substance satisfactory to the Government National Mortgage Association, (iii) the Master Servicer's continued compliance, on the date of issuance of the GNMA Security, with all of the Government National Mortgage Association's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Master Servicer's continued approval by the Government National Mortgage Association to issue GNMA Securities, and (v) the Master Servicer's continued ability to issue, execute and deliver the GNMA Security, as such ability may be affected by such Master Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the Master Servicer is subject to the condition that the Government National Mortgage Association must have entered into a guaranty agreement with the Master Servicer. The conditions to the Government National Mortgage Association entering into such an agreement may change from time to time, and there can be no assurance that the Master Servicer will be able to satisfy all such requirements in effect at the time a GNMA Security is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Security is to be issued by the Master Servicer for purchase by the Trustee.

GNMA Security

The Government National Mortgage Association is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act") to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool composed of, among other things, mortgage loans insured by FHA under the Housing Act or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. Section 306(g) further provides that "[T]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under Section 306(g) of mortgage-backed securities of the type to be delivered to the Trustee by the Lenders are authorized to be made by the Government National Mortgage Association and "would constitute general obligations of the United States backed by its full faith and credit."

Government National Mortgage Association Borrowing Authority

In order to meet its obligations under such guaranty, the Government National Mortgage Association, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury (the "Treasury") in an amount outstanding at any one time sufficient to enable the Government National Mortgage Association, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Securities. The Treasury is authorized to purchase any obligations so issued by the Government National Mortgage Association and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of Housing and Urban Development ("HUD") that the Treasury will make loans to the Government National Mortgage Association, if needed, to implement the aforementioned guaranty.

The Government National Mortgage Association is to warrant to the Trustee, as the owner of the GNMA Securities, that, in the event it is called upon at any time to honor its guaranty of the payment of principal and interest on any GNMA Security, it shall, if necessary, in accordance with the aforesaid Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payment.

Servicing of the Mortgage Loans

Under contractual arrangements that will be entered into by and between the Master Servicer and the Government National Mortgage Association, and pursuant to the Program Documents, the Master Servicer is responsible for servicing and otherwise administering the mortgage loans in accordance with generally accepted practices of the mortgage lending industry and the Government National Mortgage Association Servicer's Guide.

The monthly remuneration of the Master Servicer, for its servicing and administrative functions, and the guaranty fee charged by the Government National Mortgage Association, are based on the unpaid principal amount of the GNMA Securities outstanding. In compliance with the Government National Mortgage Association regulations and policies, the total of these servicing and guaranty fees equals 0.25%, calculated on the principal balance of each GNMA Security outstanding on the last day of the month preceding such calculation. Each GNMA Security carries an interest rate that is fixed at 0.25% below the interest rate on the underlying mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before such payments are forwarded to the Trustee.

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

The Master Servicer is required to advise the Government National Mortgage Association in advance of any impending default on scheduled payments so that the Government National Mortgage Association, as guarantor, will be able to continue such payments as scheduled on the third business day after the twentieth day of each month. However, if such payments are not received as scheduled, the Trustee has recourse directly to the Government National Mortgage Association.

Guaranty Agreement

The Government National Mortgage Association guaranty agreement to be entered into by the Government National Mortgage Association and the Master Servicer upon issuance of a GNMA Security, pursuant to which the Government National Mortgage Association guarantees the payment of principal of and interest on such GNMA Security (the "GNMA Guaranty Agreement"), provides that, in the event of a default by the Master Servicer, including (i) a failure to make any payment due under the GNMA Security, (ii) a request to the Government National Mortgage Association to make a payment of principal or interest on a GNMA Security and the utilization thereof by the Master Servicer, (iii) insolvency of the Master Servicer, or (iv) default by the Master Servicer under any other terms of the GNMA Guaranty Agreement, the Government National Mortgage Association has the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the mortgage loans, and the mortgage loans shall thereupon become the absolute property of the Government National Mortgage Association, subject only to the unsatisfied rights of the owner of the GNMA Security. In such event, the GNMA Guaranty Agreement provides that on and after the time the Government National Mortgage Association directs such a letter of extinguishment to the Master Servicer, the Government National Mortgage Association shall be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Master Servicer's indemnification of the Government National Mortgage Association), theretofore placed on the Master Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time the Government National Mortgage Association may enter into an agreement with any other eligible issuer of GNMA Securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities theretofore placed on the Master Servicer, and provided that no such agreement shall detract from or diminish the responsibilities, duties or liabilities of the Government National Mortgage Association in its capacity as guarantor of the GNMA Security, or otherwise adversely affect the rights of the owner thereof.

Payment of Principal of and Interest on the GNMA Securities

Regular monthly installment payments on each GNMA Security are required to begin on the fifteenth day (in the case of a GNMA I Security) and on the nineteenth day, or the twentieth day if the nineteenth day is not a business day (in the case of a GNMA II-Custom Pool Security), of the first month following the date of issuance of such GNMA Security and will be equal to the aggregate amount of the scheduled monthly principal and interest payments on each mortgage loan in the mortgage pool backing the GNMA Security, less the monthly servicing and guaranty fees of one-twelfth of 0.25% of the outstanding principal balance. In addition, each payment is required to include any mortgage prepayments on mortgage loans underlying the GNMA Security.

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Securities, Fannie Mae's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae's Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008. The FHFA has placed Fannie Mae into conservatorship.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the

Securities and Exchange Commission (the "SEC"). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The Agency takes no responsibility for information contained in these documents or on these websites.

Fannie Mae

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the "Charter"). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities ("Fannie Mae MBS"), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as "whole loans") and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae's mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury ("Treasury") owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the U.S. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency ("FHFA"), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take "such action as may be necessary to put the regulated entity in a sound and solvent condition." Fannie Mae has no control over FHFA's actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae's regulator with respect to fair lending matters.

Mortgage-Backed Security Program

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). **The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.**

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

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statements are available without charge from Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, Attention: Vice President for Investor Relations, (telephone: (202) 752-6724).

Pool Purchase Contract

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

Under the Pool Purchase Contract, Fannie Mae will purchase both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Community Home Buyer's Program which conform to the conditions set forth in the Pool Purchase Contract.

Pursuant to the requirements of the Fannie Mae Guides, as amended, the original principal balance of each mortgage loan to be sold to Fannie Mae may not exceed the amount established from time to time by Fannie Mae. The mortgage loans must be mortgage loans with loan-to-value ratios not in excess of 100%; mortgage loans with loan-to-value ratios exceeding 80% must have the principal amount of the indebtedness in excess of 75% of the appraised value of the home insured by a policy of primary mortgage insurance. The provider of the mortgage insurance must be acceptable to Fannie Mae.

Under the Pool Purchase Contract, the 100% loan-to-value limitation for mortgage loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio is also 100% where subordinate financing is provided, so long as the mortgage loan does not exceed a 75% loan-to-value ratio. The Pool Purchase Contract also provides that, in underwriting mortgage loans for the Community Home Buyer's Program, certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

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

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of $250,000 (or, in each case, such lesser amounts as may be approved by Fannie Mae). The mortgage loans backing each Fannie Mae Security are to bear interest at a rate higher than each Fannie Mae Security (the "pass-through rate"). The difference between the interest rate on the mortgage loans and the pass-through rate on the Fannie Mae Security is to be collected by the Master Servicer and used to pay the Master Servicer's servicing fee and Fannie Mae's guaranty fee.

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

Payments on the Mortgage Loans; Distributions on the Fannie Mae Securities

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

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

FREDDIE MAC MORTGAGE-BACKED SECURITIES

General

The following summary of the Freddie Mac Guarantor Program, the Freddie Mac Securities, Freddie Mac's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Mortgage Participation Certificates Offering Circular, applicable Offering Circular Supplements, Freddie Mac's Information Statement, any Information Statement Supplements, the Freddie Mac Securities and any other documents made available by Freddie Mac. Copies of the Offering Circular, Information Statement and any supplements to those documents and other information can be obtained by calling Freddie Mac's Investor Inquiry Department (telephone (800) 336-3672) or by accessing Freddie Mac's World Wide Web site. Freddie Mac is a publicly traded company listed on the New York Stock Exchange (symbol: FRE). The Agency takes no responsibility for any such information.

Freddie Mac is subject to the supervision and regulation of the FHFA to the extent provided in the federal Housing and Economic Recovery Act of 2008. The FHFA has placed Freddie Mac into conservatorship.

Information on Freddie Mac and its financial condition is contained in annual, quarterly and current reports, proxy statements and other information that Freddie Mac files with the SEC. You may read and copy any document Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's website at http://www.sec.gov. The Agency takes no responsibility for information contained in these documents or on these websites.

Freddie Mac

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac or to guarantee Freddie Mac's securities or obligations.

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act and (ii) securities backed by such mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: http://www.OFHEO.gov and http://www.Treasury.gov.

Freddie Mac Guarantor Program

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

Freddie Mac Securities

Freddie Mac Securities will be mortgage pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Securities are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each Freddie Mac Security represents an undivided interest in a pool of mortgage loans. Payments by borrowers on the mortgage loans in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Securities representing interests in that pool.

Payments on Freddie Mac Securities begin on or about the fifteenth day of the first month following issuance. Each month, Freddie Mac passes through to record holders of Freddie Mac Securities their proportionate share of principal payments on the mortgage loans in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for a Freddie Mac Security is determined by subtracting from the lowest interest rate on any of the mortgage loans in the pool the applicable servicing fee and Freddie Mac's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under Freddie Mac's Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac Securities plus the minimum servicing fee through the pass-through rate plus 250 basis points.

Freddie Mac guarantees to each record holder of a Freddie Mac Security the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's Freddie Mac Security. Freddie Mac also guarantees to each holder of a Freddie Mac Security (i) the timely payment of the holder's proportionate share of monthly principal due on the related mortgage loans, as calculated by Freddie Mac, and (ii) the ultimate collection of the holder's proportionate share of all principal of the related mortgage loans, without offset or reduction, no later than the payment date that occurs in the month by which the last monthly payment on the Freddie Mac Security is scheduled to be made.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on a mortgage at any time after default, but not later than 30 days following (i) the foreclosure sale of the mortgaged property, (ii) if applicable, the payment of an insurance or guaranty claim by the mortgage insurer or guarantor or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will Freddie Mac make payments on account of this guarantee later than one year after an outstanding demand has been made on the borrower for accelerated payment of principal or for payment of the principal due at maturity.

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

Mortgage Purchase and Servicing Standards

All mortgage loans purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. In addition, Freddie Mac has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage loan and the creditworthiness of the borrower. Freddie Mac's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgage loans, the loan-to-value ratio and age of the mortgage loans, the type of property securing the mortgage loans and other factors.

Freddie Mac has also established servicing policies and procedures to support the efficient and uniform servicing of the mortgage loans it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgage loans in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to Freddie Mac; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. Freddie Mac monitors servicers' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage loan, Freddie Mac may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage loan and when to initiate such measures, Freddie Mac seeks to minimize the costs that may be incurred in servicing the mortgage, as well as Freddie Mac's possible exposure under its guarantees. However, the measures that Freddie Mac may choose to pursue to resolve a default will not affect Freddie Mac's guarantees. In any event, Freddie Mac generally repurchases from a pool any mortgage loan that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders pursuant to Freddie Mac's guarantee of ultimate collection of principal.

THE MASTER SERVICER

U.S. Bank National Association currently serves as Master Servicer for the Agency's MBS Program. The Agency entered into a Servicing Agreement, dated as of July 9, 2009 (the "Servicing Agreement"), with the Trustee and U.S. Bank National Association, as master servicer (the "Master Servicer"), for a term originally ending August 31, 2011 (subject to multiple renewal and termination rights). The Agency has recently elected to extend the term of the Servicing Agreement through August 31, 2013.

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK NATIONAL ASSOCIATION. SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL AND IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE AGENCY, THE REMARKETING AGENT, THEIR COUNSEL OR BOND COUNSEL.

As of March 31, 2012, the Master Servicer serviced 172,000 single-family mortgage revenue bond mortgage loans with an aggregate principal balance of approximately $13.5 billion. The Master Servicer currently services single-family mortgage loans for state and local housing finance authorities, mutual savings banks, life insurance companies, savings and loan associations and commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of March 31, 2012, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $341 billion and a net worth of $36 billion. For the three months ended March 31, 2012, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage revenue bond mortgage loans in the total principal amount of approximately $661 million.

The Master Servicer is (i) an FHA- and VA-approved lender in good standing, (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA, (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities and (iv) a Freddie Mac approved seller and servicer of Freddie Mac securities.

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

The holding company for U.S. Bank National Association is U.S. Bancorp, the fifth largest financial services holding company in the United States.

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APPENDIX G

THE ORIGINAL OFFICIAL STATEMENT

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NEW ISSUE

This Official Statement has been prepared by the Minnesota Housing Finance Agency to provide information on the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

$162,005,000
Minnesota Housing Finance Agency
$11,890,000 Residential Housing Finance Bonds, 2005 Series J (Non-AMT)
$41,950,000 Residential Housing Finance Bonds, 2005 Series K (AMT)
$48,165,000 Residential Housing Finance Bonds, 2005 Series L (AMT)
$60,000,000 Residential Housing Finance Bonds, 2005 Series M (AMT)

Dated Date of Series Bonds: Date of Delivery **Due: As shown on inside front cover**

Tax Exemption	Interest on the above-captioned bonds (collectively, the "Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. See pages 29-31 herein for additional information, including information on the application of federal and state alternative minimum tax provisions to the Series Bonds.
Redemption	The Series Bonds are subject to optional redemption and to special redemption at par as described on pages 10-14 herein. The Series Bonds are subject to mandatory tender at par and the 2005 Series M Bonds are subject to optional and mandatory tender at par as described on pages 14-17 herein.
Security	On a parity with outstanding Bonds heretofore or hereafter issued under the Bond Resolution, by a pledge of Bond proceeds, Program Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. *The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Series Bonds and the Series Bonds are not a debt of the State.* Liquidity support for the purchase of any 2005 Series M Bonds tendered will initially be provided by Lloyds TSB Bank plc, acting through its New York Branch. See "Security for the Bonds" on pages 18-20 herein.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2006, and on any redemption date or mandatory tender date.
Denominations	For the 2005 Series JKL Bonds: $5,000 or any integral multiple thereof; for the 2005 Series M Bonds: $100,000 or any integral multiple of $5,000 in excess thereof.
Closing/Settlement	August 4, 2005 through the facilities of DTC in New York, New York.
Bond Counsel	Dorsey & Whitney LLP, Minneapolis, Minnesota.
Underwriters' Counsel	Kutak Rock LLP, Atlanta, Georgia.
Liquidity Provider Counsel	Nixon Peabody LLP, New York, New York.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. See Appendix F hereto.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, as to the validity and tax exemption of the Series Bonds.

UBS Financial Services Inc.

Piper Jaffray & Co. RBC Dain Rauscher Inc.

The date of this Official Statement is June 22, 2005.

UBS Financial Services Inc. is the initial Remarketing Agent of the 2005 Series M Bonds.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

2005 SERIES J BONDS (Non-AMT)

$11,890,000 Series Bonds

Due	Principal Amount	Interest Rate	CUSIP*	Due	Principal Amount	Interest Rate	CUSIP*
July 1, 2012	$ 845,000	3.625%	60415NVY5	July 1, 2014	$1,860,000	3.85%	60415NWC2
January 1, 2013	1,735,000	3.75	60415NVZ2	January 1, 2015	1,905,000	4.00	60415NWD0
July 1, 2013	1,775,000	3.75	60415NWA6	July 1, 2015	1,955,000	4.00	60415NWE8
January 1, 2014	1,815,000	3.85	60415NWB4				

Price of 2005 Series J Serial Bonds — 100%

2005 SERIES K BONDS (AMT)

$8,820,000 Serial Bonds

Due	Principal Amount	Interest Rate	CUSIP*	Due	Principal Amount	Interest Rate	CUSIP*
January 1, 2007	$1,345,000	3.00%	60415NWF5	July 1, 2009	$1,485,000	3.55%	60415NWL2
July 1, 2007	1,370,000	3.10	60415NWG3	January 1, 2010	1,000,000	3.65	60415NWM0
January 1, 2008	165,000	3.20	60415NWH1	July 1, 2010	1,000,000	3.70	60415NWN8
July 1, 2008	500,000	3.30	60415NWJ7	January 1, 2012	500,000	3.95	60415NWP3
January 1, 2009	1,455,000	3.45	60415NWK4				

Price of 2005 Series K Serial Bonds — 100%

$410,000 4.40% Term Bonds Due July 1, 2020 at 100% (CUSIP 60415NWQ1*)
$32,720,000 4.30% Term Bonds Due January 1, 2028 at 100% (CUSIP 60415NWR9*)

2005 SERIES L BONDS (AMT)

$18,000,000 5.00% Term Bonds Due January 1, 2036 at 105.474% (CUSIP 60415NWS7*)
$30,165,000 4.75% Term Bonds Due July 1, 2036 at 100% (CUSIP 60415NWT5*)

2005 SERIES M BONDS (AMT)

$60,000,000 Variable Rate Demand Term Bonds due January 1, 2036 (CUSIP 60415NVX7*)

The initial interest rate on the 2005 Series M Term Bonds shall be as set forth in the certificate of an authorized officer of the Agency delivered to the Trustee and the Underwriters at the Closing.

Price of 2005 Series M Bonds — 100%

* CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the holder of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above.

No dealer, broker, salesman or other person has been authorized by the Minnesota Housing Finance Agency, Lloyds TSB Bank plc, acting through its New York Branch (the "Initial Liquidity Provider") or the Underwriters to give any information or representations, other than those contained in the Official Statement and, if given or made, such other information or representations must not be relied upon as having been an offer to buy nor shall there be any sale of the Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Agency, the Initial Liquidity Provider and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the 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 Agency or the Initial Liquidity Provider since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$162,005,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds,
2005 Series J, 2005 Series K, 2005 Series L and 2005 Series M

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), and its Residential Housing Finance Bonds, 2005 Series J (the "2005 Series J Bonds"), 2005 Series K (the "2005 Series K Bonds"), 2005 Series L (the "2005 Series L Bonds" and collectively with the 2005 Series J Bonds and the 2005 Series K Bonds, the "2005 Series JKL Bonds") and 2005 Series M (the "2005 Series M Bonds" and collectively with the 2005 Series JKL Bonds, the "Series Bonds") in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial holders of the Series Bonds. The Series Bonds are being issued pursuant to the Act, a resolution of the Agency adopted as amended and restated on August 24, 1995, as further amended and supplemented (the "Bond Resolution"), and two series resolutions of the Agency adopted on June 9, 2005 (the "Series Resolutions"). (The Bond Resolution and the Series Resolutions are herein sometimes called the "Resolutions.") The Residential Housing Finance Bonds now outstanding in the aggregate principal amount of $1,076,790,000 as of March 31, 2005 under the Bond Resolution (the "Outstanding Bonds") and any additional Residential Housing Finance Bonds hereafter issued pursuant to the Bond Resolution, including the Series Bonds, will be equally and ratably secured and are herein sometimes called the "Bonds."

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions, the Standby Bond Purchase Agreement and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Resolutions, and the Standby Bond Purchase Agreement are qualified in their entirety by reference to the Act, the Resolutions and the Standby Bond Purchase Agreement, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota.

The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of purchasing, making or otherwise participating in the making of long-term mortgage loans to persons and families of low and moderate income for the purchase of residential housing upon the determination by the Agency that such loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to those programs, which are financed through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and loans through its Endowment Funds and Alternative Loan Fund in the Residential Housing Finance Program Fund. Please refer to the comments under the heading "Net Assets Restricted by Covenant" in the notes to the financial statements included in Appendix B.

The Series Bonds are being issued to refund certain outstanding qualified mortgage bonds of the Agency (the "Refunded Bonds") and to provide money for the Agency to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Loans made by Lenders to low and moderate income persons for single family, owner-occupied housing within the State, by depositing certain amounts, if any, into the Debt Service Reserve Fund and by paying certain costs of issuance of the Series Bonds. As a result of the refunding of the Refunded Bonds (i) certain Program Loans allocable to certain of the Refunded Bonds (the "Transferred Program Loans") and certain other transferred assets will become allocated to the Series Bonds and (ii) certain funds will be made available for the purchase of additional Program Loans. See “Estimated Sources and Uses of Funds — Series Bonds.”

The Series Bonds are secured, on a parity with Bonds heretofore and hereafter issued under the Bond Resolution, by a pledge of all Program Loans, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution including the Program Obligations funded by the Agency from the Acquisition Account and Revenues received by the Agency in connection therewith. While the Program Obligations to be acquired with the proceeds of the Series Bonds will consist of single family housing loans secured by first or subordinate mortgages, under the Bond Resolution the Agency is authorized to acquire Program Obligations in connection with Housing, which would include single family loans, home improvement loans, multifamily loans and other housing related loans, and to secure such loans in such manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans which are unsecured. To date, only single family housing loans and home improvement loans have been financed as Program Obligations under the Bond Resolution. The Agency does not currently anticipate that future series of Bonds issued under the Bond Resolution will finance Program Obligations other than single family loans or home improvement loans. See “Security for the Bonds” and “Appendix D — Summary of Certain Provisions of the Bond Resolution.”

The 2005 Series M Bonds initially will bear interest at a rate determined weekly (the “Weekly Mode”), until conversion to a different interest rate setting mode (a “Mode”) occurs as described herein. Except as otherwise provided herein, so long as the 2005 Series M Bonds are in Weekly Mode, the owners of any 2005 Series M Bonds are entitled to demand purchase of such 2005 Series M Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. The 2005 Series M Bonds are also subject to mandatory tender for purchase under certain circumstances. UBS Financial Services Inc. will act as the initial remarketing agent for the 2005 Series M Bonds (the “Remarketing Agent”).

The Agency will provide a liquidity facility (the “Liquidity Facility”) to be in effect prior to the date, if any, when all 2005 Series M Bonds have been converted from a Weekly Mode to another mode not requiring a Liquidity Facility, subject to terms and conditions described herein. The Initial Liquidity Facility with respect to the 2005 Series M Bonds will be a Standby Bond Purchase Agreement (the “Standby Bond Purchase Agreement”) between the Agency, the Trustee and Lloyds TSB Bank plc, acting through its New York Branch (the “Initial Liquidity Provider”). The Standby Bond Purchase Agreement will be executed as of the date of delivery of the 2005 Series M Bonds, and will provide for the purchase by the Initial Liquidity Provider on the terms and conditions specified therein of tendered 2005 Series M Bonds which cannot be remarketed. If the Standby Bond Purchase Agreement is to expire or terminate according to its terms (other than as a result of a Special Event of Default thereunder) or is to be replaced with another Liquidity Facility, the related 2005 Series M Bonds are subject to mandatory tender. If a Special Event of Default has occurred under the Standby Bond Purchase Agreement, the Initial Liquidity Provider will have no obligation to purchase the 2005 Series M Bonds and the Remarketing Agent will be entitled to suspend its efforts to remarket 2005 Series M Bonds. (See “Liquidity Facility—The Standby Bond Purchase Agreement” and “Description of the Series Bonds—Optional and Mandatory Tender of Certain 2005 Series M Bonds—Agency Not Responsible to Bondowners for Initial Liquidity Provider’s Failure to Purchase 2005 Series M Bonds” herein.)

This Official Statement is intended to provide information to prospective owners of 2005 Series M Bonds while 2005 Series M Bonds are in the Weekly Mode, and is not intended to be relied upon by prospective owners of 2005 Series M Bonds with respect to which a Mode Change or a Conversion Date has occurred. The delivery of an updated disclosure document is a condition of such Mode Change or conversion and the related remarketing of 2005 Series M Bonds.

On April 24, 2003, the Members of the Agency adopted a resolution authorizing the Agency to enter into interest rate exchange agreements in respect of Bonds Outstanding or proposed to be issued. The Swap Agreement (as hereinafter defined) has been executed with Citibank, N.A., New York as counterparty, in connection with the issuance of the 2005 Series M Bonds and is to be effective on the date of delivery of the 2005 Series M Bonds. (See “The Series Bonds — Interest on 2005 Series M Bonds” herein.)

The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The net assets of the General Reserve are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. See "The Agency – Net Assets Restricted By Covenant and Operations to Date – General Reserve." (For purposes of the Resolutions, the General Reserve is designated as the "General Reserve Account.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds except as otherwise set forth in this Official Statement.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on or purchase price with respect to the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to such payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce such housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for such housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

Michael Finch, Chairman — Term expires January 2006, Minneapolis, Minnesota – Health Care Consultant

The Honorable *Patricia Anderson — Ex-officio*, St. Paul, Minnesota - State Auditor

Betty Lou Berg, Member — Term expires January 2008, St. Cloud, Minnesota – Real Estate Broker

Joseph Johnson III, Member — Term expires January 2009, Duluth, Minnesota – Banker

Paul Gaston, Member — Term expires January 2008, Vadnais Heights, Minnesota

Lee Himle, Member — Term expires January 2007, Spring Valley, Minnesota - Insurance Agency Owner

Marina Muñoz Lyon, Vice Chairman — Term expires January 2007, St. Paul, Minnesota - Foundation Officer.

Staff

The staff of the Agency presently consists of approximately 190 persons, including professional staff members who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides legal services for the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint such permanent and temporary employees as the Commissioner deems necessary subject to the approval of the State Commissioner of Employee Relations.

The principal officers and staff related to the Program are as follows:

Timothy E. Marx — Commissioner. Mr. Marx was appointed Commissioner in June 2003. Prior to his appointment, Mr. Marx had been an attorney in the private practice of law since 1983, except for four years in public service for the City of Saint Paul. His practice involved the representation of public and nonprofit organizations in community development and finance, utility and telecommunications, environmental law, and related public policy and governmental relations matters. He served as general counsel to several major foundations and nonprofit organizations. From 1994 to 1998, Mr. Marx served as city attorney and then deputy mayor/chief of staff for the City of Saint Paul. Mr. Marx has a Bachelor of Arts degree from Saint John's University and received a combined J.D. from the University of Minnesota Law School and M.A. from the Humphrey Institute of Public Affairs.

Patricia Hippe — Deputy Commissioner. Ms. Hippe was appointed Deputy Commissioner effective May 2000. From January 1995 to the date of her appointment as Deputy Commissioner, Ms. Hippe was Director of Finance of the Agency. From January 1994 to January 1995, Ms. Hippe was Assistant Vice President and Trust Officer with Norwest Bank Minnesota, National Association with responsibility for administration of taxable and tax-exempt bond issues. From January 1984 to January 1994, she held a variety of progressively more responsible positions with the HEAF Group, the most senior of which was Manager of Program Accounting with responsibility for student loan secondary market operations and accounting for multiple for-profit and non-profit entities. Ms. Hippe holds a Masters degree in Business Administration with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota, a Bachelor of Science in Business Administration degree from the University of Minnesota and has successfully completed both the Certified Public Accountant and Certified Management Accountant exams.

Mike LeVasseur — Director of Finance of the Agency since October 2000. From February 2000 to October 2000, he was the Director of Bankruptcy and Litigation at Conseco Finance Corporation. From 1981 to 2000, he held a variety of progressively more responsible finance, administration and credit positions within the 7th Farm Credit District, most recently as Vice President of Special Assets at the St. Paul Bank for Cooperatives. Mr. LeVasseur has a Bachelor of Science degree in Business Administration from the University of Minnesota, with a Senior Accounting Certificate.

Michael A. Haley — Assistant Commissioner, Minnesota Homes Division since September 1980. From January 1972 to September 1980, he was Assistant Vice President of the Marquette National Bank of Minneapolis with responsibility for the Bank's residential mortgage operations which included secondary market sales and operations, business development and mortgage loan underwriting and approval. Mr. Haley has a Masters degree in Business Administration and a Bachelor of Arts degree from the University of St. Thomas, St. Paul, Minnesota. Mr. Haley also is a graduate of the Mortgage Bankers Association of America School of Mortgage Banking.

Frances J. O'Neill — Operations Manager of Minnesota Homes Division since July 1995. From May 1971 through June 1995, she was with the U.S. Department of Housing and Urban Development (HUD). From 1979 until 1986 she was Director of the Administration and Management Division, with responsibility for human resources, information systems and accounting. In 1986 she assumed the position of Deputy Director of the Housing Development Division, with responsibility for single family mortgage operations. Ms. O'Neill has a Bachelor of Science degree in Business Administration from Metropolitan State University.

The Agency's offices are located at 400 Sibley Street, St. Paul, Minnesota 55101; its investor relations contact is Sharon Spahn Bjostad at (651) 282-2577; and its general telephone number is (651) 296-7608. The Agency's web site address is http://www.mhfa.state.mn.us.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2004, included in this Official Statement as Appendix B have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board.

In Appendix A to this Official Statement, the Agency has included unaudited financial statements of the General Reserve Account and the Residential Housing Finance Program Fund as of and for the nine months ended March 31, 2005, which reflect, in the opinion of the Agency, all normal recurring adjustments necessary for a fair statement of the financial position and results of operation of those funds for the period. The information in Appendix A has been prepared by the Agency, and, in the opinion of the Agency, includes information necessary for a fair statement of the financial position and results of operations of those Funds for the period. The information in Appendix A is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant for the benefit of the Beneficial Owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Agency Annual Report is to be filed by the Agency no later than nine months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2006, with each Nationally Recognized Municipal Securities Information Repository (a "Repository"). The notices of material events, if any, are to be filed with each of the Repositories or with the Municipal Securities Rulemaking Board.

The specific nature of the information to be contained in the Agency Annual Report or the notices of material events, and the manner in which such materials are filed, are summarized below under the caption "Appendix C — Summary of Continuing Disclosure Agreement." These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

In addition to the Agency Annual Report required by the Continuing Disclosure Agreement, the Agency also uses its best efforts to prepare a quarterly disclosure report for each of its single family bond resolutions and a semiannual disclosure report for its multifamily bond resolution. Recent reports are available at the Agency's website at http://www.mhfa.state.mn.us/investor/investor_home.htm. The reports are also sent to the Repositories. The Residential Housing Finance Bond Resolution Disclosure Reports generally are filed quarterly. The most recent report is dated as of March 31, 2005. The Agency is also committed to providing appropriate credit information as requested by the rating agencies rating the securities.

Net Assets Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In accordance with provisions of the respective bond resolutions, the Agency may transfer money from Program Funds to the General Reserve of the Housing Development Fund. The Agency has pledged to deposit in the General Reserve any such funds transferred from the Program Funds, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency further covenants that it shall use the money in the General Reserve only for the administration and financing of programs in accordance with the policy and purpose of the Act, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and shall accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. To ensure that funds available in the General Reserve are preserved to provide financial security for the Agency's bondholders as covenanted in the bond resolutions, the Agency has established investment guidelines for its Net Assets Restricted By Covenant. Please refer to the comments under the heading "Net Assets Restricted by Covenant" in the notes to the financial statements of the Agency.

Under these guidelines, the Agency's General Reserve Net Assets Restricted By Covenant is to be maintained at a level at least equal to the Agency's Housing Endowment Fund requirement of two percent (2%) of gross loans receivable.

The following summary indicates the revenues earned, funds transferred to and from the General Reserve and the expenses paid from such account for the periods indicated (in thousands):

	Nine Months Ended March 31,	Fiscal Year Ended June 30,	
	2005	2004	2003
Revenues and other additions to restricted net assets:			
Fees earned (1)	$6,261	$7,631	$7,362
Interest earned on investments	564	617	1,690
Unrealized gain (loss) on investment securities, net	(911)	(2,042)	424
Administrative reimbursement (2)(3)	13,019	14,349	14,372
	18,933	20,555	23,848
Expenses and other reductions to restricted net assets:			
Transfer of assets between funds (4)	3,398	4,036	8,856
Salaries and benefits	10,058	13,131	13,124
Other general operating	3,294	5,782	5,915
	16,750	22,949	27,895
Net changes in net assets	2,183	(2,394)	(4,047)
Net assets beginning period	30,115	32,509	36,556
Net assets end of period	$32,298	$30,115	$32,509

(1) Fees earned consist primarily of fees collected in conjunction with HUD contract administration, the administration of the low income housing tax credit program and certain non-Agency financed Section 8 developments.

(2) Reimbursement from bond funds are transferred to the General Reserve in accordance with the Agency's Affordable Housing Plan based on adjusted assets. Adjusted assets are defined as total assets plus the reserve for loan loss plus unearned discounts on loans minus premiums on loans.

(3) Reimbursement from appropriated accounts consist of the portion of direct and indirect costs of administering the programs funded by the appropriations. Costs associated with administering state appropriations are recovered from interest earnings on the appropriations. Costs associated with administering federal appropriations are recovered from the appropriation.

(4) Earnings from bond funds may be transferred to the General Reserve to the extent permitted by any resolution or indenture securing bonds of the Agency. In addition, funds in excess of the Housing Endowment Fund requirement may be transferred from the General Reserve to the Residential Housing Finance Fund. See the comments under the heading "Net Assets Restricted by Covenant" in the notes to the financial statements of the Agency for additional information.

The Agency also established an Alternative Loan Fund within the Bond Resolution. The Agency invests amounts on deposit in this fund in a combination of cash, cash equivalents, investment securities, and loans according to the investment guidelines established by the Agency for the Housing Investment and Housing Affordability Funds. The Alternative Loan Fund is not pledged to the payment of the Bonds or any other specific debt obligations of the Agency and is generally available to pay any debt obligations of the Agency. Loan activity related to loans financed by the Housing Investment and Housing Affordability Funds is recorded as part of the Alternative Loan Fund in the Bond Resolution. All interfund transfers are approved by the Agency.

State Appropriations

Over the years, the State Legislature has enacted several laws making amendments to the Act and appropriating funds to the Agency which are to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. Over the past five years, appropriations to the Agency have totaled $228,969,000. Most of the appropriations have been expended or committed by the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency which are outstanding at any time (excluding the principal amount of any bonds and notes refunded) is presently limited to $3,000,000,000. The following table lists the principal amounts of indebtedness, all of which are general obligations of the Agency, outstanding as of March 31, 2005:

	Number of Series	Bonds Maturing	Original Principal Amount (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	22	2005-2045	$ 458,770	$ 208,575
Residential Housing Finance Bonds	32	2005-2038	1,168,850	1,076,790
Single Family Mortgage Bonds	70	2005-2035	1,550,160	534,640
Total Debt Outstanding	124		$ 3,177,780	$ 1,820,005

Does not include the original principal amount of any series of bonds that have been, as of March 31, 2005, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on obligations of the Agency as shown above may be made, if necessary, from the General Reserve.

ESTIMATED SOURCES AND USES OF FUNDS — SERIES BONDS

The proceeds of the 2005 Series J Bonds and the 2005 Series K Bonds will be used to refund the Refunded Bonds. The proceeds of the 2005 Series L Bonds and 2005 Series M Bonds will be used to fund new Program Loans. Upon giving effect to the foregoing transactions and the receipt of certain transferred proceeds upon the redemption of the Refunded Bonds with the proceeds of the 2005 Series J Bonds and the 2005 Series K Bonds, the estimated sources and uses of funds related to the Series Bonds are as follows:

Sources:	
Principal Amount of Series Bonds..	$ 162,005,000.00
Original Issue Premium	985,320.00
Transferred Program Loans	12,405,000.00
Agency Contribution	8,100,250.00
Total Sources of Funds	$ 183,495,570.00
Uses:	
Deposit to Acquisition Account..	$ 152,731,572.92
Deposit to Costs of Issuance Account	175,000.00
Deposit to Debt Service Reserve Fund	4,860,150.00
Optional Redemption of Refunded Bonds................................	12,405,000.00
Transferred Program Loans	12,405,000.00
Underwriters' Compensation..	918,847.08
Total Uses of Funds	$ 183,495,570.00

DESCRIPTION OF THE SERIES BONDS

General

The Series Bonds are issuable only as fully registered bonds and will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for each series of the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, is to serve as Trustee. Interest on the Series Bonds is payable by moneys wired by the Trustee to DTC, or its nominee, as registered owner of such Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds is payable at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. See "Appendix F — Book-Entry-Only System."

The 2005 Series JKL Bonds are issuable in the denominations of $5,000 or any integral multiple thereof of single maturities. The 2005 Series M Bonds are issuable in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency 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. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to redemption as hereinafter described.

Interest on the 2005 Series JKL Bonds

The 2005 Series JKL Bonds will bear interest from their dated date, payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2006, at the respective rates set forth on the inside front cover hereof until payment of the principal of or redemption price on such Bonds. Interest on the Series Bonds will be payable to the holder of record in the bond registration books maintained by the Trustee as of the 15th day of the month preceding the interest payment date, whether or not a business day (the "Record Date" for the 2005 Series JKL Bonds).

Interest on the 2005 Series M Bonds

The 2005 Series M Bonds initially delivered will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The 2005 Series M Bonds will mature on January 1, 2036. The Record Date for 2005 Series M Bonds will be the last Business Day preceding each Interest Payment Date.

Weekly Mode. Interest on the 2005 Series M Bonds in a Weekly Mode will accrue from their date of delivery and will be payable in arrears, on the basis of a 365/366-day year for the number of days actually elapsed. Interest shall be payable on January 1 and July 1 of each year, commencing on January 1, 2006, for the period, for the initial Interest Payment Date, from the date of delivery of the 2005 Series M Bonds, and for subsequent Interest Payment Dates, from the preceding Interest Payment Date (i.e., January 1 or July 1), to, but not including, such Interest Payment Date.

The 2005 Series M Bonds will bear interest from the date of delivery to, but not including, August 11, 2005 at a rate set forth in a certificate delivered by the Agency on the date of delivery of the 2005 Series M Bonds. Thereafter, the 2005 Series M Bonds in the Weekly Mode (other than Bank Bonds) will bear interest at the Weekly Rate that will take effect each Thursday (the "Effective Rate Date") following a Rate Determination Date and remain in effect until the day before the next Effective Rate Date. The Weekly Rate will be determined by the Remarketing Agent by 4:00 p.m. New York time on the first Business Day preceding the applicable Effective Rate Date (each a "Rate Determination Date"). In no event will the 2005 Series M Bonds (other than Bank Bonds) bear interest at a rate in excess of 12% (the "Maximum Rate").

The Weekly Rate will be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2005 Series M Bonds on the Effective Rate Date being 100% of the principal amount thereof. In determining the Weekly Rate for any 2005 Series M Bonds, the Remarketing Agent for such 2005 Series M Bonds will take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to such 2005 Series M Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as such 2005 Series M Bonds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), the index published by The Bond Market Association based upon data compiled by Municipal Market Data concerning tax-exempt variable rates (the "TBMA Index"), indices maintained by The Bond Buyer, and other publicly available tax-exempt interest rate indices); (3) general financial market conditions; and (4) factors particular to the Agency and such 2005 Series M Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2005 Series M Bonds (other than Bank Bonds) will be conclusive and binding on the holders of such 2005 Series M Bonds. Failure by a Remarketing Agent or the Trustee to give any notice required under the Series Resolution, or any defect in such notice, will not affect the interest rate borne by any 2005 Series M Bonds or the rights of the Bondholders thereof.

If for any reason the position of Remarketing Agent is vacant or a Remarketing Agent fails to establish the interest rate, the 2005 Series M Bonds (other than Bank Bonds) will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate.

Mode Changes. The Agency may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the 2005 Series M Bonds or change the basis for determining interest to an auction procedure (each such change is a "Mode Change" with respect to the 2005 Series M Bonds to which such Mode Change applies, and the date on which each such Mode Change is effective is a "Mode Change Date"), (2) to change all or part of the 2005 Series M Bonds to become variable rate bonds not required to be covered by a Liquidity Facility (each such change an "Unenhanced Variable Rate Change" with respect to the 2005 Series M Bonds to which it applies, and the date of each such change an "Unenhanced Variable Rate Change Date") or (3) to convert all or part of the 2005 Series M Bonds to bear interest at fixed rates to their maturity or to bear interest at an index rate (with respect to the 2005 Series M Bonds to which such conversion applies, a "Conversion", and the date on which such a Conversion is effective a "Conversion Date"). The Agency will provide notice of a Mode Change, an Unenhanced Variable Rate Change, or a Conversion to the Remarketing Agent, the Trustee, the Liquidity Provider, and the Tender Agent not less than 20 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. The Trustee will provide notice of a Mode Change, an Unenhanced Variable Rate Change or a Conversion to DTC not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. On each Mode Change Date, Unenhanced Variable Rate Change Date, or Conversion Date, the 2005 Series M Bonds to which such Mode Change, Unenhanced Variable Rate Change or Conversion applies will be subject to mandatory tender for purchase. **This Official Statement is not intended to describe the 2005 Series M Bonds in any Mode other than a Weekly Mode.**

For additional information with respect to the 2005 Series M Bonds, see also "Optional Redemption of 2005 Series M Bonds" below, "Appendix H – Certain Definitions With Respect to the 2005 Series M Bonds" and "Appendix I – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement."

Swap Agreement. The Agency has entered into an interest rate swap agreement (the "Swap Agreement") with Citibank, N.A., New York (the "Swap Counterparty") with respect to the 2005 Series M Bonds which is to be effective on the date of issuance of the 2005 Series M Bonds. The purpose of the Swap Agreement is to place the aggregate net obligation of the Agency with respect to the portion of the Program financed by all or a portion of the 2005 Series M Bonds on an approximately fixed-rate basis. Payments made to the Swap Counterparty by the Agency under the Swap Agreement are to be made semiannually on the basis of a notional principal amount and the relationship between an agreed-upon fixed rate and a variable rate calculated by reference to the One Month LIBOR. Payments made to the Swap Counterparty, including any applicable termination fee referenced below, are to be paid from Revenues on deposit in the Revenue Fund under the Bond Resolution, on a basis subordinate to the payment of the interest on and principal of the Bonds and the funding of the Debt Service Reserve Fund and the Insurance Reserve Fund. Payments made to the Agency by the Swap Counterparty under the Swap Agreement (which would result if the variable rate payable by the Swap Counterparty under the Swap Agreement exceeds the fixed interest rate payable by the Agency under the Swap Agreement) are pledged as Revenues under the Resolutions. Unless earlier terminated (in which case a termination fee may be payable by one party to the other party), the interest rate swap agreement expires on January 1, 2036.

Sinking Fund Redemption

The 2005 Series K Bonds maturing on July 1, 2020 are subject to mandatory redemption in part on January 1, 2016 and on each July 1 and January 1 thereafter to and including January 1, 2020, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2016	$35,000	July 1, 2018	$40,000
July 1, 2016	35,000	January 1, 2019	40,000
January 1, 1017	40,000	July 1, 2019	45,000
July 1, 2017	40,000	January 1, 2020	45,000
January 1, 2018	40,000	July 1, 2020 (Maturity)	50,000

The 2005 Series K Bonds maturing on January 1, 2028 are subject to mandatory redemption in part on January 1, 2008 and thereafter on July 1 and January 1 in the years set forth below to and including July 1, 2027, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2008	$1,230,000	July 1, 2020	$ 930,000
July 1, 2008	925,000	January 1, 2021	1,005,000
January 1, 2010	515,000	July 1, 2021	1,035,000
July 1, 2010	550,000	January 1, 2022	1,060,000
January 1, 2011	1,585,000	July 1, 2022	1,090,000
July 1, 2011	1,620,000	January 1, 2023	1,120,000
January 1, 2012	1,155,000	July 1, 2023	1,150,000
July 1, 2012	850,000	January 1, 2024	1,175,000
January 1, 2016	745,000	July 1, 2024	1,200,000
July 1, 2016	765,000	January 1, 2025	1,140,000
January 1, 2017	785,000	July 1, 2025	1,120,000
July 1, 2017	805,000	January 1, 2026	1,115,000
January 1, 2018	825,000	July 1, 2026	1,110,000
July 1, 2018	845,000	January 1, 2027	1,145,000
January 1, 2019	870,000	July 1, 2027	1,175,000
July 1, 2019	890,000	January 1, 2028 (Maturity)	280,000
January 1, 2020	910,000		

The 2005 Series L Bonds maturing on January 1, 2036 (the "PAC Term Bonds") are subject to mandatory redemption in part on January 1, 2016 and on each July 1 and January 1 thereafter to and including July 1, 2035, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2016	$ 280,000	July 1, 2026	$ 400,000
July 1, 2016	290,000	January 1, 2027	410,000
January 1, 2017	295,000	July 1, 2027	425,000
July 1, 2017	305,000	January 1, 2028	435,000
January 1, 2018	310,000	July 1, 2028	445,000
July 1, 2018	320,000	January 1, 2029	460,000
January 1, 2019	330,000	July 1, 2029	470,000
July 1, 2019	335,000	January 1, 2030	485,000
January 1, 2020	345,000	July 1, 2030	495,000
July 1, 2020	355,000	January 1, 2031	510,000
January 1, 2021	360,000	July 1, 2031	525,000
July 1, 2021	370,000	January 1, 2032	535,000
January 1, 2022	380,000	July 1, 2032	550,000
July 1, 2022	390,000	January 1, 2033	565,000
January 1, 2023	400,000	July 1, 2033	580,000
July 1, 2023	415,000	January 1, 2034	600,000
January 1, 2024	425,000	July 1, 2034	615,000
July 1, 2024	430,000	January 1, 2035	630,000
January 1, 2025	410,000	July 1, 2035	650,000
July 1, 2025	405,000	January 1, 2036 (Maturity)	665,000
January 1, 2026	400,000		

The 2005 Series L Bonds maturing on July 1, 2036 are subject to mandatory redemption in part on January 1, 2028 and on each July 1 and January 1 thereafter to and including January 1, 2036, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2028	$ 925,000	July 1, 2032	$1,535,000
July 1, 2028	1,240,000	January 1, 2033	1,575,000
January 1, 2029	1,270,000	July 1, 2033	1,620,000
July 1, 2029	1,305,000	January 1, 2034	1,660,000
January 1, 2030	1,340,000	July 1, 2034	1,705,000
July 1, 2030	1,375,000	January 1, 2035	1,750,000
January 1, 2031	1,415,000	July 1, 2035	1,800,000
July 1, 2031	1,450,000	January 1, 2036	1,845,000
January 1, 2032	1,495,000	July 1, 2036 (Maturity)	4,860,000

The 2005 Series M Bonds maturing on January 1, 2036 are subject to mandatory redemption in part on January 1, 2016 and on each July 1 and January 1 thereafter to and including July 1, 2035, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2016	$ 940,000	July 1, 2026	$ 1,335,000
July 1, 2016	965,000	January 1, 2027	1,370,000
January 1, 2017	985,000	July 1, 2027	1,405,000
July 1, 2017	1,010,000	January 1, 2028	1,445,000
January 1, 2018	1,040,000	July 1, 2028	1,485,000
July 1, 2018	1,065,000	January 1, 2029	1,525,000
January 1, 2019	1,090,000	July 1, 2029	1,565,000
July 1, 2019	1,120,000	January 1, 2030	1,610,000
January 1, 2020	1,150,000	July 1, 2030	1,655,000
July 1, 2020	1,175,000	January 1, 2031	1,695,000
January 1, 2021	1,210,000	July 1, 2031	1,745,000
July 1, 2021	1,240,000	January 1, 2032	1,790,000
January 1, 2022	1,275,000	July 1, 2032	1,840,000
July 1, 2022	1,310,000	January 1, 2033	1,890,000
January 1, 2023	1,340,000	July 1, 2033	1,940,000
July 1, 2023	1,375,000	January 1, 2034	1,990,000
January 1, 2024	1,415,000	July 1, 2034	2,050,000
July 1, 2024	1,435,000	January 1, 2035	2,105,000
January 1, 2025	1,365,000	July 1, 2035	2,155,000
July 1, 2025	1,340,000	January 1, 2036 (Maturity)	2,220,000
January 1, 2026	1,340,000		

Special Redemption

Non-Origination. The Series Bonds are subject to special redemption, at the option of the Agency, prior to maturity, at any time, in whole or in part, at a redemption price equal to par plus accrued interest, without premium (except that any PAC Term Bonds so selected would be purchased at a price of par, plus accrued interest, plus the unamortized premium thereon as determined by the Agency by a straight line amortization of the original issue premium set forth on the inside cover of this Official Statement between the date of issue and July 1, 2014 (as of which date the premium would reduce to zero)), from moneys representing Series Bonds proceeds not used to purchase Program Loans and transferred to the Bond Redemption Fund from the 2005 Series J-K-L-M Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund and Insurance Reserve Fund transferred to the Bond Redemption Fund. In the event that any Series Bonds are to be redeemed as a result of non-origination, such Bonds shall be selected at random within a series and maturity from such series and maturities of the Series Bonds as shall be determined by the Agency; provided that 2005 Series M Bonds which are Bank Bonds shall be redeemed first.

Excess Revenues. Any moneys on deposit in the Revenue Fund attributable to Excess Revenues may, in the Agency's discretion and subject to the requirements of the Resolutions, be applied to the redemption, at any time, at a redemption price equal to par plus accrued interest, without premium, of Outstanding Bonds under the Bond Resolution (including the Series Bonds but with respect to the PAC Term Bonds, not in excess of the cumulative redemption schedule shown below) from such series, maturities and Sinking Fund Installments as the Agency may select at its option.

As used herein, "Excess Revenues" shall mean the Revenues, including prepayments (except as described below), on deposit in the Revenue Fund received in excess of (i) the maturing principal and Sinking Fund Installments and any required mandatory redemptions, together with interest from time to time and payable, on Bonds Outstanding under the Bond Resolution, (ii) amounts needed to maintain the Debt Service Reserve Fund and the Insurance Reserve Fund at their respective Requirements, and (iii) amounts required by the Agency to pay fees and other costs in connection with the Bonds associated with maintaining the Program, including amounts to be paid under the Swap Agreement, the Liquidity Facility and the Remarketing Agreement.

Prepayments. To the extent not needed to make regularly scheduled payments on the Series Bonds, prepayments of principal allocable to the Series Bonds received by or on behalf of the Agency shall first be applied to redeem the PAC Term Bonds in accordance with the following cumulative redemption schedule with respect to such PAC Term Bonds:

Date	Cumulative Amount†	Date	Cumulative Amount†
July 1, 2006	$350,000	January 1, 2011	$10,885,000
January 1, 2007	965,000	July 1, 2011	12,125,000
July 1, 2007	1,840,000	January 1, 2012	13,340,000
January 1, 2008	2,965,000	July 1, 2012	14,530,000
July 1, 2008	4,310,000	January 1, 2013	15,695,000
January 1, 2009	5,675,000	July 1, 2013	16,835,000
July 1, 2009	7,015,000	January 1, 2014	17,950,000
January 1, 2010	8,330,000	July 1, 2014 and thereafter	18,000,000
July 1, 2010	9,620,000		

† Based on an approximation of 30% TBMA prepayment experience. Amounts actually to be redeemed pursuant to this provision would be reduced proportionately to the extent any of the PAC Term Bonds were redeemed from non-origination of Series Bonds proceeds.

To the extent principal payments allocable to the Series Bonds are received by the Agency in excess of the amounts reflected in the prior table and are not needed to make regularly scheduled payments on the Series Bonds, they are to be used as follows:

(1) to the extent required by applicable federal tax law, (a) to redeem Outstanding Series Bonds (other than the PAC Term Bonds), from such series and maturities selected by the Agency, or (b) if no Series Bonds other than PAC Term Bonds are Outstanding, to redeem Outstanding PAC Term Bonds, in each case on any date, in whole or in part, at a price equal to par plus accrued interest, without premium; or

(2) to the extent not required by applicable federal tax law, at the option of the Agency, to redeem any Outstanding Bonds (other than the PAC Term Bonds).

Projected Weighted Average Lives of the PAC Term Bonds. The following information is provided in order to enable potential investors to evaluate the PAC Term Bonds which are the subject of special redemptions described above.

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid to the bondholder weighted by the amount of such installment. The weighted average life of the PAC Term Bonds will be influenced by, among other things, the rate at which Program Loans are originated and the rate at which principal payments (including scheduled payments and principal prepayments) are made on the Program Loans allocable to the Series Bonds. An investor owning less than all of the PAC Term Bonds may experience redemption at a rate which varies from the average life of the PAC Term Bonds.

Prepayments of mortgage loans are commonly projected in accordance with a prepayment standard model. The following table, entitled "Projected Weighted Average Lives for the PAC Term Bonds" assumes, among other things, that (i) the Program Loans prepay at the indicated percentages of The Bond Market Association ("TBMA") prepayment experience, (ii) all amounts in the 2005 Series J-K-L-M Acquisition Account will be used to purchase Program Loans, (iii) all Program Loans will be financed by November 7, 2005, (iv) all scheduled principal and interest payments on Program Loans and Prepayments thereof are received thirty days after the date on which due and there are no foreclosure losses experienced on such Program Loans, (v) the PAC Term Bonds are not redeemed pursuant to optional redemption and (vi) approximately $12,405,000 of Transferred Program Loans are transferred to the Series Bonds with a weighted average mortgage rate of 7.11% and a weighted average maturity of 233 months. Based on such assumptions, some or all of which are unlikely to reflect actual experience, the following table provides certain projected weighted average life information for the PAC Term Bonds.

Projected Weighted Average Lives for the PAC Term Bonds
(in years)

Prepayment Experience	PAC Term Bonds Average Life	Prepayment Experience	PAC Term Bonds Average Life
0%	17.18	150%	4.95
30	4.95	200	4.95
50	4.95	300	4.95
75	4.95	400	4.95
100	4.95	500	4.95

No assurance can be given that prepayments of principal of the Program Loans will conform to any level of a particular prepayment projection, schedule or model or that prepayments will be available to be applied to redemptions of any of the Series Bonds, including the PAC Term Bonds. The rates of principal prepayments on Program Loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which Program Loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on the Program Loans financed by the Series Bonds, such Program Loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on such Program Loans. Conversely, if prevailing interest rates rise above the interest rates on the Program Loans financed by the Series Bonds, the rate of prepayments might be expected to decrease. The rates of delinquencies and foreclosures on Program Loans will also affect the expected special redemption schedules. The Agency cannot predict the number of Program Loans financed by the Series Bonds that may become delinquent or in foreclosure proceedings. For these reasons, the Agency cannot offer any assurances as to the rate at which the Program Loans financed by the Series Bonds will prepay and offers no assurance that the scheduled amounts will, in fact, be available to effect any redemptions described herein.

Optional Redemption of 2005 Series JKL Bonds

The 2005 Series JKL Bonds are also subject to redemption at the option of the Agency as a whole or in part on any date on or after January 1, 2015 from any amounts available to the Agency for that purpose, and at a redemption price equal to par plus accrued interest, if any, without premium.

Mandatory Tender of Certain 2005 Series JKL Bonds Upon Certain Events

To the extent interest rates decline, and particularly to the extent interest rates available on mortgages decline in the State, potential applicants for Program Loans may be dissuaded from applying to the Agency for such Program Loans, and the likelihood of a special redemption as described under "Special Redemption—*Non-Origination*" would be increased. In lieu of such redemption, the Agency has provided for the mandatory tender of 2005 Series JKL Bonds selected by the Agency for purchase at par plus accrued interest (except that any PAC Term Bonds so selected would be purchased at a price of par, plus accrued interest, plus the unamortized premium thereon as determined by the Agency by a straight line amortization of the original issue premium set forth on the inside cover of this Official Statement between the date of issue and July 1, 2014 (as of which date the premium would reduce to zero)), or at the option of the registered owner, exchange for a 2005 Series JKL Bond of the same maturity and bearing interest as described below.

Mandatory Tender of Certain 2005 Series JKL Bonds. Pursuant to the Series Resolution, a principal amount of 2005 Series JKL Bonds as determined by the Agency (but not in excess of the principal amount of unexpended proceeds of such 2005 Series JKL Bonds on deposit in the 2005 Series J-K-L-M Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund and Insurance Reserve Fund) may be subject to mandatory tender for purchase on any date (the "Purchase Date"). On the Purchase Date, the 2005 Series JKL Bonds subject to mandatory tender shall either be purchased by the Agency and remarketed at an adjusted interest rate or rates or, if the registered owner so elects, exchanged for an equal amount of 2005 Series JKL Bonds of the same maturity bearing interest at the adjusted rate or rates.

Determination of Preliminary Adjusted Interest Rate. Upon making certain determinations as to the inability to purchase Program Loans at the mortgage rates established with respect to the 2005 Series JKL Bonds, the Agency may appoint a remarketing agent (the "Series JKL Bonds Remarketing Agent") and provide the Series JKL Bonds Remarketing Agent with a schedule of 2005 Series JKL Bonds of one or more maturities determined by the Agency to be subject to purchase on mandatory tender (the "Tender Bonds") and request the Series JKL Bonds Remarketing Agent to determine, as of a stated date selected by the Agency not less than 5 days nor more than 10 days from the date of request, the interest rates (the "Preliminary Adjusted Rates") at which such Tender Bonds could be remarketed at par plus accrued interest. The aggregate principal amount of Tender Bonds set forth on the schedule may not exceed the unexpended proceeds of the 2005 Series JKL Bonds held in the 2005 Series J-K-L-M Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund and Insurance Reserve Fund. If the yield on the Tender Bonds at the Preliminary Adjusted Rates is at least 0.50% per annum lower than the yield on the Tender Bonds when issued, and certain other conditions relating to compliance with applicable federal tax law are met, the Agency may elect by written notice to the Trustee to call Tender Bonds for mandatory purchase on a date not less than 45 days after the date of such notice. Within each maturity designated by the Agency, the Trustee shall select at random the 2005 Series JKL Bonds to be designated as Tender Bonds.

Notice of Mandatory Tender. Not less than 35 days prior to a Purchase Date, notice of the mandatory tender or exchange shall be given by the Trustee to the registered owners of Tender Bonds. (See "Appendix F—Book-Entry-Only System.") Such notice shall state, in substance: (i) the Purchase Date; (ii) the Preliminary Adjusted Rates for applicable Tender Bonds; (iii) that the registered owners of such Tender Bonds will no longer be entitled to receive interest on such Bonds after the Purchase Date, except in the case of Tender Bonds retained at the election of the registered owner (which Tender Bonds shall bear interest at the Final Adjusted Rates, as defined below, from and after the Purchase Date); (iv) that each Tender Bond shall be purchased or deemed purchased on the Purchase Date unless the registered owner properly directs the Agency and Trustee not to purchase such Bond on the Purchase Date; and (v) that notwithstanding a direction not to purchase, the Tender Bonds may be redeemed by the Agency on the Purchase Date under certain circumstances as set forth in the Series Resolution. Such notice is to set forth the procedures to be followed by a registered owner who wishes to retain all or a portion (in whole multiples of $5,000) of such registered owner's Tender Bonds. Any such election to retain all or a portion of the Tender Bonds shall be irrevocable. Failure to follow the specified procedures shall result in a purchase or deemed purchase of such registered owner's Tender Bonds.

Final Adjusted Interest Rates. Not more than 30 nor less than 15 days prior to the Purchase Date, the 2005 Series JKL Bonds Remarketing Agent shall determine and certify to the Trustee and the Agency the adjusted interest rate each maturity of Tender Bonds shall bear from and after the Purchase Date (the "Final Adjusted Rates"). Said Final Adjusted Rates shall be those rates which, in the judgment of the 2005 Series JKL Bonds Remarketing Agent, would permit the sale of the applicable Tender Bonds at par on the date of determination.

Mandatory Tender or Redemption. Any Tender Bond called for mandatory tender on the applicable Purchase Date and not delivered to the Trustee for purchase by 11:30 a.m., New York Time, on the applicable Purchase Date shall be deemed tendered and a Series Bond of the same series bearing interest at an adjusted rate may be issued in place thereof to the purchaser thereof. Any Tender Bond deemed purchased shall not bear interest from and after the Purchase Date and the holder thereof shall have no rights under the Resolutions other than the right to receive the purchase price thereof.

Upon the occurrence of certain events, the Agency may determine to redeem all Tender Bonds on the Purchase Date, notwithstanding the election by some registered owners to retain all or a portion of their Tender Bonds. The purchase of Tender Bonds is contingent upon satisfaction of certain arbitrage requirements of federal tax law, compliance with cash flow and other requirements of the Bond Resolution, maintenance of credit ratings on the Bonds outstanding under the Bond Resolution, and a determination that, given the final Adjusted Rates, Program Loans can be effectively originated and purchased to carry out the Program. If one or more of these prerequisites cannot be satisfied, the Agency may redeem all Tender Bonds on the Purchase Date without additional notice at a price of par plus accrued interest, without premium.

General Provisions as to 2005 Series JKL Bonds

Except as otherwise provided in the Series Resolution, any 2005 Series JKL Bonds to be purchased or redeemed shall be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating the following: (a) the Series of the 2005 Series JKL Bonds to be purchased or redeemed; (b) the maturities within such Series from which 2005 Series JKL Bonds are to be purchased or redeemed; and (c) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed. If less than all 2005 Series JKL Bonds of a series and maturity are to be redeemed, the 2005 Series JKL Bonds of that series and maturity to be redeemed shall be selected by lot, unless a different order of priority is specified by the Series Resolution. The Agency shall not at any time cause 2005 Series JKL Bonds to be purchased or redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after such purchase or redemption.

The Trustee is required to mail a copy of the notice, by first class mail, to the registered owner of any 2005 Series JKL Bond called for redemption at least 30 days prior to the redemption date; said registered owner to be determined from the registry books as of the last business day of the month preceding the month in which such notice is mailed.

Optional Redemption of 2005 Series M Bonds

Optional Redemption. The 2005 Series M Bonds in the Weekly Mode may be redeemed at the option of the Agency, in whole or in part on any Business Day (including any optional or mandatory tender date), from any money made available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

Notice of Redemption. While the 2005 Series M Bonds are held in a Weekly Mode, a copy of the notice of the call for any redemption identifying the 2005 Series M Bonds to be redeemed shall be given by Immediate Notice not less than 15 days prior to the date fixed for redemption to the Holders of 2005 Series M Bonds to be redeemed at their addresses as shown on the Bond Register. Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the 2005 Series M Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. "Immediate Notice" means notice by telephone, telex or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid. Notwithstanding the foregoing, no separate notice of redemption need be given in addition to the notice of tender required to be given by the Bondholder or Trustee, as applicable, for 2005 Series M Bonds to be redeemed on an optional or mandatory tender date.

Pursuant to the Series Resolution, the Trustee is required to give notice of redemption by first class mail to the registered owners of the 2005 Series M Bonds not less than 15 days prior to the redemption date and published notice is not required. Subject to the terms of the Series Resolution, any 2005 Series M Bonds to be purchased or redeemed, will be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating (1) the Series of Bonds to be purchased or redeemed, (2) the maturities within such Series from which Bonds are to be purchased or redeemed, (3) the principal amount and redemption price of Bonds within such maturities to be purchased or redeemed, and (4) if any of the Bonds to be purchased or redeemed are term Bonds, the years in which and the amounts by which the applicable Sinking Fund Installments, if any, are to be reduced. Upon any redemption of 2005 Series M Bonds, the Trustee will select those to be redeemed by lot or such other method of selection as it shall deem proper in its discretion.

Optional and Mandatory Tender of Certain 2005 Series M Bonds

Optional Tender. Holders of 2005 Series M Bonds in the Weekly Mode may elect to tender their 2005 Series M Bonds for purchase, by providing notice to the Remarketing Agent and the Tender Agent not later than 5:00 p.m. (New York City time) on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the notice. Such 2005 Series M Bonds will be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest to but not including the purchase date (the "Purchase Price"). Such notice of optional tender for purchase of 2005 Series M Bonds by the Bondholders thereof will be irrevocable once such notice is given to the Remarketing Agent and the Tender Agent.

Mandatory Tender. The 2005 Series M Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) at the Purchase Price (i) on any Mode Change Date and each Unenhanced Variable Rate Change Date for such Bonds, (ii) upon scheduled expiration or termination by the Agency of the Initial

Liquidity Facility or an Alternate Liquidity Facility (defined below) (a "Liquidity Expiration Event") for such Bonds, on a date not less than 5 days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) on any Conversion Date for such Bonds, and (iv) upon receipt of a Notice of Termination (as described in any Liquidity Facility) by the Trustee following the occurrence of certain Events of Default under such Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a "Mandatory Tender Date"). Upon any such event, the Trustee will deliver a notice of mandatory tender to Bondholders, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender, the date of mandatory tender, and that all Bondholders of 2005 Series M Bonds subject to such mandatory tender will be deemed to have tendered their 2005 Series M Bonds upon such date.

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its 2005 Series M Bonds certificates. Any 2005 Series M Bonds not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price will be deemed to have been tendered and purchased on such Mandatory Tender Date. Bondholders will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such 2005 Series M Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondholders will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2005 Series M Bonds will be issued in place of such untendered 2005 Series M Bonds pursuant to the Series Resolution and, after the issuance of the replacement 2005 Series M Bonds, such untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Remarketing. On each date on which 2005 Series M Bonds are required to be purchased, the Remarketing Agent will use its best efforts to sell such 2005 Series M Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2005 Series M Bonds so tendered while the Initial Liquidity Facility is in effect, the Initial Liquidity Provider will purchase such 2005 Series M Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent will not be required to remarket the 2005 Series M Bonds (i) after the occurrence of an Event of Default under the Resolutions; (ii) after the occurrence of a Special Event of Default under the Liquidity Facility and the Initial Liquidity Provider's termination of its commitment to purchase 2005 Series M Bonds thereunder or (iii) if the Initial Liquidity Provider breaches its obligation to purchase 2005 Series M Bonds tendered and not remarketed. The Agency will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered 2005 Series M Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances, that the Remarketing Agent may resign its duties by giving 30 days' written notice to the Agency, and that the Agency may remove the Remarketing Agent upon 30 days' written notice.

Agency Not Responsible to Bondowners for Initial Liquidity Provider's Failure to Purchase 2005 Series M Bonds. Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2005 Series M Bonds will be payable from moneys furnished in connection with the remarketing of the 2005 Series M Bonds or from the Initial Liquidity Facility. Upon the occurrence of certain Special Events of Default under the Initial Liquidity Facility, the Initial Liquidity Provider's obligation to purchase 2005 Series M Bonds under the Initial Liquidity Facility will immediately terminate without notice or other action on the part of the Initial Liquidity Provider. See "Liquidity Facility —The Standby Bond Purchase Agreement." The Agency is not responsible to Bondowners for any failure by the Initial Liquidity Provider to purchase 2005 Series M Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the Series Resolution when the Initial Liquidity Provider is required to purchase such 2005 Series M Bonds under the Liquidity Facility, including any such tender which occurs upon the occurrence of any Event of Default under the Standby Bond Purchase Agreement.

If a Special Event of Default has occurred resulting in the termination of the Initial Liquidity Facility or if the Initial Liquidity Provider does not purchase any 2005 Series M Bonds tendered or deemed tendered for purchase by the Bondholders thereof and not remarketed, such Bonds will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the TBMA Index plus 1.25% or (ii) the Maximum Rate. Bondholders will not have the right to tender their 2005 Series M Bonds during such period and may be required to hold their 2005 Series M Bonds to their maturity or prior redemption.

LIQUIDITY FACILITY

General Provisions

The Agency will maintain a Liquidity Facility in effect at all times when any 2005 Series M Bonds are in a Weekly Mode, or other Mode requiring a Liquidity Facility, except as otherwise provided below, in an amount not less than the potential Purchase Price of the outstanding 2005 Series M Bonds in the Weekly Mode or other Mode requiring a Liquidity Facility.

The Agency may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with another liquidity facility meeting the requirements of the Series Resolution (an "Alternate Liquidity Facility", and, with the Initial Liquidity Facility, a "Liquidity Facility"). The Agency will notify the Trustee, the Remarketing Agent and the Tender Agent of the Agency's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, the Trustee will mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, to each Holder of the 2005 Series M Bonds at such Holder's registered address not less than 15 days prior to the date the 2005 Series M Bonds are subject to mandatory tender as herein provided. If the Agency elects to replace the Liquidity Facility, the 2005 Series M Bonds will be subject to mandatory tender not less than 5 days prior to the termination of the existing Liquidity Facility. This Official Statement is not intended to apply to the 2005 Series M Bonds when an Alternate Liquidity Facility is in place.

The Agency may also elect to provide liquidity support for the 2005 Series M Bonds from its own funds or by delivering a liquidity facility which does not meet the requirements of an Alternate Liquidity Facility. If the Agency makes such an election, the 2005 Series M Bonds will be subject to mandatory tender prior to the expiration of the Liquidity Facility then in effect.

The Standby Bond Purchase Agreement

The initial Liquidity Facility will be the Standby Bond Purchase Agreement. Appendix I to this Official Statement summarizes certain provisions of the Standby Bond Purchase Agreement, to which reference is made for the detailed provisions thereof. Certain information regarding the Initial Liquidity Provider appears in Appendix J to this Official Statement.

SECURITY FOR THE BONDS

The Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and grant of a security interest in (a) all proceeds of the sale of the Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds, notes or other obligations), (b) all Program Obligations and Investment Obligations made or purchased from such proceeds, (c) all Revenues (as defined in the Bond Resolution), (d) any other loans, funds, securities, Cash Equivalents or other property of the Agency otherwise pledged as security for Outstanding Bonds pursuant to a Series Resolution; and (e) all money, Investment Obligations, and other assets and income held in and receivables of Funds (other than the Alternative Loan Fund) established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The pledge and security interests granted by the Bond Resolution shall be for the equal benefit, protection and security of Holders of all outstanding Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, and the Bonds are not a debt of the State.

Cash Flow Certificate

The Bond Resolution requires that the Agency file a Cash Flow Certificate with the Trustee (i) at least once within a 12-month period and as otherwise required under the Bond Resolution or a Series Resolution, (ii) upon the proposed application of funds in the Revenue Fund to acquire Program Obligations or to pay Program Expenses, if not contemplated by a prior Cash Flow Certificate, or (iii) to release funds to the Agency from the

Revenue Fund or to transfer funds to the Endowment Fund. The Bond Resolution also permits a revised Cash Flow Certificate to be filed at any time directed by the Agency. The Cash Flow Certificate is to give effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established under the Bond Resolution or any Series Resolution (excluding the Insurance Reserve Fund, the Alternative Loan Fund and, except to the extent otherwise provided in a Series Resolution, the Endowment Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, unless otherwise provided in a Series Resolution, the Endowment Fund) from sources not subject to the lien of this Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of such series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of such series. As set forth more fully in "Appendix D — Summary of Certain Provisions of the Bond Resolution — Revenue Fund," the Agency may withdraw from the Revenue Fund funds to be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund or withdraw from the Revenue Fund funds to be transferred to the Endowment Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Revenues

When Revenues are greater than the amount necessary to pay maturing principal of and interest on the Bonds, the excess may, to the extent permitted by applicable federal tax law, be used to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay maturing principal of the Bonds, then either the Agency will provide the amount necessary for such payment from (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund or (c) from any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or the Trustee will withdraw the necessary amount from: (i) the Bond Redemption Fund, but only to the extent that amounts therein are in excess of amounts required for the redemption of Bonds for which the notice of redemption has been given, (ii) the Revenue Fund, (iii) the Debt Service Reserve Fund, (iv) the Insurance Reserve Fund, and (v) the Endowment Fund.

Debt Service Reserve Fund

The Bond Resolution creates and establishes a Debt Service Reserve Fund and provides that the Debt Service Reserve Requirement as of any date shall be the sum of amounts established for each Series of Bonds by each Series Resolution. The aggregate Debt Service Reserve Requirement with respect to the Series Bonds is equal, as of the date of calculation, to three percent (3%) of the aggregate principal amount of the then Outstanding Series Bonds, initially, $4,860,150.00.

The balance in the Debt Service Reserve Fund on March 31, 2005, was $16,269,000, which was at least equal to the Debt Service Reserve Fund Requirement for the Series of Bonds then Outstanding.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The moneys held in or credited to a debt service reserve fund shall be used solely for the payment of principal of bonds of the Agency as the same mature, the purchase of such bonds, the payment of interest thereon or the payment of any premium required when such bonds are redeemed before maturity, provided that the moneys in such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency shall not issue any additional bonds or notes which are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of such issuance does not equal or exceed the minimum amount required by the resolution creating such fund unless the Agency shall deposit in each such fund at the time of such issuance from the proceeds of the bonds or otherwise an amount which, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency....

In the opinion of Bond Counsel and counsel to the Agency, the State Legislature is legally authorized *but is not legally obligated* to appropriate such amounts.

Insurance Reserve Fund

The Bond Resolution creates and establishes an Insurance Reserve Fund to be used for the purpose of paying that portion of the claim for loss with respect to any defaulted Program Obligation which is not paid by a public or private insuring agency. As of any particular date of calculation, the Insurance Reserve Requirement is the sum of amounts, if any, established for each Series of Bonds by the respective Series Resolutions. The Insurance Reserve Requirement with respect to the Series Bonds is $0.

The balance in the Insurance Reserve Fund on March 31, 2005 was $330,000, which was at least equal to the Insurance Reserve Requirement for all Series of Bonds then Outstanding.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, without limitation as to amount, to provide funds for the purpose of financing the making or purchase of Program Obligations and, in addition, to refund outstanding Bonds or other obligations of the Agency. No additional series of Bonds may be issued except upon verification by the Trustee (i) that an amount equal to the Debt Service Reserve Requirement effective upon issuance of such Bonds will be on deposit in the Debt Service Reserve Fund and an amount equal to the Insurance Reserve Requirement effective upon issuance of such Bonds will be on deposit in the Insurance Reserve Fund, (ii) that the estimated Revenues set forth in an Agency Certificate are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year as set forth in the Agency Certificate and (iii) that the then existing ratings of the Bonds will not be impaired. A Cash Flow Certificate need not be filed in connection with the issuance of additional Bonds unless the series resolution authorizing Bonds of the series so provides.

Any additional Bonds issued under the Bond Resolution will be on parity with the Series Bonds and all other outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Bondholders, are fully met and discharged.

RESIDENTIAL HOUSING FINANCE PROGRAM

Under the Bond Resolution, the Agency may issue bonds to make or purchase Program Obligations in order to provide financing for housing for low and moderate income persons, including financing for single family loans, home improvement loans, multifamily loans and other housing-related loans, and to secure such loans in such manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans which are unsecured. All series of Bonds issued under the Bond Resolution are secured on a parity. The proceeds of the Series Bonds will be used to purchase Program Loans consisting of single family mortgage loans. The Agency does not currently anticipate that future series of Bonds issued under the Bond Resolution will finance Program Obligations other than single family loans or home improvement loans.

All series resolutions adopted to date have provided for the issuance of Bonds under the Bond Resolution for the purpose of financing single family mortgage loans or home improvement loans. For a general description of the current home improvement program, which is subject to change from time to time, see "Home Improvement Program."

The description of the Program contained in this and the following sections is subject to change subject to applicable federal and state law.

PROGRAM LOANS TO BE MADE FROM SERIES BONDS

Procedures for Origination and Purchase

General

The following provides a general description of the Agency's Program in respect of the Program Loans constituting single family mortgage loans to be financed with proceeds of Bonds, which is subject to change from time to time as provided in the Resolutions. *The Series Program Determinations governing the Program Loans to be financed with proceeds of the Series Bonds may be revised by the Agency from time to time as provided in the Bond Resolution and consequently the following general description is subject to change.*

Application

The Agency's Program provides funds for the purchase by the Agency of newly originated Program Loans at a price and bearing interest at rates to be established on the basis of the interest cost of the Bonds and local mortgage market conditions. From the proceeds of the Series Bonds, the Agency intends to purchase Program Loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the Series Bonds, the costs of servicing the Program Loans and other Program Expenses. The Agency may make loan commitments in advance of issuing bonds. As of June 7, 2005, the Agency had committed to purchase loans in the amount of $43,978,640 at a weighted average interest rate of 5.27%. Some or all of the purchases of these loans may be reimbursed with proceeds of the Series Bonds. The Agency may require the payment of discount points to reduce the overall interest rate on the Program Loans, provide adequate compensation to Lenders and defray Agency operation costs and expenses.

In connection with the Program, the Agency has published the MHFA Mortgage Program Procedural Manual (the "Manual") which sets forth the guidelines and procedures for participation in the Program and the requirements for origination of Program Loans, including provisions for compliance with the requirements of applicable federal law. The Agency responds to inquiries by interested lenders by sending them information regarding the requirements a lender must satisfy to be eligible to participate in the Program. Each Lender that meets Program requirements and participates in the Program either executes or has executed a lender commitment agreement (the "Agreement") which incorporates the Manual by reference. Generally, Lenders that participate in the Program receive no advance commitment of funds from the Agency (see exceptions in "Special Assistance Programs" below). Rather, Lenders may fax the Agency for an individual commitment of Program Loan funds on a case-by-case basis as each application is taken and initially screened by the Lender. The Program Loan funds are then to be reserved for each specific case for a specific term. Should a specific case ultimately be declined or cancelled, the funds are available for use by another eligible borrower and Lender. The amount of funds that may be used by an individual participating Lender is to be determined by the Program Loan demand experienced by the Lender.

Upon execution of the Agreement by the Agency, each Lender headquartered in the HUD-identified Metropolitan Statistical Areas of Duluth-Superior, MN-WI, Fargo-Moorhead, ND-MN, Grand Forks, ND-MN, LaCrosse, WI-MN, Minneapolis-St. Paul, MN-WI, Rochester, MN and St. Cloud, MN must pay an initial fee of $5,000 to participate in the Program and an annual renewal fee of $2,500, Lenders headquartered in the balance of the State must pay an initial participation fee of $2,000 and an annual renewal fee of $1,000, unless payment of such fees is specifically modified or waived by the Agency. Lenders are not required to pay a reservation fee upon initial telecopied reservation of an individual commitment. If the Agency has not purchased a Program Loan pursuant to an individual commitment after 90 days where an existing home is to be financed or after 120 days for the Minnesota Mortgage Program and the Minnesota City Participation program and 150 days for the CASA Program if a newly constructed home is to be financed, the Agency, at its option, may charge and, if so charged, the Lender must agree to pay an extension fee to maintain the individual commitment for a specified, extended period of time. Participation fees are deposited into the Homeownership and Home Improvement Endowment Funds. Unrefunded extension fees, if charged, are deposited into the funds from which the loans are purchased, namely the Homeownership and Home Improvement Endowment Funds and the Residential Housing Finance bond fund.

Qualified Borrowers

The Agency has established the maximum gross income for eligible borrowers under the Program based upon applicable federal law and Agency policy objectives. The maximum gross income of an eligible borrower under the Program is currently as follows (higher maximum incomes are currently permitted in connection with "Special Assistance Programs" and "Agency Bond Issuance on Behalf of Local Governments" described below):

Persons in Household

Location of Mortgaged Property	One to Four Member Household	Five Member Household	Six Member Household	Seven Member Household	Eight + Member Household
11-County Twin Cities Metropolitan Area	$62,000	$67,000	$71,500	$76,500	$81,500
Olmsted County	$58,000	$63,000	$67,500	$72,000	$77,000
Balance Of State	$54,000	$58,000	$62,500	$66,500	$71,000

The Agency will apply the limitations set forth in Section 143(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to applicants for Program Loans from the proceeds of the Series Bonds. The Agency may revise said income limits for the Program and for Homeownership Assistance Fund Loans from time to time to conform with State and federal law and Agency policy objectives.

At the time the Program Loan is made, the borrower must certify his or her intention to occupy the mortgaged property as his or her principal residence.

Credit underwriting must be in compliance with Federal Housing Administration (the "FHA"), the Veterans Administration (the "VA"), the USDA Rural Development (formerly the Rural Housing and Community Development Service) ("USDA Rural Development") and/or mortgage industry accepted underwriting standards. For loans which are not insured or guaranteed by FHA, VA or USDA Rural Development, the Agency requires Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") or private mortgage insurance standards as defined in the Manual.

Certain borrowers may be eligible for assistance for entry costs, monthly principal and interest payments, "entry cost assistance plus" loans or all three forms of subsidy, if needed for borrower qualification. See "Homeownership Assistance Fund Loans" below.

Program Loans

Program Loans may be purchased from (1) Lenders including any bank, savings bank, mutual savings bank, savings and loan association, building and loan association organized under the laws of Minnesota or the United States or non-profit licensed by the State of Minnesota, and any mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veterans Affairs, or (2) any agency or instrumentality of the United States or the State.

Under the Series Resolution, the Agency must take or require a Servicer to take all measures, actions and proceedings reasonably necessary and deemed by it to be most effective to recover the balance due on a Defaulted Program Loan, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the Mortgage, renting or selling the Home, collection of any applicable mortgage insurance or guaranty, and preservation of the title to and value of the Home pending recovery of the balance of the Defaulted Program Loan. See "State Laws Affecting Foreclosures" in Appendix E.

Qualified Real Property

Pursuant to the Manual, Program Loans may be purchased for (1) residential property in Minnesota on which is located an owner-occupied one or two-family dwelling, or (2) an owner-occupied residential unit in a condominium, townhouse or planned unit development.

The Agency has established maximum purchase prices under the Program pursuant to the requirements of applicable federal law. For the Series Bonds maximum purchase prices for both one and two-family homes currently are as follows (higher purchase prices are currently permitted in connection with "Special Assistance Programs" and "Agency Bond Issuance on Behalf of Local Governments" described below):

	The Minnesota Mortgage Program
If the property to be mortgaged is located in:	
Twin Cities Metropolitan Area	$275,625
Dodge, Olmsted and Wabasha Counties	$214,312
Balance of State	$204,432

The Agency may revise said maximum purchase prices from time to time to conform with applicable State and federal law and Agency policy objectives. The financing of new construction in the 11-county Twin Cities metropolitan area is limited by state law.

Special Assistance Programs

Notwithstanding the above, the Agency may set aside the proceeds of the Series Bonds under the Program for special assistance program components to meet specified housing needs identified by the Agency. Under such program components, the Agency may commit or otherwise provide access to proceeds to such entities as Lenders, units of local government or local housing and redevelopment authorities, nonprofit housing providers, builders/developers, and other entities that, in turn, will provide housing finance opportunities that address a specified housing need to qualified borrowers purchasing qualified real property.

All Program Loans originated under special assistance program components shall be qualified Program Loans as described above.

Both borrowers and properties under special assistance program components are to be in compliance with FHA/VA/USDA Rural Development and/or mortgage industry accepted underwriting standards. The Agency may elect to either reduce or increase the income and/or house price limits provided herein incident to a specific assistance program component, but in all circumstances, the Agency will assure that the applicable limits meet the requirements of federal law.

Agency Bond Issuance on Behalf of Local Governments

State law provides the process and procedures by which applicable units of local government may request an allotment and subsequent allocation of qualified mortgage bond authority from a statewide housing pool established for this purpose. In 1990, the State Legislature passed a law which enables applicable units of local government to assign their qualified mortgage bond authority to the Agency which may then issue bonds on behalf of local governments up to the amount of allocation assigned to the Agency.

Under the terms by which the Agency has agreed to accept the assignment of bond allocation, the Agency is to set aside the amount of funds allocated for each unit of local government for the exclusive use of said local government in the geographic area designated by same for a six month period. During the set-aside period, Lenders designated by the unit of local government may reserve Program Loans for specific cases for a specific term in accordance with the Manual. Should any funds remain unreserved at the end of the six-month set-aside period, remaining funds are then to be available for Program Loans to be reserved by any other participating units of local government for an additional two-month period. At the end of the two-month period, any unreserved funds are available to the Agency for general program purposes.

All Program Loans originated pursuant to Agency bond issuance on behalf of units of local government shall be qualified Program Loans as described above. Both borrowers and properties are to be in compliance with FHA, VA, USDA Rural Development and/or mortgage industry accepted underwriting standards. However, participating units of local government do have the authority to set aside funds to meet locally identified housing goals or address special program purposes within their geographic areas.

Homeownership Assistance Fund Loans

The Agency has established a Homeownership Assistance Fund created with appropriations by the State Legislature from which Homeownership Assistance Fund loans are made. In addition, the Agency has established a Homeownership Endowment Fund within the Bond Resolution which is also a source of funding for these loans. A Homeownership Assistance Fund loan is a second mortgage loan made by the Agency to the Mortgagor for one of three purposes: (i) to assist in the payment of entry costs (i.e., required down payment and closing costs) on the home (up to a maximum of $3,000); (ii) to assist in the payment of monthly principal and interest on the Program Loan in an amount of $1,440; or (iii) to provide an "entry cost assistance plus" loan in the amount necessary to reduce the Program Loan payments to an affordable level (up to a maximum of $10,000). Eligible Mortgagors may receive either entry cost assistance or payment assistance separately or together, but may receive the "entry cost assistance plus" loan only after application of the first two forms of assistance fail to qualify them for the Program Loan. At the time the Program Loan is made, the Agency agrees to provide assistance and the Mortgagor agrees to repay such loan upon sale, transfer, refinancing, when the first mortgage on the loan is paid in full or when the property is no longer occupied by the Mortgagor.

Mortgagors who meet program income requirements, program targeting criteria and who do not have sufficient cash for down payment and closing costs are eligible for entry cost assistance of up to $3,000. Mortgagors that wish to receive monthly payment assistance or an "entry cost assistance plus" must attend qualified homebuyer classroom instruction for at least six hours before the Program Loan is closed. This requirement does not apply to Mortgagors that receive only entry cost assistance.

Assistance for monthly principal and interest payments is also available to the Mortgagor at the program income limits previously noted. Monthly assistance payments are made in increments of $60 during year one; $40 during year two and $20 during year three. Monthly assistance payments cease after year three. In making a Program Loan, the monthly assistance payments will be taken into account in determining the ability of the Mortgagor to pay principal of and interest on the Program Loan over its term.

Mortgagors whose housing debt ratio is greater than 27% of their total income and who will receive monthly payment assistance may also be eligible for an "entry cost assistance plus" loan in an amount necessary to reduce their housing debt ratio to 27%, but not to exceed $10,000. The "entry cost assistance plus" loan is available to Mortgagors who qualify under the program income limits and obtain loans under the Agency's Community Activity Set Aside Program.

The total of the entry cost assistance, monthly payment assistance and "entry cost assistance plus" assistance is a deferred loan which is due on sale, transfer or refinancing or when the property is no longer occupied by the Mortgagor.

Program Loans made or purchased from the proceeds of a series of Bonds may or may not include Homeownership Assistance. The Homeownership Assistance Fund has not been pledged to and is not available for the payment of principal or interest on the Bonds. Amounts on deposit in the Homeownership Endowment Fund are available for the payment of principal of or interest on the Bonds, subject to the programmatic uses of the Homeownership Endowment Fund under the Bond Resolution, but the Agency has not covenanted to maintain any minimum balance in the Homeownership Endowment Fund or otherwise to assure that funds will be available in the Homeownership Endowment Fund for purposes of payment or security of the Bonds.

The Agency may use a portion of the proceeds of the Series Bonds to make loans for the purpose of entry cost assistance, monthly assistance and "entry cost assistance plus." Any such loans will also be Program Loans pledged to the payment of principal of and interest on the Bonds.

Target Areas

Pursuant to applicable federal law, target areas have been established for the Program. Target areas consist of certain census tracts in the State in which 70 percent of the families have an annual income of 80 percent or less of the statewide median income or areas determined by the State and approved by the Secretary of the Treasury of the United States and the Secretary of the United States Department of Housing and Urban Development to be areas of chronic economic distress (the "Target Areas"). The Agency will make available the required amount of the Series Bond proceeds for the purchase of Program Loans financing the purchase of residences located in Target Areas and will advertise the availability of Series Bond funds for Program Loans in Target Areas. The Agency is also required to exercise reasonable diligence in seeking to finance residences in Target Areas with Series Bond proceeds. Absent any determination by the Agency that further availability of the Series Bond proceeds is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State, or may be used to redeem Series Bonds.

Servicing

Under the Program, the Agency has set forth requirements for the servicing and accounting of Program Loans in a Servicing Manual. Servicing may be granted to Lenders that demonstrate adequate technical capability to the Agency's satisfaction. Each Servicer must maintain at all times a fidelity bond and an errors and omissions policy issued by a company having a current rating in Best's Insurance Reports of A/AAA or better. Servicers are required to ensure that mortgagors maintain on each home a hazard insurance policy providing fire and extended coverage equal to or greater than that customary in the geographic area in which the home is located. Servicers are required to advise the Agency if a home is exposed to a risk not otherwise covered by the hazard insurance policy and the Agency may require additional coverage.

The Agency requires its Servicers to supply reports and other data sufficient to reconcile the transactions within its loan portfolio. Servicers remit mortgage collections daily to the Trustee. The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency's procedures, to bring a delinquency current in the shortest possible time. The Agency may, at any time, terminate a servicing agreement and re-assign servicing. Under the Program, Servicers will receive as compensation a monthly servicing fee not to exceed 0.375%/12 of the outstanding principal amount of Program Loans.

Applicable Federal Law Mortgage Eligibility Requirements

Applicable federal law imposes significant limitations on the financing of mortgage loans on owner occupied one- to four-family residences with the proceeds of a qualified mortgage bond issue, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

Mortgage Loan Portfolio

As of March 31, 2005, the Agency had outstanding loans receivable of $519,275,000 gross, from the proceeds of the Outstanding Bonds. As of March 31, 2005, excluding the proceeds of short-term bonds and notes, there were approximately $23,000 of uncommitted proceeds from previous bond sales available for commitment. Not all loan commitments result in the purchase of a mortgage loan. The ability of the Agency to recommit funds depends on market conditions at the time a loan commitment expires without a loan closing.

The Agency's combined delinquency and foreclosure experience is currently below that for the United States as most recently published in the quarterly National Delinquency Survey by the Mortgage Bankers Association of America, as adjusted by the Agency to reflect the mix of mortgage guaranty and insurance types present in the Agency's portfolio.

HOME IMPROVEMENT PROGRAM

Procedures for Origination and Purchase

General

The following provides a general description of the Agency's Program in respect of Program Loans to finance home improvements ("Home Improvement Program Loans"), which is subject to change from time to time as provided in the Bond Resolution and any applicable series resolution.

Under its Program, the Agency intends to reimburse itself for its purchase of, or to purchase, Home Improvement Program Loans at varying terms and interest rates. The interest rates are established from time to time and are estimated to cover anticipated costs of funding the Home Improvement Program Loans, servicing the Home Improvement Program Loans and defraying a portion of other Program expenses which include compensation to Lenders and Agency operation costs and expenses. Under the Community Fix-up Fund Program, reduced interest rates on loans are available for individuals or families with gross annual household incomes equal to or less than the current home improvement loan program income limit. Subprime loans are available at higher interest rates.

Lender Application and Participation

The Home Improvement Program includes loans from the Fix-up Fund, which provides home improvement loans to low and moderate income homeowners, and the Community Fix-up Fund, which provides home improvement loans to assist a designated community in addressing its specific home improvement needs through partnerships with local lenders, nonprofit organizations, local governments and community organizations. Within the Community Fix-up Fund, sub-prime loans are available to serve households unable to qualify for conventional financing or refinancing.

The Agency may purchase Home Improvement Program Loans from participating banks, savings banks, mutual savings banks, savings and loan associations organized under the laws of Minnesota or the United States, non-profit organizations licensed by the State of Minnesota and agencies or instrumentalities of the United States or the State (the "Lenders").

In connection with the Home Improvement Program, the Agency has published the *Fix-up Fund Procedural Manual* (the "Fix-up Fund Manual") for the purchase of Home Improvement Program Loans which sets forth the guidelines and procedures for participation in the Home Improvement Program and the requirements for origination of Home Improvement Program Loans.

The Agency responds to inquiries by interested Lenders by sending them information regarding the requirements a lender must satisfy to be eligible to participate in the Home Improvement Program. Each Lender that meets the Home Improvement Program requirements and participates in the Program either executes or has executed a Participation Application and Note Purchase Agreement (the "Agreement") that incorporates the Fix-up Fund Manual by reference. Lenders that participate in the Home Improvement Program receive no advance commitment of funds from the Agency. Rather, as funds are available, Lenders may fax the Agency for an Individual Commitment of Program loan funds on a case-by-case basis as each application is taken and initially screened by the Lender. The Home Improvement Program loan funds are then reserved for each specific case for a specific term. Should a specific case ultimately be declined or cancelled, the funds are available for use by another eligible borrower and Lender. The amount of funds that may be used by an individual participating Lender is to be determined by the Home Improvement Program Loan demand experienced by the Lender.

Upon execution of the Agreement by the Agency, each Lender must pay an initial fee of $1,000 to participate in the Home Improvement Program and an annual renewal fee of $500, unless payment of such fees is specifically modified or waived by the Agency. A Lender is eligible to pay the $500 renewal fee only if the Lender has originated a minimum of six loans during the 12-month period that begins on the first July 1st that follows execution of an Agreement with the Agency.

Qualified Borrowers

Borrowers must be persons or households of low to moderate income. Low to moderate income is currently defined as gross annual household income that does not exceed 115% of the Minneapolis/St. Paul median income as published by HUD.

When the proceeds of a Home Improvement Program Loan will be made to a homeowner for improvements that will enable the homeowner or a resident of their household with a permanent physical or mental condition that substantially limits one or more major life activities to function in the subject home, Home Improvement Program Loans may be made to otherwise eligible homeowners and properties without limitations relating to the maximum income of the homeowner.

The Home Improvement Program Loan note contains certain promises and conditions including: the property to be improved must be the principal residence of the Borrower; the property to be improved is a completed home and is a year-round permanent residence; the residence is permanently attached to the land by way of a foundation and is taxed as real property; the Borrower does not use or does not intend to use more than 55% of the residence primarily for business purposes; and the Borrower has at least a one-third interest in the residence, either as owner, as holder of a life estate, or as a buyer under a contract for deed.

Additionally, the Home Improvement Program requires that the Borrower will use loan proceeds only for eligible improvements as described on the Agency's credit application; loan funds will be used and improvements completed within nine months of the date of the Home Improvement Program Loan note; the Agency has the right to inspect the property to be improved at any time from the date of the Home Improvement Program Loan note; work must comply with applicable building or housing code regulations and ordinances; and all necessary permits and licenses shall be obtained. The Home Improvement Program Loan note also contains due-on-sale, non-assumption provisions.

Loan Origination

By terms of the Agreement, Lenders are responsible for receiving applications for loans; processing applications; gathering supporting documentation to establish applicant and property compliance with Home Improvement Program eligibility requirements, including documentation showing the applicant to be solvent with reasonable ability to pay the Home Improvement Program Loan; and closing and funding Home Improvement Program Loans.

The purchase price of each Home Improvement Program Loan is the original principal balance of the subject Program Loan plus a processing fee of $450.

Warranties by Lender

The Lender warrants that the following additional documentation has been retained by the Lender and shall be made available to the Agency upon request: (1) written evidence of verification of income sources relied upon for repayment of the Home Improvement Program Loan; (2) credit report and supplementary information as appropriate for normal, prudent underwriting; (3) documentation of the current ownership of property and prior encumbrances; (4) bids and estimates for all proposed improvements; and (5) any compliance documentation required by Lender's regulatory authority. For a Home Improvement Program Loan secured with a mortgage the Lender warrants that it has submitted the original mortgage and assignment of mortgage to the county for recording, and that the recorded documents will be forwarded directly to the Agency upon receipt by the Lender.

The Lender must repurchase a Home Improvement Program Loan in the event of breach of its warranties with regard to such Program Loan.

Special Assistance Programs

Notwithstanding the above, the Agency may set aside the proceeds of Bonds under the Home Improvement Program for special assistance program components to meet specified housing needs identified by the Agency. Under such program components, the Agency may commit proceeds to Lenders that, in turn, will provide home improvement financing opportunities that address a specified need. These needs may be geographic in nature or may pertain to a homeowner's credit history, and property ownership in the form of leased land or a personal property mobile home.

Lenders are approved for the special assistance programs by way of an addendum to the Agreement specifying one or more special needs that will be targeted. The Lender may originate Home Improvement Program Loans that (1) provide a higher income limit; (2) provide a lower interest rate for lower income borrowers; (3) provide a higher loan amount; or (4) expand credit underwriting criteria to include persons who show affordability for Home Improvement Program Loan repayment but have blemishes on their credit history.

The purchase price of these special assistance Home Improvement Program Loans is the original principal balance of the subject Home Improvement Program Loan plus a processing fee of $550 or in the case of credit history issues, a $650 processing fee. Currently, the Community Fix-up Fund is the special assistance program offered by the Agency.

Terms of Home Improvement Program Loans

Home Improvement Program Loans bear simple interest, and must be structured to provide for monthly payments. The term of a Home Improvement Program Loan may not exceed 20 years. Home Improvement Program Loans are purchased in principal amounts of up to $35,000, except where consolidated with existing Agency loans, or where used exclusively for accessibility improvements, in which cases the total loan amount may not exceed $35,000. Lenders may request prior approval from the Agency to make loans exclusively for accessibility improvements in an amount greater than $35,000.

Home Improvement Program Loans are secured by a mortgage against the property if: (i) the principal amount of the Home Improvement Program Loan exceeds $10,000, (ii) the new loan plus the outstanding balances of all previously received Fix-up Fund Loans, Home Energy Loans, Community Fix-up Fund Loans and Accessibility Loans exceeds $10,000, or (iii) the lender determines that prudent lending practices require that a mortgage be taken as security for the payment of the Home Improvement Program Loan.

Mortgages on Home Improvement Program Loans are not subject to mortgage insurance and may be subordinated to an outstanding first mortgage on the property.

Home Improvement Program Loans may be prepaid at any time without penalty.

Servicing

Under the Home Improvement Program, the Agency has set forth requirements for the servicing of and accounting of Home Improvement Program Loans in a Servicing Manual. The Servicer must demonstrate adequate technical capability to the Agency's satisfaction. The Servicer must maintain at all times a fidelity bond and an errors and omissions policy issued by a company having a current rating in Best's Rating Guide of "B/IX" or better.

The Agency monitors the performance of the Servicer by reviewing the annual audited financial statements and the Servicer's systems of internal controls and reconciling monthly reports to the Agency's control accounts. The Agency has established specific requirements for the Servicer regarding the procedures to be followed in cases involving delinquencies. Under the Home Improvement Program, the Servicer will receive a monthly servicing fee not to exceed 0.95%/12 of the outstanding principal amount on Program Loans. The Agency may assign servicing to other servicers at its discretion.

Under the Series Resolution, the Agency must take or require a Servicer to take all measures, actions and proceedings reasonably necessary and deemed by it to be most effective, in light of the circumstances and the nature of the security, if any, for the Home Improvement Loan, to recover the balance due on a Defaulted Program Loan.

Home Improvement Loan Portfolio

As of March 31, 2005, the Agency had outstanding loans receivable of $98,717,000 gross, from the proceeds of the Outstanding Bonds and the Home Improvement Endowment Fund.

The Agency's combined delinquency and loss experience for the home improvement loan portfolio is currently below that for all insured U.S.-chartered commercial banks as published quarterly by the Federal Financial Institutions Examination Council in the Consolidated Reports of Condition and Income.

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs which provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix B.

For example, as of March 31, 2005, the Single Family Fund, which has a more extensive history than the Residential Housing Finance Fund, had outstanding loans receivable of $440,686,000 gross, from the proceeds of the Agency's outstanding single family mortgage bonds. As of March 31, 2005, no additional mortgage loans were being processed for purchase with moneys on deposit in the Single Family Fund. As of March 31, 2005, excluding the proceeds of short-term bonds and notes, there were approximately $945,000 of uncommitted proceeds from previous bond sales available for commitment. *None of the mortgage loans credited to the Single Family Fund secure or are available for the payment of principal of or interest on the Bonds.*

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The Series Bonds are subject to the requirements of Sections 143 and 148 and certain other sections of the Code.

The loan eligibility requirements of Section 143 applicable to Program Loans funded in whole or in part with proceeds of the Series Bonds are that (1) the Home on which the Program Loan is made is a single family residence which, at the time the Program Loan is made, is or can reasonably be expected within a reasonable time to become the principal residence of the Mortgagor and is located in the State; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the "acquisition cost" of the Home meets certain limits; (4) the family income of the Mortgagor meets certain limits; (5) with certain exceptions, the Mortgagor shall not have had a present ownership interest in his principal residence during the preceding three years; and (6) the Program Loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans were devoted to residences which met all such requirements at the time the loans were executed or assumed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The Code also imposes additional requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the Series Bonds. For example, the Code limits the amount of the costs of issuance which may be paid from the proceeds of the Series Bonds and limits the size of reserve funds established with the proceeds of the Series Bonds. In addition, the Code imposes, on a continuing basis, limitations on investment of the proceeds of the Series Bonds and requires earnings on non-mortgage investments in excess of the yield on the Series Bonds to be rebated to the United States.

The Agency has included provisions in the Resolutions, the Manual and other relevant documents, and has established procedures (including receipt of certain affidavits and warranties from Lenders, Mortgagors and others respecting the mortgage eligibility requirements) in order to ensure compliance with the requirements of the Code which must be met subsequent to the date of original issuance of the Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest on the Series Bonds will be excludable from federal gross income and not to permit any proceeds of the Series Bonds to be used in a manner which violates any of the restrictions contained in applicable federal law. In the opinion of Bond Counsel, the Manual and the Agency's covenants in the Resolutions establish procedures under which the requirements of applicable federal law can be met. Noncompliance with the requirements in the Manual and Resolutions may cause interest on the Series Bonds to become includable in the federal gross income of the owners thereof retroactive to the date of issue.

Assuming compliance with certain covenants in the Manual and Resolutions intended to assure compliance with the Code and with the procedures established by the Agency, in the opinion of Dorsey & Whitney LLP, Bond Counsel, under existing laws, regulations, rulings and decisions, interest on the Series Bonds is not includable in gross income of the owners thereof for federal income tax purposes.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. *In the opinion of Bond Counsel, interest on the 2005 Series K Bonds, the 2005 Series L Bonds and the 2005 Series M Bonds but not the 2005 Series J Bonds, will be treated as a preference item for purposes of calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2005 Series J Bonds will be included in adjusted current earnings for purposes of computing federal alternative minimum taxes imposed on corporations.*

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. *Interest on the 2005 Series K Bonds, the 2005 Series L Bonds and the 2005 Series M Bonds but not the 2005 Series J Bonds, is includable in income for purposes of calculating the Minnesota alternative minimum tax applicable to individuals, trusts and estates*. Interest on the Series Bonds is includable in the income of financial institutions and corporations for purposes of the Minnesota franchise tax.

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Series Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Series Bonds, may be subject to taxation under Section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates and trusts. Indebtedness may be allocated to the Series Bonds for this purpose even though not directly traceable to the purchase of the Series Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Series Bonds. In the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Series Bonds within the meaning of Section 265(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Series Bonds that is received or accrued during the taxable year. Interest on the Series Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code, and is included in net investment income of foreign insurance companies under Section 842(b) of the Code.

The market value and marketability of the Series Bonds may be adversely affected by future changes in federal or Minnesota tax treatment of interest on the Series Bonds or by future reductions in income tax rates.

The PAC Term Bonds are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the PAC Term Bonds must, from time to time, reduce their federal and Minnesota income tax bases for the PAC Term Bonds for purposes of determining gain or loss on the sale or payment of such PAC Term Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire PAC Term Bonds at a premium might recognize taxable gain upon the sale of the PAC Term Bonds, even if such PAC Term Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire PAC Term Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling PAC Term Bonds acquired at a premium.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE SERIES BONDS OR RECEIPT OF INTEREST ON THE SERIES BONDS. PROSPECTIVE PURCHASERS OR BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO COLLATERAL TAX CONSEQUENCES AND APPLICABLE STATE AND LOCAL TAX RULES IN STATES OTHER THAN MINNESOTA.

Certain State Tax Legislation

The 1995 State Legislature enacted a statement of intent, codified as Minnesota Statutes, Section 289A.50, subdivision 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts and estates for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. No similar legislation was proposed or approved during recent legislative sessions. The Agency is not aware of any judicial decision holding that a state's exemption of interest on its own bonds or those of its political subdivisions or Indian tribes, but not of interest on the bonds of other states or their political subdivisions or Indian tribes, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. Nevertheless, the Agency cannot predict the likelihood that interest on the Series Bonds would become taxable (for Minnesota income tax purposes) under this Minnesota statutory provision.

LEGAL MATTERS

The validity of and the tax exemption of interest on the Series Bonds are subject to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel. The respective opinions of Bond Counsel will be provided in substantially the forms set forth in Appendix G attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Initial Liquidity Provider by its domestic counsel, Nixon Peabody LLP, New York, New York, and by its English counsel.

FINANCIAL ADVISOR

The Agency has appointed Caine Mitter & Associates Incorporated to serve as financial advisor to the Agency on matters related to the issuance of the Series Bonds.

UNDERWRITERS

The Series Bonds are being underwritten by the Underwriters, for which UBS Financial Services Inc., Piper Jaffray & Co. and RBC Dain Rauscher Inc. are acting as Managers. The Underwriters are to be paid a fee of $918,847.08 with respect to the purchase of the Series Bonds. The Underwriters may offer and sell such Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By /s/ Timothy E. Marx
Commissioner

Dated: June 22, 2005.

APPENDIX A

CERTAIN FINANCIAL STATEMENTS REGARDING THE RESIDENTIAL HOUSING FINANCE FUND AND THE GENERAL RESERVE

(Unaudited)

For the nine months ended March 31, 2005

As prepared by the Agency's Accounting Department

MINNESOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET ASSETS
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

	March 31, 2005 (unaudited)	
	General Reserve	Residential Housing Finance
ASSETS		
Cash and cash equivalents	$ 12,867	$ 642,256
Investment securities	110,995	91,065
Loans receivable, net	-	823,876
Interest receivable on loans	-	3,509
Interest receivable on investments	787	4,596
FHA/VA insurance claims	-	478
Real estate owned	-	133
Capital assets, net	436	-
Capital assets not being depreciated	1,854	
Other assets	1,066	9
Total Assets	$ 128,005	$ 1,565,922
LIABILITIES AND NET ASSETS		
Liabilities:		
Bonds payable, net	$ -	$ 1,075,072
Interest payable	-	8,393
Accounts payable and other liabilities	3,168	2,414
Interfund payable (receivable)	7,226	(27,767)
Funds held for others	85,313	-
Total liabilities	95,707	1,058,112
Net Assets:		
Restricted by bond resolution	-	247,202
Restricted by covenant	30,008	260,608
Invested in capital assets	2,290	-
Total net assets	32,298	507,810
Total liabilities and net assets	$ 128,005	$ 1,565,922

MINNESOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

	For Nine Months Ended March 31, 2005 (unaudited)	
	General Reserve	Residential Housing Finance
Revenues:		
Interest earned on loans	$ -	$ 32,627
Interest earned on investments	564	13,632
Administrative reimbursement	13,019	-
Fees earned and other income	6,261	339
Unrealized (losses) gains on securities	(911)	107
Total revenues	18,933	46,705
Expenses:		
Interest	-	24,485
Loan administration and trustee fees	-	2,278
Administrative reimbursement	-	4,472
Salaries and benefits	10,058	-
Other general operating	3,294	618
Reduction in carrying value of certain low interest rate deferred loans	-	3,406
Provision for loan losses	-	1,704
Total expenses	13,352	36,963
Revenues over (under) expenses	5,581	9,742
Other changes:		
Non-operating transfer of assets between funds	(3,398)	11,031
Change in net assets	2,183	20,773
Total net assets, beginning of period	30,115	487,037
Total net assets, end of period	$ 32,298	$ 507,810

MINNESOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

	For Nine Months Ended March 31, 2005 (unaudited)	
	General Reserve	Residential Housing Finance
Cash flows from operating activities:		
Principal repayments on loans……………..	$ -	$ 68,616
Investment in loans…………………………..	-	(266,277)
Interest received on loans……………………	-	32,651
Other operating………………………………	-	(618)
Fees and other income received……………	6,330	372
Salaries, benefits and vendor payments…..	(13,210)	(3,448)
Administrative reimbursement from funds……………………………………	13,139	(4,472)
Interest transferred to funds held for others……………………………………	(1,737)	-
Deposits into funds held for others…………	23,176	-
Disbursements made from funds held for others……………………………………	(24,373)	-
Interfund transfers and other assets……….	(1,156)	454
Net cash provided (used) by operating activities…………………………	2,169	(172,722)
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds………………	-	413,147
Principal repayment on bonds………………	-	(271,210)
Interest paid on bonds and notes…………..	-	(27,202)
Financing costs paid related to bonds issued………………………………………..	-	(1,852)
Interest paid/received between funds………	-	1,635
Principal paid/received between funds……..	-	218
Agency contribution to program funds……..	-	8,443
Transfer of cash between funds……………	-	(810)
Net cash provided by noncapital financing activities……………..	-	122,369
Cash flows from investing activities:		
Investment in real estate owned……………	-	(64)
Interest received on investments……………	2,715	9,749
Procceeds from sale of mortgage insurance claims/real estate owned……..	-	1,033
Proceeds from maturity, sale, or transfer of investment securities…………	69,728	75,706
Purchase of investment securities…………	(66,552)	(23,732)
Purchase of loans between funds…………	-	-
Net cash provided (used) by investing activities…………………………..	5,891	62,692
Net increase (decrease) in cash and cash equivalents………………………	8,060	12,339
Cash and cash equivalents, net:		
Beginning of period………………………….	4,807	629,917
End of period…………………………………	$ 12,867	$ 642,256

MINNESOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS (continued)
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

	For Nine Months Ended March 31, 2005 (unaudited)	
	General Reserve	Residential Housing Finance
Revenues over (under) expenses…………….	$ 5,581	$ 9,742
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:		
Amortization of premiums and fees on loans…………………………..	-	730
Depreciation…………………………………..	427	-
Realized losses on sale of securities, net……………………………………………	5	(98)
Unrealized losses (gains) on securities, net……………………………………………	911	(107)
Provision for loan losses……………………	-	1,704
Reduction in carrying value of certain low interest rate deferred loans…………………	-	3,406
Capitalized interest on loans and real estate owned………………………………..	-	(84)
Interest earned on investments……………..	(569)	(14,914)
Interest expense on bonds and notes……..	-	24,485
Changes in asseets and liabilities:		
Increase in loans receivable, excluding loans transferred between funds…………	-	(197,661)
Increase in interest receivable on loans…………………………	-	(622)
Increase in arbitrage rebate liability……….	-	1,380
Interest transferred to funds held for others………………………………………..	(1,737)	-
Decrease in accounts payable…………….	(288)	(1,136)
Increase (decrease) in interfund payable, affecting operating activities only…………………………………………..	120	(45)
(Decrease) increase in funds held for others………………………………………..	(1,197)	-
Other…………………………………………..	(1,084)	498
Total …………………………………………..	(3,412)	(182,464)
Net cash provided (used) by operating activities…………………………	$ 2,169	$ (172,722)

MINNESOTA HOUSING FINANCE AGENCY
CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates market and are composed of the following at March 31, 2005:

Funds	Deposits	Repurchase Agreements	Investment Agreements	Cash Equivalent Investment Securities	Combined Totals
General Reserve………………………………	$ 341	$ 12,526	$ -	$ -	$ 12,867
Residential Housing Finance………………..	615	76,483	565,158	-	642,256

Investment Securities

Investment securities are recorded at fair market value and are composed of the following at March 31, 2005:

	Fair Market Value		
Funds	US Treasuries, US Agencies and Municipals, at Amortized Cost	Unrealized Appreciation/ (Depreciation) in Fair Market Value	Estimated Market Value
General Reserve………………………………	$ 111,810	$ (815)	$ 110,995
Residential Housing Finance………………..	89,873	1,192	91,065

MINNESOTA HOUSING FINANCE AGENCY
LOANS RECEIVABLE, NET
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Loans receivable, net at March 31, 2005 consist of:

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Discounts and Fees	Loans Receivable, Net
General Reserve………………………………	$ -	$ -	$ -	$ -
Residential Housing Finance………………..	874,689	(48,311)	(2,502)	823,876

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the inancial statements.

Bonds payable, net at March 31, 2005 are as follows:

Funds	Outstanding Principal	Unamortized Deferred Finance and Issuance Costs	Net Unamortized Premium	Bonds Payable, Net
General Reserve………………………………	$ -	$ -	$ -	$ -
Residential Housing Finance………………..	1,076,790	(5,182)	3,464	1,075,072

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET (continued)
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Residential Housing Finance

Outstanding Principal of bonds payble at March 31, 2005 are as follows:

Series	Interest Rates	Maturity Due	Original Amount	Outstanding Amount
1995 Series A	5.05% to 5.85%	2005-2017	$ 53,645	$ 15,090
2002 Series A	4.75% to 5.30%	2012-2019	14,035	5,830
2002 Series B	3.85% to 5.65%	2005-2033	59,650	27,575
2002 Series A-1	4.20% to 4.90%	2012-2019	6,860	6,860
2002 Series B-1	2.80% to 5.35%	2005-2033	25,760	24,150
2002 Series C	1.20%	2005	24,285	24,285
2002 Series D	1.25%	2005	11,230	11,230
2002 Series E	4.30% to 5.00%	2013-2020	12,805	12,065
2002 Series F	2.85% to 5.40%	2005-2032	52,195	46,785
2002 Series H	3.88% to 4.93%	2007-2012	20,000	20,000
2003 Series A	1.40% to 4.25%	2005-2034	40,000	39,045
2003 Series B	Variable	2033	25,000	25,000
2003 Series D	1.40%	2005	36,240	36,240
2003 Series E	1.50%	2005	64,975	64,975
2003 Series H	1.62%	2005	38,610	38,610
2003 Series I	1.85% to 5.25%	2005-2035	25,000	24,280
2003 Series J	Variable	2033	25,000	24,860
2003 Series K-1	2.25%	2006	24,150	24,150
2003 Series K-2	2.25%	2006	20,045	20,045
2003 Series L-1	2.35%	2006	21,600	21,600
2003 Series L-2	2.35%	2006	111,515	111,515
2004 Series A	3.20% to 4.25%	2011-2018	22,480	22,060
2004 Series B	1.55% to 4.70%	2005-2033	94,620	91,670
2004 Series C	4.70%	2035	14,970	14,690
2004 Series E-1	4.10% to 4.60%	2012-2016	5,110	5,110
2004 Series E-2	4.40% to 4.60%	2014-2016	6,475	6,475
2004 Series F-1	2.45% to 4.50%	2006-2012	4,600	4,600
2004 Series F-2	3.20% to 5.25%	2007-2034	36,160	36,160
2004 Series G	Variable	2032	50,000	50,000
2004 Series H	1.62%	2005	41,510	41,510
2004 Series I	2.20%	2005	740	740
2004 Series J	2.30%	2005	56,540	56,540
2004 Series K	2.30%	2005	63,045	63,045
2005 Series A	2.40% to 4.125%	2007-2018	14,575	14,575
2005 Series B	4.75% to 5.00%	2030-2035	20,425	20,425
2005 Series C	Variable	2035	25,000	25,000
			$ 1,168,850	$ 1,076,790

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET (continued)
(for specified funds)
(unaudited)
(in thousands)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, this presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Residential Housing Finance

Using rates as of March 31, 2005, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2006	$ -	$ 3,293	$ 2,075	$ 5,368
2007	-	3,756	1,913	5,669
2008	-	3,756	1,726	5,482
2009	-	3,756	1,519	5,275
2010	-	3,756	1,338	5,094
2011-2015	-	18,779	4,176	22,955
2016-2020	1,960	18,711	797	21,468
2021-2025	31,810	16,879	(1,621)	47,068
2026-2030	53,040	10,136	(2,859)	60,317
2031-2034	38,050	2,257	(1,127)	39,180

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, the presentation excludes all other funds of the Agency as well as management's discussion and analysis which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Swap Disclosure

Objective of Swaps. During 2003, 2004 and 2005 the Agency entered into interest rate swap agreements in connection with issuing variable rate revenue bonds. The intentions of the swaps were to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds and to achieve the Agency's goal of lending to low and moderate income, first-time home buyers at below market, fixed interest rates.

Terms of Swaps. The terms, including the fair values and credit ratings of the outstanding swaps as of March 31, 2005, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. The Agency has purchased the cumulative right, based upon a 300% Bond Market Association (BMA) prepayment rate on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary and the right to terminate the outstanding swap balances at par value on or after the 20 year anniversary dates of the swaps.

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET (continued)
(for specified funds)
(unaudited)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, the presentation excludes all other funds of the Agency as well as management's discussion and analysis, which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Associated Bond Series	Current Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
RHFB 2003B	$ 25,000,000	July 23, 2003	3.532%	65% of 1 month LIBOR* plus 0.23% per annum	$ 708,800	January 1, 2033	Aa2**/AA+***
RHFB 2003J	$ 25,000,000	October 15, 2003	4.183%	65% of 1 month LIBOR* plus 0.23% per annum	($1,175,935)	July 1, 2033	Aa2**/AA+***
RHFB 2004G	$ 50,000,000	July 22, 2004	4.165%	65% of 1 month LIBOR* plus 0.23% per annum	($1,973,387)	January 1, 2032	Aa2**/AA-***
RHFB 2005C	$ 25,000,000	March 2, 2005	3.587%	64% of 1 month LIBOR* plus 0.28% per annum	($ 105,076)	January 1, 2035	Aa2**/AA+***
Total	$125,000,000				($2,545,598)		

* - London Inter-Bank Offered Rate
** - Moody's Investor Service, Inc.
*** - Standard & Poor's Inc.

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET (continued)
(for specified funds)
(unaudited)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, the presentation excludes all other funds of the Agency as well as management's discussion and analysis, which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Swap Valuation. The Fair Values presented above were estimated by the Agency's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Agency based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Agency's swap contracts. The Fair Values in the table above represent the termination payments that would have been due had the swaps been terminated as of March 31, 2005. A positive fair value represents money due the Agency by the counterparty upon termination of the swap while a negative fair value represents money payable by the Agency.

Termination Risk. The Agency's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the fair value of the swap. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Agency's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency**.**

Credit Risk. The terms of the swaps expose the Agency to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Agency's current credit exposure to the counterparty with which the swaps were executed. As of December 31, 2004, the Agency did not have a net credit risk exposure to its counterparty because the swaps had a negative net fair value. The swap agreements contain varying collateral requirements based upon counterparty credit rating and the fair value of the swap. These bi-lateral requirements are established to mitigate potential credit risk exposure. These requirements were met as of March 31, 2005.

Amortization Risk. The Agency may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the swaps to enable the Agency to closely manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Agency may terminate the swaps at market value at any time.

MINNESOTA HOUSING FINANCE AGENCY
BONDS PAYABLE, NET (continued)
(for specified funds)
(unaudited)

The following information with respect to the General Reserve and Residential Housing Finance Fund for the period ended March 31, 2005 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those Funds for the period ended March 31, 2005. However, the presentation excludes all other funds of the Agency as well as management's discussion and analysis, which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix A should be read in connection with the audited financial statements included in Appendix B, including the notes to the financial statements.

Basis Risk. The Agency incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Agency pays a variable rate on its bonds based on the weekly tax-exempt BMA rate but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. As of March 31, 2005, the interest rate on the Agency's variable rate debt ranged from 2.28% to 2.35% per annum while the variable interest rates on the swaps ranged from 1.98% to 2.00% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between these two interest rate indices.

Tax Risk. The structure of the variable interest rate payments the Agency receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency has chosen to assume this risk because it was economically unfeasible to transfer to the swap counterparty.

APPENDIX B

FINANCIAL STATEMENTS

MINNESOTA HOUSING FINANCE AGENCY
Annual Financial Report as of and for the year ended June 30, 2004

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MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report

As the 2003 Financial Report was prepared I had just assumed the duties of Commissioner. In my report I stated that "as a result of the work and commitment of my predecessors, the Agency's board, the senior leadership and staff of the Agency, and the state of Minnesota's continued commitment to housing issues, I am confident that the Agency will thrive in this new Administration and continue to deliver on its mission for the state of Minnesota." My confidence was well founded.

The Agency experienced another year of solid financial performance, we continued to deliver housing programs to meet the needs of low- and moderate-income Minnesotans, and we have adopted and are implementing an ambitious strategic plan that will allow Minnesota to continue to be a national leader in meeting the housing needs of its low- and moderate-income citizens.

Financially, the Agency continued to increase the net assets of its bond funds and General Reserve, in spite of the challenges of an historically low interest rate environment and accelerated loan prepayments. Net assets of both the State and Federal Appropriated funds decreased as expected due to spending down appropriations accumulated from prior years.

There was continued strong demand for the Agency's programs. In the last program year (October 1, 2002 to September 30, 2003), the Agency continued its efforts to provide decent, safe, and affordable housing by serving over 57,000 households; 51% of the households served, excluding those living in Section 8 project-based housing, had annual incomes under $20,000. The Agency provided more than $465 million of housing assistance in three main areas: $162 million for homeownership programs, primarily in the form of first mortgages and entry cost assistance, $45 million for home improvement programs, and $258 million for rental housing programs, including financing of new construction, rehabilitation, preservation of federal assistance, and rental assistance. The increase over the previous year of assistance provided for rental housing programs is largely due to two factors: a doubling of the amount of first mortgage financing provided by the Agency and an increase in the amount of the housing assistance payments made for properties in the Agency's portfolio as well as the HUD-financed portfolio. The decrease in housing assistance for homeownership programs over the previous year is attributable primarily to an extremely low interest rate environment and low purchase price limits, which were subsequently raised.

As of the end of the last fiscal year, the Agency oversaw a portfolio of more than 22,000 first mortgage and deferred loans for homeownership, 15,000 second mortgage loans for home improvement and 1,200 first mortgage and deferred loans for rental housing as well as administering the federal tax credit program.

In February 2004 the Agency finalized a strategic plan that is intended to guide our work through 2007. The plan was the result of input from Agency stakeholders throughout the state, Governor Pawlenty, the Agency Board, senior leadership and staff. The plan was also informed by analyses of various housing and community development data and trends, including the "Next Decade of Housing in Minnesota" prepared by BBC Research & Consulting. Grounded in the values of stewardship and the relentless pursuit of results, the plan sets fourth five strategic goals:

- End long-term homelessness;
- Increase minority homeownership;
- Preserve strategically the existing affordable housing stock;
- Increase housing choices for low- and moderate-income workers; and
- Establish the MHFA as a housing partner of choice.

MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report (continued)

We are developing more specific business or implementation plans for each goal. A business plan to end long-term homelessness was completed in March 2004, and a business plan to increase homeownership in Minnesota's emerging markets will be forthcoming in March 2005. In addition, specific initiatives, such as implementation of the Agency's information technology plan, are being pursued to maintain and enhance the Agency's organizational infrastructure and core housing programs. In short, we have our plan, are working the plan, and will be accountable for results.

As we work our plan, we are mindful of the continued challenges to produce and preserve affordable housing including federal actions on the Section 8 Housing Choice Voucher Program, the long-term viability of the mortgage revenue bond program under the current tax code, and continued federal and state fiscal uncertainty.

The Agency will continue to provide leadership at the state and national level to confront these and similar challenges.

We begin the next fiscal year with a compelling mission, a sound plan, and with the financial and organizational capacity to execute. I look forward to reporting to you on another successful year in August of 2005.

Timothy E. Marx, Commissioner
Minnesota Housing Finance Agency
August 23, 2004

Independent Auditors' Report

To the Members of the
Minnesota Housing Finance Agency

We have audited the accompanying basic financial statements of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, State Appropriated, and Federal Appropriated) of the Minnesota Housing Finance Agency (the "Agency"), a component of the State of Minnesota, as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, State Appropriated, and Federal Appropriated) of the Agency as of June 30, 2004, and the respective changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information, such as management's discussion and analysis on pages 6 through 17, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information, such as the introductory section and the supplemental information section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the Agency's management. The accompanying supplementary information, such as the introductory section and the supplemental information section, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

Minneapolis, Minnesota
August 23, 2004

MINNESOTA HOUSING FINANCE AGENCY
Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the financial statements and notes thereto.

Introduction

The Minnesota Housing Finance Agency (MHFA or the Agency) was created in 1971 by an Act of the Minnesota legislature. It was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing for mortgage loans, development loans, and technical assistance to qualified housing sponsors to be used for construction and rehabilitation of housing. MHFA is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified non-bond-financed programs. MHFA also receives funds appropriated by the federal government for similar purposes.

MHFA is authorized to issue bonds and other obligations to fulfill its corporate purposes up to a total outstanding amount of $3.0 billion. The bonds and other obligations by law are not a debt of the State of Minnesota or any political subdivision thereof.

MHFA operates two program divisions — Multifamily and Minnesota Homes — which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, allocation of the Federal Low Income Tax Credit, Minnesota's Housing Trust Fund and MHFA's endowment funds and Alternative Loan Fund.

The members of MHFA (hereinafter referred to as the Board) consist of six members appointed at large by the Governor and one ex-officio member (the State Auditor).

Discussion of Financial Statements

The financial section consists of three parts — independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of MHFA:

- The first two statements are Agency-wide financial statements that provide information about MHFA's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets and the Statement of Activities. Significant interfund transactions have been eliminated within the Agency-wide statements. Assets and revenues of the separate funds that comprise the Agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used in any aggregate manner.
- The remaining statements are fund financial statements of MHFA's six proprietary funds, which are also presented on the accrual basis because of the similarity of their operations to that of business activities.
- The financial statements also include "Notes to Financial Statements" which provide more detailed explanations of certain information contained in the Agency-wide and fund financial statements.
- Additional supplementary information is presented following the Notes to Financial Statements for certain funds of MHFA, which have been established under the bond resolutions under which MHFA borrows funds for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, and Single Family.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2003. Although not required, these comparative totals are intended to facilitate an enhanced understanding of MHFA's financial position and results of operations for the current fiscal year in comparison to the prior fiscal year.

Discussion of Individual Funds

General Reserve

The purposes of General Reserve are to maintain sufficient cash for MHFA operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). On the Statement of Revenues and Expenses for General Reserve, only the costs of administering MHFA programs are captured. The fees earned are generally related to the administration of the federal housing tax credit program and contract administration of the Section 8 program for developments not financed by MHFA.

Rental Housing

The majority of the loans presently held in Rental Housing receive Section 8 payments under contracts that are for substantially the same length of time as the mortgage loans.

Inherent risks remain in these portfolios, especially in the multifamily developments without project-based tenant subsidies. Maintaining asset quality remains a high priority for MHFA, so this portfolio continues to receive a significant amount of MHFA staff attention.

All of MHFA's new bond-financed multifamily loans are financed in Rental Housing. A portion of MHFA's Alternative Loan Fund is also available to finance multifamily developments.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the resolution, the Bond Restricted Home Improvement, Homeownership, and Multifamily Endowment Funds, and the Restricted by Covenant Alternative Loan Fund consisting of the Housing Investment Fund (also referred to as Pool 2) and Housing Affordability Fund (also referred to as Pool 3).

Bonds issued to date were for the purpose of funding purchases of single family first mortgage and home improvement subordinated mortgage loans. The majority of the single family loans held under these bond issues were FHA insured, or VA or RD guaranteed. This bond resolution is the principal source of financing for bond-financed homeownership programs. MHFA may also issue bonds for its home improvement loan program in this fund although no bonds were issued to support home improvement lending during fiscal year 2004.

The Home Improvement Endowment Fund continues to be the principal source of financing for MHFA's home improvement loan programs. Loan repayments were utilized to finance new loan activity for home improvement loan programs during fiscal year 2004.

The Homeownership Endowment Fund is a source of funding for entry cost housing assistance for first-time homebuyers, below-market interim financing during construction and/or rehabilitation of single family housing and for warehousing loans.

The Multifamily Endowment Fund is the principal source of funding for innovative multifamily programs that are not candidates for bond financing, such as a tenant services program, a contingency fund, non-profit capacity building, flexible financing, incentive loans and a program for leveraging investments in neighborhoods and communities.

The Housing Investment Fund is currently invested in investment grade housing loans, as defined by MHFA, and may also be used to advance funds to retire high rate debt and to warehouse loans.

The Housing Affordability Fund includes a reserve, consisting of cash and investment grade housing loans, as defined by MHFA, for future administrative costs and other funds that may be used as a source of funding for bond sale contributions, multifamily first and subordinated mortgage loans, including zero-percent deferred loans, and other below-market rate loans with higher than ordinary risk factors. It may also be used to advance funds to retire high rate debt and to warehouse loans.

Discussion of Individual Funds (continued)

Single Family

This fund was historically the principal source of financing for MHFA's bond-financed homeownership programs. In fiscal year 2002, MHFA began to utilize the Residential Housing Finance Fund as its principal source of financing for these programs, because of the increased flexibility afforded by that bond resolution. Certain Single Family funds in excess of bond resolution requirements are budgeted for and used for bond sale contributions in connection with bonds issued under the Residential Housing Finance Bonds resolution.

The majority of the loans in Single Family have either FHA insurance or a VA or RD guarantee. Delinquency and foreclosure rates continue to track with the Minnesota Mortgage Bankers Association averages.

In addition to the uses described above, funds in excess of bond resolution requirements for each bond resolution described above are budgeted for and used to redeem bonds and to fund housing programs and Agency operations.

State and Federal Appropriated Funds

The appropriated funds are maintained by MHFA for the purpose of receiving and disbursing monies legislatively appropriated by the state and federal government for housing. All of the appropriated funds' net assets are restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged to support the bondholders or creditors of MHFA.

The State Appropriated Fund was established to account for funds received from the state legislature, which are to be used for programs for low- to moderate-income persons and families in the form of low-interest loans, no-interest deferred loans, innovative development and other housing-related program costs.

The Federal Appropriated Fund was established to account for funds received from the federal government which are to be used for programs for low- to moderate-income persons and families in the form of no-interest deferred loans, grants, support to other non-profit housing organizations and other housing-related program costs.

General Overview

The following discussion is organized with two primary users in mind. The first primary user may be characterized with a focus on financial information particularly relevant from the perspective of bondholders and creditors of MHFA. The second primary user may be characterized with a focus on financial information particularly relevant to public funds appropriations, and the public policies those funds support.

The Agency defines the term "major funds" to include: General Reserve, Rental Housing, Residential Housing Finance, Single Family, State Appropriated, and Federal Appropriated.

MHFA financial statements are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds. The combined Agency-wide financial statements are provided to display a comprehensive view of all MHFA funds as required by accounting principles generally accepted in the United States of America. The Agency-wide financial statements reflect totals of similar accounts of various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency resolutions or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically described in their respective bond resolutions and are pledged for the primary benefit of the respective bondholders and creditors. General Reserve is created under the MHFA bond resolutions as part of the pledge of the general obligation of MHFA. MHFA covenants in the bond resolutions that it will use the money in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the MHFA enabling legislation, including reserves for the payment of

General Overview (continued)

bonds and notes and of loans made from the proceeds thereof, and shall accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

MHFA has no taxing power and neither the State of Minnesota nor any subdivision thereof is obligated to pay the principal or interest on debt and bonds issued by MHFA. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in MHFA to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to MHFA by the State of Minnesota or made available to MHFA from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of State Appropriated and Federal Appropriated Funds are not pledged to support the debt or general obligations of MHFA.

In addition to its audited annual financial statements, MHFA publishes quarterly disclosure reports for the Single Family and Residential Housing Finance bond resolutions, and semi-annual disclosure reports for the Rental Housing bond resolution. These disclosure reports can be found on MHFA's web site at www.mhfa.state.mn.us.

MINNESOTA HOUSING FINANCE AGENCY
Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
Condensed Financial Information

Selected Elements From Statement of Net Assets (in $000's)

		Agency-wide Total[1]		Change	Combined General Reserve and Bond Funds	
		2004	2003	$	2004	2003
Assets	Cash and Investments	1,335,512	1,297,550	37,962	1,249,343	1,173,305
	Loans receivable, Net	1,413,897	1,478,002	(64,105)	1,384,804	1,450,478
	Interest Receivable	11,334	13,543	(2,209)	10,820	12,285
	Total Assets	2,767,995	2,793,810	(25,815)	2,650,746	2,640,039
Liabilities	Bonds Payable	1,844,589	1,846,679	(2,090)	1,844,589	1,846,679
	Interest Payable	36,283	43,464	(7,181)	36,283	43,464
	Funds Held for Others	88,163	88,116	47	86,510	86,344
	Total Liabilities	1,986,907	1,993,630	(6,723)	1,983,768	1,991,580
Net Assets	Restricted by Bond Resolution	387,747	382,253	5,494	387,747	382,253
	Restricted by Covenant	277,457	265,473	11,984	277,457	265,473
	Restricted by Law	114,110	151,721	(37,611)	—	—
	Total Net Assets	781,088	800,180	(19,092)	666,978	648,459

Selected Elements From Statement of Revenues, Expenses, and Changes in Net Assets (in $000's)

		Agency-wide Total[1]		Change	Combined General Reserve and Bond Funds	
		2004	2003	$	2004	2003
Revenues	Interest Earned	134,431	150,367	(15,936)	132,544	145,010
	Appropriations Received	189,913	198,516	(8,603)	—	—
	Fees and Reimbursements	10,344	10,420	(76)	23,232	23,281
	Total Revenues	338,726	376,348	(37,622)	146,754	173,685
Expenses	Interest Expense	89,514	101,023	(11,509)	89,514	101,023
	Appropriations Disbursed	180,098	170,693	9,405	—	—
	Fees and Reimbursements	5,339	5,981	(642)	14,834	15,122
	Payroll, Gen. & Admin.	20,310	21,471	(1,161)	19,165	19,667
	Loan Loss/Value Adjust's	48,894	52,984	(4,090)	4,722	1,775
	Total Expenses	357,818	365,823	(8,005)	128,235	137,587
	Revenues over Expenses	(19,092)	10,525	(29,617)	18,519	36,098
	Beginning Net Assets	800,180	789,655	10,525	648,459	612,361
	Ending Net Assets	781,088	800,180	(19,092)	666,978	648,459

(1) Agency-wide totals include interfund amounts.

Change $	Combined State and Federal Appropriations Funds 2004	2003	Change $
76,038	86,169	124,245	(38,076)
(65,674)	29,093	27,524	1,569
(1,465)	514	1,258	(744)
10,707	117,249	153,771	(36,522)
(2,090)	—	—	—
(7,181)	—	—	—
166	1,653	1,772	(119)
(7,812)	3,139	2,050	1,089
5,494	—	—	—
11,984	—	—	—
—	114,110	151,721	(37,611)
18,519	114,110	151,721	(37,611)

Change $	Combined State and Federal Appropriations Funds 2004	2003	Change $
(12,466)	1,887	5,357	(3,470)
—	189,913	198,516	(8,603)
(49)	775	810	(35)
(26,931)	191,972	202,663	(10,691)
(11,509)	—	—	—
—	180,098	170,693	9,405
(288)	4,168	4,530	(362)
(502)	1,145	1,804	(659)
2,947	44,172	51,209	(7,037)
(9,352)	229,583	228,236	1,347
(17,579)	(37,611)	(25,573)	(12,038)
36,098	151,721	177,294	(25,573)
18,519	114,110	151,721	(37,611)

FINANCIAL HIGHLIGHTS

When reading the following financial highlights section referring to the General Reserve and bond funds, the reader is encouraged to review the Fund Financial Statements included as supplementary information in the 2004 Financial Report.

General Reserve and Bond Funds — Statement of Net Assets

In recent years, the type of assets in General Reserve and bond funds has been comparatively stable with loans receivable, investments, cash, cash equivalents, and interest receivable comprising the majority of assets. Equipment, fixtures, furniture, capitalized software costs, and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets.

Loans receivable, net is the largest single category of bond fund assets; they are limited to housing-related lending that supports a public mission objective. Loans receivable, net decreased 5% to $1,385 million at June 30, 2004 as a result of prepayments and repayments of loans exceeding new loan purchases and originations. There are no loan assets in General Reserve.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to assure adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents increased 6% to $1,249 million at June 30, 2004 due to proceeds of loan prepayments on hand and higher levels of short-term debt outstanding at fiscal year end.

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 12% to $10.820 million at June 30, 2004 generally as a result of historically low interest rates and declining loans outstanding.

Bonds payable, net is the largest single category of liabilities, resulting from debt issued to fund housing-related lending that supports MHFA's mission. Bonds payable decreased negligibly to $1,845 million at June 30, 2004 resulting from early redemptions made possible by accelerated loan prepayments, optional redemptions from Agency resources, scheduled redemptions and bond maturities, which marginally exceeded new debt issuance.

The companion category of interest payable decreased 17% to $36.283 million at June 30, 2004 as a result of reduced interest rates and fewer average bonds outstanding.

There is no debt issued in General Reserve. General Reserve does recognize a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to the loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and certain operating expenditures. Funds held for others in General Reserve increased negligibly to $86.510 million at June 30, 2004 since deposits were approximately equal to payments made from escrows.

Accounts payable and other liabilities increased 10% to $15.152 million at June 30, 2004 primarily as a result of higher levels of general and administrative expenses payable. The largest component of accounts payable continues to be arbitrage liability on tax-exempt bonds pursuant to federal law, which is payable to the United States Treasury. The MHFA obtains from independent valuation specialists annual calculations of its arbitrage rebate liability.

Interfund payable/receivable exists primarily as a result of pending administrative and program reimbursements among funds. Most administrative expenses are paid from General Reserve, with the bond funds and Appropriated Funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

Net assets of General Reserve and bond funds are divided into two primary categories. Net assets Restricted by Bond Resolution are pledged to the payment of bonds, subject to bond resolution requirements that authorize MHFA to withdraw funds in excess of the amounts required

General Reserve and Bond Funds — Statement of Net Assets (continued)

to be maintained under the bond resolutions. Net assets Restricted by Covenant are subject to a covenant with bondholders that the Agency shall use the money in General Reserve (including the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of the MHFA enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and shall accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to ensure that funds are preserved to provide financial security for the Agency's bondholders as covenanted in the bond resolutions. Net assets increased 3% to $666.978 million at June 30, 2004 as a result of consistent financial performance of the bond funds.

Capital assets, net (equipment, fixtures, furniture, software costs) continue to be insignificant in relation to General Reserve and bond fund assets, representing less than 1% of total net assets. Capital assets are recorded in General Reserve.

General Reserve and Bond Funds — Revenues Over Expenses

Revenues over expenses of General Reserve and bond funds remained adequate in fiscal year 2004, modestly lower than fiscal year 2003 after considering the net effect of unrealized gains and losses that result from market valuation adjustments to certain investment assets. Compared to the prior year, both total revenues and total expenses were down. Offsetting some of the unfavorable effects of interest revenue declines was the favorable effect of interest expense declines.

The largest revenue component, interest earned, was down throughout the year as yields on loans and investments remained at historically low levels. Combined interest revenues of General Reserve and bond funds from loans and investments declined 9% to $132.544 million compared to the prior year, consistent with historically low interest rates. Loan interest was lower in fiscal year 2004 as mortgage loan refinancing caused higher levels of prepayments and, when combined with repayments, exceeded new loan purchases and originations which were also at lower interest rates. Investment interest was lower in fiscal year 2004 due to continued low interest rates.

Administrative reimbursements to General Reserve from bond funds decreased negligibly to $14.349 million compared to prior year as administrative expense requirements remained similar to fiscal year 2003 in General Reserve.

Other fee income to General Reserve and bond funds decreased negligibly to $8.883 million compared to the prior year. The primary components of other fee income continue to be federal housing tax credit program fees, Section 8 contract administration fees and federal Housing Assistance Payments administration fees.

MHFA recorded $9.022 million of unrealized losses on investment securities during fiscal year 2004, compared to $5.394 million of unrealized gains during the prior year, for a net decrease of $14.416 million. Unrealized losses occurred when the cumulative unrealized gains from prior periods were reversed as the investment securities neared maturity and when interest rates began rising in 2004.

Interest expense of the bond funds decreased 11% to $89.514 million compared to the prior year as a result of reduced interest rates on recently issued bonds and fewer average bonds outstanding.

Combined expenses for loan administration, trustee fees and administrative reimbursements in the bond funds declined slightly by 2% to $14.834 million compared to the prior year. The majority of the decrease is a result of the reduction of loan administration fees as loans outstanding has declined. Note that $13.663 million of the total administrative fee reimbursement revenue of $14.349 million was interfund charges which were eliminated for purposes of financial reporting in the Agency-wide financial statements.

General Reserve and Bond Funds — Revenues Over Expenses (continued)

Salaries, benefits, and other general operating expenses in General Reserve and bond funds decreased 2% to $19.165 million compared to the prior year due to capitalized expenses for information systems development projects.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds increased by $2.823 million to $2.492 million as valuation reductions of new deferred loans exceeded recoveries from existing deferred loans.

Provision for loan loss expense in the bond funds increased 6% to $2.230 million, consistent with management's assessment of increasing loan portfolio risk despite declining loan volume. Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund requirement, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements.

Combined revenues over expenses for General Reserve and the bond funds decreased 49% to $18.519 million compared to prior year. After considering the non-operating effects of unrealized gains and losses that adjust certain investment asset values to market conditions, the combined revenues over expenses are down primarily as a result of historically low interest rates and declining loan assets. Although down from the previous year, this level of net revenue over expenses remains comparable at the lower range of performance of General Reserve and the bond funds in recent years. Revenues over expenses in General Reserve that are in excess of the Housing Endowment Fund requirement are transferred periodically to the Housing Investment and/or Housing Affordability Fund in the Residential Housing Finance Fund for use in housing programs.

Total combined net assets of General Reserve and bond funds have increased 3% to $666.978 million as a result of revenues over expenses for fiscal year 2004. The net assets of Rental Housing and Residential Housing Finance bond funds have increased while net assets of General Reserve and Single Family bond fund have decreased, as a result of net revenues over expenses by fund and non-operating transfers of assets between funds.

State and Federal Appropriated Funds — Statement of Net Assets

Assets of the appropriated funds are derived from the appropriation of public funds by the State of Minnesota and funds made available to MHFA by the federal government for housing related policy purposes. The public policy of housing preservation and development is a long-term commitment that commonly requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the Appropriated Funds and for the balance of net assets restricted by law.

Investments, cash, and cash equivalents are the largest category of assets in the Appropriated Funds. The June 30, 2004 combined balance decreased 31% to $86.169 million as a result of higher levels of disbursements and lower levels of receipts in the current year. Appropriations received in the prior year were higher mainly due to one-time appropriations.

Certain state appropriations are expended as housing loans with below market interest rates, resulting in loans receivable. At June 30, 2004 State Appropriated Fund loans receivable increased 6% to $29.093 million reflecting higher volume of state loan program activity.

Interest receivable in Appropriated Funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on Appropriated Funds at June 30, 2004 decreased 59% to $.514 million as a result of declining investment yields and lower average investment balances.

State and Federal Appropriated Funds — Statement of Net Assets (continued)

Accounts payable and other liabilities represent amounts payable for HUD Section 236 interest reduction payments, Section 8 FA/FAF savings and accrued expenses for federal and state housing programs. The balance payable at June 30, 2004 was $2.720 million.

For administrative convenience, certain State Appropriated Fund loans are administered within the bond funds, resulting in an interfund receivable for the loan disbursement and servicing activities. Interfund payable occurs in the Federal Appropriated Fund as a result of overhead expense and indirect cost recoveries due to MHFA. At June 30, 2004 the combined net interfund receivable was $1.234 million.

Funds held for others represent excess federal housing assistance payments received for the administration of the Section 8 program, and the interest income earned on those unexpended funds. At June 30, 2004 the balance of funds held for the federal government was $1.653 million.

All of the net assets of the Appropriated Funds are restricted by law for use with housing programs only and are not pledged to support the bondholders or creditors of MHFA. The combined net assets of the Appropriated Funds declined to $114.110 million as of June 30, 2004 compared to the prior period, reflecting reduced levels of new appropriations received and increased appropriations disbursed during fiscal year 2004.

State and Federal Appropriated Funds — Revenues Over Expenses

State and federal appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by the various agreements between MHFA and the State of Minnesota or agencies of the federal government. Unexpended appropriations proceeds are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received decreased from $198.516 million at June 30, 2003 to $189.913 at June 30, 2004. Federal appropriations increased while state appropriations decreased.

Interest income from investments was down throughout the year as interest rates in general continued their decline to historically low levels. Investment assets were also down during the year contributing to the combined interest income decline of 65% to $1.845 million at June 30, 2004.

Loan interest income from State Appropriations loan assets continues to be minimal as relatively few loans are interest bearing.

Unrealized losses on investments are recorded to reflect valuation adjustments to current market conditions for investments, and may be reversed over time as the investments are held. Unrealized losses decreased significantly by 70% to $.603 million compared to the prior year as previous losses were reversed as investment asset balances were spent in program disbursements.

Administrative reimbursements of expenses to General Reserve decreased 8% to $4.131 million compared to the prior year, primarily as a result of reduced expense to administer state appropriated programs.

Combined appropriations disbursed increased 6% to $180.098 million compared to prior year, reflecting continued efforts to support housing policy objectives.

Reduced expenditures of State Appropriated Funds for below market and zero-percent interest rate loans resulted in less reductions in carrying value of certain loans. Net reductions of carrying value decreased 14% to $43.975 million compared to prior year, as a result of making fewer fully reserved deferred loans for low- and moderate-income housing.

State and Federal Appropriated Funds — Revenues Over Expenses (continued)

Other general operating expenses represent fees for professional and technical support to implement and administer certain state housing programs. Other general operating expense decreased 37% to $1.145 million at June 30, 2004.

Combined expenditures exceeded combined revenues of the Appropriated Funds by $37.611 at June 30, 2004, reflecting current year disbursements of appropriations that were received in prior years. Ultimately, the entire State and Federal Appropriated Funds' net assets will be expended for housing.

Significant Long-term Debt Activity

MHFA is a significant debt issuer, having outstanding at June 30, 2004 long-term debt totaling $1,337 million and short-term debt totaling $507 million, net of deferred finance and issuance costs. MHFA bond funds are held by a trustee, who ensures that bond resolution requirements are met, including payments of debt service. At June 30, 2004, amounts held by the trustee in principal, interest and redemption accounts represented full funding of debt service requirements to that date. Bond resolutions also require funding of debt service reserve accounts and may require funding of insurance reserve accounts. At June 30, 2004, amounts held by the trustee in such reserve and revenue accounts represented full funding of those requirements to that date.

Most of the debt issued by MHFA is tax-exempt and is issued under the Internal Revenue Code and Treasury regulations governing either mortgage revenue bonds or residential rental projects. MHFA's ability to issue tax-exempt debt is limited by MHFA's share of the state's allocation of the private activity volume cap, which is set in Minnesota law. MHFA's ability to issue tax-exempt debt is also limited by the federal rule (commonly known as the 10-year rule) that prohibits refunding of mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed such mortgage loans. When economic conditions favor it, MHFA issues limited amounts of taxable debt in order to supplement its tax-exempt authority and for lending under programs where federal restrictions are inconsistent with the program requirements. Board policy governs the process MHFA follows to issue and manage debt and state statute limits MHFA's outstanding debt to $3.0 billion.

Both Standard and Poor's Ratings Services and Moody's Investors Service continue to affirm general obligation ratings for MHFA of AA+ and Aa1 respectively. MHFA's bond ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. In addition to ongoing reporting to and communications with the bond rating services, periodically MHFA prepares a comprehensive study of the creditworthiness and financial strength of its funds (excluding the appropriated funds). Information obtained from the analysis is presented to the bond rating services and is used by MHFA staff to make decisions about management of assets and debt.

MHFA continually investigates and utilizes available debt management techniques to achieve its goals of reducing interest expense and efficiently utilizing its bonding authority.

During the year, MHFA completed the issuance/remarketing of 26 series of bonds aggregating to $761 million. This is compared to the combined issuance and remarketing of 16 series totaling $447 million the previous year. In recent years, MHFA has retired high rate debt when it becomes optionally redeemable and resources were available. Bonds are issued as capital is needed for program purposes, as opportunities for economic refundings occur, and for preservation of bonding authority.

A total of $766 million in principal payments were made during the year. Of this amount, $378 million was retired prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Significant Topics Which Affect Financial Condition and/or Operations

Legislative Actions

The 2003 Minnesota Legislature adopted a FY 2004 — 2005 biennial budget that appropriates less money to MHFA than the previous biennium's base appropriations as part of an effort to balance the budget of the State of Minnesota for the current biennium. The $9.3 million reduction represents 12% of the total base appropriation to MHFA. In May 2004, the governor directed state agencies to reduce budgets for FY 2005 in order to eliminate a projected $160 million deficit. MHFA was directed to reduce its state appropriated budget by $628,000 or about 1.8% of the funds appropriated for FY 2005. State appropriations are used for specific programs, and are not available to pay for MHFA operations or debt service. Changes in state and federal laws, governing administration, funding objectives, housing policy, and fiscal policy pose a potential risk to MHFA's attainment of mission and financial objectives.

Additional Information

Questions and inquiries may be directed to either Mr. Mike LeVasseur or Ms. Sharon Spahn Bjostad at Minnesota Housing Finance Agency, 400 Sibley Street, Suite 300, St. Paul, MN 55101 (651-296-7608).

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Net Assets (in thousands)
June 30, 2004 (with comparative totals for June 30, 2003)

		2004 Agency-wide Total	2003 Agency-wide Total
Assets	Cash and cash equivalents	$ 950,429	$ 857,905
	Investment securities	385,083	439,645
	Loans receivable, net	1,413,897	1,478,002
	Interest receivable on loans	7,395	8,032
	Interest receivable on investments	3,939	5,511
	Mortgage insurance claims receivable	763	584
	Real estate owned	1,593	899
	Capital assets, net	1,774	733
	Other assets	3,122	2,499
	Total assets	$2,767,995	$2,793,810
Liabilities	Bonds payable, net	$1,844,589	$1,846,679
	Interest payable	36,283	43,464
	Accounts payable and other liabilities	17,872	15,371
	Funds held for others	88,163	88,116
	Total liabilities	1,986,907	1,993,630
	Commitments and contingencies		
Net Assets	Restricted by bond resolution	387,747	382,253
	Restricted by covenant	277,457	265,473
	Restricted by law	114,110	151,721
	Invested in capital assets	1,774	733
	Total net assets	781,088	800,180
	Total liabilities and net assets	$2,767,995	$2,793,810

See accompanying notes to financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

		2004 Agency-wide Total	2003 Agency-wide Total
Revenues	Interest earned on loans	$ 95,338	$109,109
	Interest earned on investments	39,093	41,258
	Appropriations received	189,913	198,516
	Administrative reimbursement	686	701
	Fees earned and other income	9,658	9,719
	Unrealized gains on securities	(9,625)	3,374
	Total revenues	325,063	362,677
Expenses	Interest	89,514	101,023
	Loan administration and trustee fees	5,339	5,981
	Salaries and benefits	13,131	13,124
	Other general operating	7,179	8,347
	Appropriations disbursed	180,098	170,693
	Reduction in carrying value of certain low interest rate deferred loans	46,467	50,878
	Provision for loan losses	2,427	2,106
	Total expenses	344,155	352,152
	Revenues over expenses	(19,092)	10,525
	Change in net assets	(19,092)	10,525
Net Assets	Total net assets, beginning of year	800,180	789,655
	Total net assets, end of year	$781,088	$800,180

See accompanying notes to financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Net Assets (in thousands)
Proprietary Funds
June 30, 2004 (with comparative totals for June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Assets	Cash and cash equivalents	$ 4,807	$ 43,273	$ 629,917	$261,992
	Investment securities	115,155	38,771	142,893	12,535
	Loans receivable, net	—	228,622	633,363	522,819
	Interest receivable on loans	—	1,697	2,887	2,811
	Interest receivable on investments	1,128	1,141	913	243
	Mortgage insurance claims receivable	—	—	6	757
	Real estate owned	—	—	251	1,342
	Capital assets, net	1,774	—	—	—
	Other assets	1,138	8	498	5
	Total assets	$124,002	$313,512	$1,410,728	$802,504
Liabilities	Bonds payable, net	$ —	$216,928	$ 933,993	$693,668
	Interest payable	—	4,945	12,141	19,197
	Accounts payable and other liabilities	3,669	418	2,348	8,717
	Interfund payable (receivable)	3,708	21,150	(24,791)	1,167
	Funds held for others	86,510	—	—	—
	Total liabilities	93,887	243,441	923,691	722,749
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	—	70,071	237,921	79,755
	Restricted by covenant	28,341	—	249,116	—
	Restricted by law	—	—	—	—
	Invested in capital assets	1,774	—	—	—
	Total net assets	30,115	70,071	487,037	79,755
	Total liabilities and net assets	$124,002	$313,512	$1,410,728	$802,504

See accompanying notes to financial statements.

Appropriated Funds			
State Appropriated	Federal Appropriated	2004 Total	2003 Total
$ 6,256	$ 4,184	$ 950,429	$ 857,905
69,220	6,509	385,083	439,645
29,093	—	1,413,897	1,478,002
—	—	7,395	8,032
432	82	3,939	5,511
—	—	763	584
—	—	1,593	899
—	—	1,774	733
250	1,223	3,122	2,499
$105,251	$11,998	$2,767,995	$2,793,810
$ —	$ —	$1,844,589	$1,846,679
—	—	36,283	43,464
754	1,966	17,872	15,371
(1,448)	214	—	—
—	1,653	88,163	88,116
(694)	3,833	1,986,907	1,993,630
—	—	387,747	382,253
—	—	277,457	265,473
105,945	8,165	114,110	151,721
—	—	1,774	733
105,945	8,165	781,088	800,180
$105,251	$11,998	$2,767,995	$2,793,810

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Revenues	Interest earned on loans	$ —	$16,982	$ 31,989	$ 46,325
	Interest earned on investments	617	3,098	15,499	18,034
	Appropriations received	—	—	—	—
	Administrative reimbursement	14,349	—	—	—
	Fees earned and other income	7,631	933	319	—
	Unrealized gains (losses) on securities	(2,042)	(1,473)	(2,735)	(2,772)
	Total revenues	20,555	19,540	45,072	61,587
Expenses	Interest	—	15,196	23,064	51,254
	Loan administration and trustee fees	—	246	2,651	2,405
	Administrative reimbursement	—	1,496	3,383	4,653
	Salaries and benefits	13,131	—	—	—
	Other general operating	5,782	—	252	—
	Appropriations disbursed	—	—	—	—
	Reduction in carrying value of certain low interest rate deferred loans	—	(226)	2,718	—
	Provision for loan losses	—	897	1,255	78
	Total expenses	18,913	17,609	33,323	58,390
	Revenues over (under) expenses	1,642	1,931	11,749	3,197
Other changes	Non-operating transfer of assets between funds	(4,036)	358	15,596	(11,918)
	Change in net assets	(2,394)	2,289	27,345	(8,721)
Net Assets	Total net assets, beginning of year	32,509	67,782	459,692	88,476
	Total net assets, end of year	$30,115	$70,071	$487,037	$ 79,755

See accompanying notes to financial statements.

Appropriated Funds			
State Appropriated	Federal Appropriated	2004 Total	2003 Total
$ 42	$ —	$ 95,338	$109,109
1,646	199	39,093	41,258
35,069	154,844	189,913	198,516
—	—	14,349	14,372
775	—	9,658	9,719
(474)	(129)	(9,625)	3,374
37,058	154,914	338,726	376,348
—	—	89,514	101,023
37	—	5,339	5,981
4,131	—	13,663	13,671
—	—	13,131	13,124
1,145	—	7,179	8,347
23,714	156,384	180,098	170,693
43,975	—	46,467	50,878
197	—	2,427	2,106
73,199	156,384	357,818	365,823
(36,141)	(1,470)	(19,092)	10,525
—	—	—	—
(36,141)	(1,470)	(19,092)	10,525
142,086	9,635	800,180	789,655
$105,945	$ 8,165	$781,088	$800,180

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Cash flows from operating activities	Principal repayments on loans	$ —	$ 27,622	$ 97,365	$ 234,931
	Investment in loans	—	(21,860)	(254,070)	(25,669)
	Interest received on loans	—	16,815	31,403	43,818
	Other operating	—	—	(252)	—
	Fees and other income received	7,628	933	427	—
	Salaries, benefits and vendor payments	(18,391)	(249)	(2,262)	(2,419)
	Appropriations received	—	—	—	—
	Appropriations disbursed	—	—	—	—
	Administrative reimbursement from funds	14,379	(1,491)	(3,383)	(4,653)
	Interest transferred to funds held for others	(2,649)	—	—	—
	Deposits into funds held for others	35,907	—	10	—
	Disbursements made from funds held for others	(35,747)	—	(4)	—
	Interfund transfers and other assets	(352)	—	222	(333)
	Net cash provided (used) by operating activities	775	21,770	(130,544)	245,675
Cash flows from noncapital financing activities	Proceeds from sale of bonds	—	13,485	727,941	23,000
	Principal repayment on bonds	—	(43,740)	(313,223)	(408,710)
	Interest paid on bonds and notes	—	(12,824)	(17,226)	(59,488)
	Financing costs paid related to bonds issued	—	(315)	(4,117)	(294)
	Interest paid/received between funds	—	(1,541)	1,541	—
	Principal paid/received between funds	—	(135)	135	—
	Premium paid on redemption of bonds	—	(392)	—	(1,026)
	Agency contribution to program funds	—	358	11,560	(11,918)
	Transfer of cash between funds	(2,856)	—	2,856	—
	Net cash provided (used) by noncapital financing activities	(2,856)	(45,104)	409,467	(458,436)
Cash flows from investing activities	Investment in real estate owned	—	—	(49)	(692)
	Interest received on investments	4,003	3,338	14,668	15,615
	Proceeds from sale of mortgage insurance claims/real estate owned	—	—	708	5,885
	Proceeds from maturity, sale or transfer of investment securities	40,080	32,729	142,136	20,798
	Purchase of investment securities	(39,343)	(29,155)	(151,060)	(5,753)
	Purchase of loans between funds	—	—	(64,236)	64,236
	Net cash provided (used) by investing activities	4,740	6,912	(57,833)	100,089
	Net increase (decrease) in cash and cash equivalents	2,659	(16,422)	221,090	(112,672)
Cash and cash equivalents	Beginning of year	2,148	59,695	408,827	374,664
	End of year	$ 4,807	$ 43,273	$ 629,917	$ 261,992

See accompanying notes to financial statements.

Appropriated Funds			
State Appropriated	Federal Appropriated	2004 Total	2003 Total
$ 9,050	$ —	$ 368,968	$ 452,221
(54,632)	—	(356,231)	(303,852)
42	—	92,078	108,812
(866)	—	(1,118)	(1,939)
525	—	9,513	8,731
(298)	—	(23,619)	(25,175)
35,069	154,365	189,434	198,417
(23,630)	(155,506)	(179,136)	(169,780)
(4,188)	—	664	965
—	(11)	(2,660)	(3,481)
—	698	36,615	35,983
—	(817)	(36,568)	(42,846)
126	—	(337)	(506)
(38,802)	(1,271)	97,603	257,550
—	—	764,426	446,823
—	—	(765,673)	(538,270)
—	—	(89,538)	(99,038)
—	—	(4,726)	(2,066)
—	—	—	—
—	—	—	—
—	—	(1,418)	(1,103)
—	—	—	—
—	—	—	—
—	—	(96,929)	(193,654)
—	—	(741)	(429)
2,782	328	40,734	46,143
—	—	6,593	4,034
142,782	8,316	386,841	407,859
(109,478)	(6,788)	(341,577)	(429,471)
—	—	—	—
36,086	1,856	91,850	28,136
(2,716)	585	92,524	92,032
8,972	3,599	857,905	765,873
$ 6,256	$ 4,184	$ 950,429	$ 857,905

(continued)

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

		Bond Funds		
	General Reserve	Rental Housing	Residential Housing Finance	Single Family
Revenues over (under) expenses	$ 1,642	$ 1,931	$ 11,749	$ 3,197
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:				
Amortization of premiums (discounts) and fees on loans	—	(164)	326	(3,626)
Depreciation	481	—	—	—
Loss on disposal of fixed assets	—	—	—	—
Realized gains on sale of securities, net	(80)	(134)	(159)	(1,650)
Unrealized losses (gains) on securities, net	2,042	1,473	2,735	2,772
Provision for loan losses	—	897	1,255	78
Reduction in carrying value of certain low interest rate and/or deferred loans	—	(226)	2,718	—
Capitalized interest on loans and real estate owned	—	(73)	(44)	(420)
Interest earned on investments	(537)	(3,141)	(16,181)	(16,619)
Interest expense on bonds and notes	—	15,196	23,064	51,254
Changes in assets and liabilities:				
Decrease (increase) in loans receivable, excluding loans transferred between funds	—	5,762	(156,705)	209,262
Decrease (increase) in interest receivable on loans	—	70	(867)	1,434
Increase in arbitrage rebate liability	—	177	841	340
Interest transferred to funds held for others	(2,649)	—	—	—
Increase (decrease) in accounts payable	41	(4)	496	(15)
Increase (decrease) in interfund payable, affecting operating activities only	30	5	207	(333)
Increase (decrease) in funds held for others	160	—	6	—
Other	(355)	1	15	1
Total	(867)	19,839	(142,293)	242,478
Net cash provided (used) by operating activities	$ 775	$21,770	$(130,544)	$245,675

See accompanying notes to financial statements.

Appropriated Funds			
State Appropriated	Federal Appropriated	2004 Total	2003 Total
$(36,141)	$(1,470)	$ (19,092)	$ 10,525
—	—	(3,464)	(1,369)
—	—	481	539
—	—	—	571
(2)	(1)	(2,026)	(1,206)
474	129	9,625	(3,374)
197	—	2,427	2,106
43,975	—	46,467	50,878
—	—	(537)	(348)
(1,644)	(198)	(38,320)	(41,497)
—	—	89,514	101,023
(45,582)	—	12,737	148,369
—	—	637	1,320
—	—	1,358	1,545
—	(11)	(2,660)	(3,481)
102	856	1,476	(386)
69	22	—	—
—	(119)	47	(6,863)
(250)	(479)	(1,067)	(802)
(2,661)	199	116,695	247,025
$(38,802)	$(1,271)	$ 97,603	$257,550

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2004

Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or MHFA) was created in 1971 by an Act of the Minnesota legislature. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low-and moderate-income by providing for mortgage loans, development loans, and technical assistance to qualified housing sponsors to be used for construction and rehabilitation of housing. The Agency, as a special purpose agency engaged in business-type activities, is a component unit of the State of Minnesota, and is reflected as a proprietary fund in the state's comprehensive annual financial report. The Agency receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified non-bond-financed programs. The Agency also receives funds from the federal government or through other entities for similar purposes.

The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes up to a total outstanding amount of $3.0 billion. Amounts so issued shall not be deemed to constitute a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency, which are included in this report, all of which conform with the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net assets of General Reserve are available to support the following funds which are further described below: Rental Housing, Residential Housing Finance and Single Family.

Rental Housing

Bond proceeds for the multifamily housing programs were maintained under the Rental Housing bond resolution. Loans are secured by first mortgages on real property.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance Bonds resolution, the bond resolution restricted Home Improvement, Homeownership and Multifamily Endowment Funds, and the Alternative Loan Fund, which is restricted by a covenant with bondholders.

Bonds

The series bonds outstanding were issued to fund purchases of single family first mortgage loans and home improvement subordinated loans. Assets of the series bonds issued and outstanding under the resolution and of the three endowment funds described below are pledged to the repayment of Residential Housing Finance bondholders.

Home Improvement Endowment Fund

This fund is a principal source of funding for home improvement loans. Home improvement loans in excess of $10,000 are generally secured by a second mortgage.

Homeownership Endowment Fund

This fund is a source of funding for entry cost housing assistance programs for first-time homebuyers, below-market interim financing during construction and/or rehabilitation of single family housing and to warehouse loans.

Nature of Business and Fund Structure (continued)

Multifamily Endowment Fund

This fund is the principal source of funding for innovative multifamily programs that are not candidates for bond financing such as a tenant services program, a contingency fund, non-profit capacity building, flexible financing, incentive loans and a program for leveraging investments in neighborhoods and communities.

Alternative Loan Fund

An Alternative Loan Fund has been established in Residential Housing Finance to deposit funds in either the Housing Investment Fund or Housing Affordability Fund, which were otherwise available to be transferred to General Reserve. The Alternative Loan Fund is not pledged to the payment of the Residential Housing Finance bonds, or any other specific debt obligation of the Agency, and is generally available to pay any debt obligation of the Agency.

The Alternative Loan Fund, Housing Investment Fund, is currently invested in investment grade loans, as defined by the Agency, and may also be used to advance funds to retire high rate debt and to warehouse loans.

The Alternative Loan Fund, Housing Affordability Fund, includes a reserve consisting of cash and investment grade housing loans, as defined by the Agency, for future Agency administrative costs and other funds that may be used as a source of funding for bond sale contributions, multifamily first and subordinated mortgage loans including zero-percent deferred loans, and other below market-rate loans with higher than ordinary risk factors. It may also be used to advance funds to retire high rate debt and to warehouse loans.

Single Family

Bonds issued for homeownership programs have been issued under Single Family and, since 2001, under Residential Housing Finance. The Agency generally expects to issue future bonds for homeownership programs under Residential Housing Finance. Agency contributions to bonds issued under Residential Housing Finance may be made from Single Family. Loans are secured by first mortgages on real property.

Each respective bond resolution described above prescribes the accounting for bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

State Appropriated

The State Appropriated fund was established to account for funds received from the state legislature which are to be used for programs for low- to moderate-income persons and families in the form of low-interest loans, no-interest deferred loans, innovative development and other housing-related program costs. The net assets of the State Appropriated fund are not available to support the bondholders or creditors of the Agency.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- to moderate-income persons and families in the form of no-interest deferred loans, grants, support to other non-profit housing organizations and other housing-related program costs. The net assets of the Federal Appropriated fund are not available to support the bondholders or creditors of the Agency.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2004

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies.

Basis of Accounting

The Agency's financial statements have been prepared on the basis of the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Generally Accepted Accounting Principles

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. The Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the statement of net assets is not presented in a classified format.

New Accounting Pronouncements

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14,* which is effective for the year ended June 30, 2004. Statement No. 39 amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, Statement No. 39 requires reporting, as a component, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Statement No. 39 did not have an impact on the Agency's financial statements.

On March 27, 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase,* to require disclosure of information covering four principal areas:

- Investment credit risk disclosures, including credit quality information issued by rating agencies.
- Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of the securities.
- Interest rate sensitivity for investments highly sensitive to changes in interest rates (e.g., inverse floaters, enhanced variable-rate investments, and certain asset-backed securities).
- Foreign exchange exposures that would indicate the foreign investment's denomination.

GASB Statement No. 40 is effective for the fiscal year ending June 30, 2005. The adoption of GASB Statement No. 40 will not affect the Agency's net assets.

On June 25, 2003, the GASB issued Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets,* which requires state and local governments to disclose the objectives of derivatives, such as interest rate swaps, as well as their terms, fair values, and certain risks. This Technical Bulletin was implemented by the Agency for the fiscal year ended June 30, 2004, and did not affect the Agency's net assets.

Summary of Significant Accounting Policies (continued)

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* GASB Statement No. 42 requires governments to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Under GASB Statement No. 42, a capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Additionally, GASB Statement No. 42 requires impaired capital assets that are idle to be disclosed, and those that will no longer be used by the government to be reported at the lower of carrying value or fair value. GASB Statement No. 42 also requires that an insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset to be netted with the impairment loss, if any. The provisions of GASB Statement No. 42 are effective for fiscal periods beginning after December 15, 2004. The adoption of GASB Statement No. 42 in fiscal 2006 is not expected to have a significant effect on the Agency's financial statements.

In May 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Other postemployment benefits (OPEB) include health care and other non-pension benefits provided to employees as part of their compensation for services. The standards apply to OPEB plans that are included as trust funds in the financial reports of plan sponsors or employers, and to stand-alone financial reports of OPEB plans that are established as trusts, when issued by the public employee retirement systems or other governmental entities that administer them. GASB Statement No. 43 also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans when the fund used is not a trust fund. GASB Statement No. 43 addresses the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. GASB Statement No. 43 is effective for the Agency's fiscal year ending June 30, 2007. The Agency has not yet determined the effect that the adoption of this Statement will have on its financial statements.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports. GASB Statement No. 45 is effective for the Agency's fiscal year ending June 30, 2007. The Agency has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Cash and Cash Equivalents

Cash equivalents may include commercial paper, money market funds, repurchase agreements, investment agreements and any other investments, primarily US treasuries and agencies, which have 90 or less days remaining to maturity at the time of purchase.

Investment Securities

The Agency carries investment securities at fair market value and records unrealized gains and losses on investment securities as a result of changes in market valuations.

Summary of Significant Accounting Policies (continued)

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses, unamortized premiums or discounts and fees.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the number of days delinquent and the type of insurance coverage in force: Federal Housing Administration (FHA) insurance, Rural Development (RD) guarantee, Veterans Administration (VA) guarantee, private mortgage insurance and pool or self-insurance.

Actual losses incurred are charged against the allowance for loan losses; recoveries are added to the allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2004.

Premiums, discounts or fees resulting from the purchase or origination of mortgage loans at other than face value are amortized over the life of the loans using the effective interest method. Prepayments of mortgages are taken into account in the calculation of the amortization. The amount amortized is included in interest earned on loans.

Interest Receivable on Loans

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, or until they become 'real estate owned' (described below) for all other loans.

Mortgage Insurance Claims Receivable

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category.

Real Estate Owned

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan, or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance.

Bonds Payable, Net

Bonds payable are carried at their unpaid principal balances, net of unamortized premiums, discounts and deferred financing costs. Premiums, discounts and deferred financing costs are amortized using the effective interest method in the Single Family and Residential Housing Finance funds. In the Rental Housing fund, deferred financing costs are amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Summary of Significant Accounting Policies (continued)

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous, funds advanced for loan warehousing, administrative fees receivable and payable between funds, and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds held for others are primarily escrow amounts held by the Agency on behalf of multifamily housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds; it is not included in the investment income of General Reserve. Also included in funds held for others are funds pending disbursement to HUD, such as McKinney Act savings and Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to Funds Held For Others and not included in the investment income of Federal Appropriated.

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those assets restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

Restricted By Covenant Net Assets represents those assets in General Reserve and those assets that were otherwise available to be transferred to General Reserve. Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of the MHFA enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and shall accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board is responsible for establishing the investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Invested in Capital Assets

This represents the balance of capital assets, net of depreciation. No related debt exists.

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2003 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets plus the reserve for loan loss plus unearned discounts on loans minus the proceeds of short-term debt minus premiums on loans.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs to the extent of interest earnings on the appropriations.

Summary of Significant Accounting Policies (continued)

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate applied to direct salary disbursements. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $686,000 are reflected as administrative reimbursement revenues in the Agency-wide statement of activities.

Administrative reimbursements in the amount of $13,663,000 between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, fees in connection with operating the Low Income Housing Tax Credits program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program and application fees for administering the Class 4(d) Real Estate Tax Assessment Legislation. Fees earned and other income is recorded as it is earned.

Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans

The carrying value of certain Housing Affordability Fund loans, Endowment Fund loans and State Appropriated loans which are originated at interest rates ranging from 0%-5%, and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risk associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

The Agency utilizes the Other Changes section of the Statement of Revenues, Expenses and Changes in Net Assets to describe various transfers between funds.

Non-operating Transfer of Assets Between Funds

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the annual transfer of assets to maintain the Housing Endowment Fund requirement, periodic transfers to bond funds to fulfill bond resolution requirements and periodic transfers from the bond funds of assets in excess of the bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to mortgage insurance claims receivable and real estate owned for fiscal year 2004 were $.74 million and $5.70 million, for Residential Housing Finance and Single Family, respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Related Party Transactions

The Alternative Loan Fund in Residential Housing Finance continues to reflect outstanding advances made in fiscal year 1997 for the purpose of optionally redeeming bonds in Rental Housing. The advances were made in order to take advantage of economically favorable conditions for redeeming the bonds. The advances continue to be repaid according to the original debt repayment schedule. The advances are recorded in Interfund Payable (Receivable).

Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the financial statements for the prior year have been reclassified to conform with the present year presentation.

Income Taxes

The Agency, as a component unit of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebateable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in Accounts Payable and based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

Cash, Cash Equivalents and Investment Securities

Cash and cash equivalents are stated at cost which approximates market and are composed of the following at June 30, 2004 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Repurchase Agreements	Investment Agreements	Combined Totals
General Reserve	$ 827	$ 3,980	$ —	$ 4,807
Rental Housing	—	6,871	36,402	43,273
Residential Housing Finance	5,915	64,486	559,516	629,917
Single Family	8,541	19,790	233,661	261,992
State Appropriated	—	6,256	—	6,256
Federal Appropriated	1,656	2,528	—	4,184
Agency-wide Totals	$16,939	$103,911	$829,579	$950,429

Deposits may consist of commercial paper for General Reserve, State Appropriated and Federal Appropriated and cash awaiting investment for the remainder of the funds. The commercial paper is held by the Agency's agent. Cash awaiting investment consists of interest earned on investments received too late on the last day of the fiscal year to be invested and loan servicer deposits in transit.

Repurchase agreements are collateralized at 102% of loan value with US treasury and agency securities. Generally, repurchase agreements mature in one week or less. At June 30, 2004, the collateral for the repurchase agreements in General Reserve, State Appropriated, Federal Appropriated and bond funds is held by a third-party agent.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial intermediaries with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond funds. As of June 30, 2004, all the investment agreement providers have a Standard & Poor's long-term credit rating of "AA–" or higher and a Moody's long-term credit rating of "Aa3" or higher. Substantially all of the agreements contain "termination" clauses so that the Agency may withdraw funds early if credit ratings deteriorate below specified levels and collateral is not provided.

Cash, Cash Equivalents and Investment Securities (continued)

Investments consist of those permitted by the various bond resolutions, state law and Board policy. Investment securities are recorded at fair market value and are composed of the following at June 30, 2004 (in thousands):

Investment Securities

Funds	Fair Market Value: US Treasuries, US Agencies and Municipals, at Amortized Cost	Fair Market Value: Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Market Value
General Reserve	$115,059	$ 96	$115,155
Rental Housing	38,543	228	38,771
Residential Housing Finance	141,808	1,085	142,893
Single Family	11,946	589	12,535
State Appropriated	69,434	(214)	69,220
Federal Appropriated	6,527	(18)	6,509
Agency-wide Totals	$383,317	$1,766	$385,083

US treasury, US agency and municipal securities in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. US treasury, US agency and municipal securities in the remainder of the funds are held by the Agency's trustee in the Agency's name.

Net realized gain on sale of investment securities of $2.026 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service and insurance reserves. The required balances at June 30, 2004 are as follows (in thousands):

Funds	Amount
Rental Housing	$22,319
Residential Housing Finance	12,536
Single Family	29,586
Totals	$64,441

Loans Receivable, Net

Loans receivable, net at June 30, 2004 consist of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Discounts and Fees	Loans Receivable, Net
General Reserve	$ —	$ —	$ —	$ —
Rental Housing	237,604	(7,871)	(1,111)	228,622
Residential Housing Finance	645,155	(8,420)	(3,372)	633,363
Single Family	529,517	(109)	(6,589)	522,819
State Appropriated	30,146	(1,053)	—	29,093
Federal Appropriated	—	—	—	—
Agency-wide Totals	$1,442,422	$(17,453)	$(11,072)	$1,413,897

Substantially all loans in the table above are secured by first or second mortgages on the real property. Mortgage loans in the Single Family fund and homeownership first mortgage loans in the Residential Housing Finance fund (see following table) are largely insured by the FHA, VA, or RD. Insurance minimizes, but does not completely eliminate, loan losses. Mortgage loans in the Single Family fund are also protected by an insurance reserve fund.

Loans Receivable, Net (continued)

In addition to the loans in the table above, certain loans are originated at interest rates ranging from 0%-5% and repayment is deferred for up to 30 years. These loans are generally in either a second or lower mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. During fiscal year ended June 30, 2004, the amount of these loans originated was $1.385 million in the Housing Affordability Fund, $3.655 million in the Homeownership Endowment Fund, $2.322 million in the Multifamily Endowment Fund and $47.714 million in State Appropriated. These loans are excluded from the tables above and below, as they are fully reserved.

Loans receivable, net in Residential Housing Finance at June 30, 2004 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount
Home Improvement Endowment Fund:	
Home Improvement loans, generally secured by a second mortgage	$ 89,157
Homeownership Endowment Fund:	
Homeownership, first mortgage loans	8,307
Other homeownership loans	1,480
Multifamily Endowment Fund:	
Multifamily, generally subordinated mortgage loans reserved at 100%	—
Residential Housing Finance Bonds:	
Homeownership, first mortgage loans	360,672
Alternative Loan Fund, Housing Investment Fund (Pool 2):	
Homeownership, first mortgage loans	8,789
Multifamily, first mortgage loans	14,322
Alternative Loan Fund, Housing Affordability Fund (Pool 3):	
Multifamily, first mortgage loans	119,927
Multifamily, subordinated mortgage loans reserved at 100%	—
Homeownership, first mortgage loans	30,709
Residential Housing Finance Totals	$633,363

By statute, the Agency is limited to financing real estate located within the State of Minnesota. Collectibility depends on local economic conditions.

Other Assets

Other assets, including receivables, at June 30, 2004 consist of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve	$1,135	$ 3	$1,138
Rental Housing	—	8	8
Residential Housing Finance	73	425	498
Single Family	—	5	5
State Appropriated	—	250	250
Federal Appropriated	1,139	84	1,223
Agency-wide Totals	$2,347	$775	$3,122

Bonds Payable, Net

Bonds payable, net at June 30, 2004 are as follows (in thousands):

Funds	Outstanding Principal	Unamortized Deferred Finance and Issuance Costs	Net Unamortized Premium	Unamortized Deferred Gain	Bonds Payable, Net
Rental Housing	$ 221,685	$ (4,739)	$ —	$(18)	$ 216,928
Residential Housing Finance	935,210	(4,714)	3,497	—	933,993
Single Family	700,410	(6,742)	—	—	693,668
Totals	$1,857,305	$(16,195)	$3,497	$(18)	$1,844,589

Outstanding principal of bonds payable at June 30, 2004 are as follows (in thousands):

Series	Interest Rate	Maturity	Original Amount	Outstanding Amount
Rental Housing Bonds				
1995 Series C-2	5.00% to 5.95%	2004-2015	$ 38,210	$ 17,710
1995 Series D	5.15% to 6.00%	2004-2022	234,590	108,870
1996 Series A	5.15% to 6.10%	2004-2027	2,820	2,575
1997 Series A	4.85% to 5.875%	2004-2028	4,750	4,365
1998 Series A	5.375%	2028	5,505	5,505
1998 Series B	6.60%	2019	4,180	3,570
1998 Series C	4.30% to 5.20%	2004-2029	2,865	2,665
1999 Series A	4.05% to 5.10%	2004-2024	4,275	3,865
1999 Series B	4.90% to 6.15%	2004-2025	3,160	2,780
2000 Series A	5.35% to 6.15%	2008-2030	9,290	8,095
2000 Series B	5.90%	2031	5,150	4,980
2001 Series A	4.50% to 5.35%	2012-2033	4,800	4,725
2002 Series A	1.75% to 4.05%	2004-2014	27,630	25,725
2003 Series A	4.55% to 4.95%	2018-2045	12,770	12,770
2003 Series B	4.15% to 5.08%	2013-2031	1,945	1,945
2003 Series C-1	4.35% to 5.20%	2013-2034	2,095	2,095
2003 Series C-2	1.80%	2005	100	100
2004 Series A	1.60% to 5.00%	2005-2035	9,345	9,345
			373,480	221,685
Residential Housing Finance Bonds				
1995 Series A	5.00% to 5.85%	2004-2017	53,645	24,410
2002 Series A	4.75% to 5.30%	2012-2019	14,035	6,755
2002 Series B	3.35% to 5.65%	2004-2033	59,650	31,980
2002 Series A-1	4.20% to 4.90%	2012-2019	6,860	6,860
2002 Series B-1	2.40% to 5.35%	2004-2033	25,760	25,505
2002 Series C	1.20%	2005	24,285	24,285
2002 Series D	1.25%	2005	11,230	11,230
2002 Series E	4.30% to 5.00%	2013-2020	12,805	12,725
2002 Series F	2.35% to 5.40%	2004-2032	52,195	51,555
2002 Series G	2.15%	2004	37,470	37,470
2002 Series H	3.88% to 4.93%	2007-2012	20,000	20,000
2003 Series A	1.40% to 4.25%	2005-2034	40,000	40,000
2003 Series B	Variable	2033	25,000	25,000
2003 Series D	1.40%	2005	36,240	36,240
2003 Series E	1.50%	2005	64,975	64,975
2003 Series F	1.00%	2004	39,840	39,840

Bonds Payable, Net (continued)

Series	Interest Rate	Maturity	Original Amount	Outstanding Amount
Residential Housing Finance Bonds (continued)				
2003 Series G	1.00%	2004	$ 24,845	$ 24,845
2003 Series H	1.00%	2004	38,610	38,610
2003 Series I	1.85% to 5.25%	2005-2035	25,000	25,000
2003 Series J	Variable	2033	25,000	25,000
2003 Series K-1	2.25%	2006	24,150	24,150
2003 Series K-2	2.25%	2006	20,045	20,045
2003 Series L-1	2.35%	2006	21,600	21,600
2003 Series L-1	2.35%	2006	111,515	111,515
2003 Series M-1	1.20%	2004	43,545	43,545
2003 Series M-2	1.20%	2004	10,000	10,000
2004 Series A	3.20% to 4.25%	2011-2018	22,480	22,480
2004 Series B	1.40% to 5.00%	2005-2033	94,620	94,620
2004 Series C	4.70%	2035	14,970	14,970
			1,000,370	935,210
Single Family Mortgage Bonds				
1992 Series C-2	6.15%	2023	12,185	2,235
1992 Series D-2	5.35% to 5.95%	2004-2017	26,740	8,460
1992 Series H	6.50%	2026	23,410	18,390
1992 Series I	5.85% to 6.25%	2004-2015	16,365	8,905
1993 Series D	6.40%	2027	17,685	5,640
1993 Series F	6.25%	2020	9,500	2,615
1994 Series D	4.80% to 5.00%	2004-2005	91,660	10,565
1994 Series E	4.70% to 5.90%	2004-2025	31,820	14,105
1994 Series N	6.45%	2025	18,770	1,975
1994 Series O	6.45%	2012	11,580	1,605
1994 Series P	6.45%	2021	21,150	3,510
1994 Series T	5.30% to 6.125%	2004-2017	16,420	3,665
1995 Series B	6.40% to 6.55%	2017-2027	35,815	12,405
1995 Series D	6.40% to 6.45%	2015-2025	40,160	13,335
1995 Series G	7.20% to 8.05%	2004-2012	8,310	1,750
1995 Series H	6.40%	2027	19,240	6,115
1995 Series I	6.35%	2017-2018	7,450	2,365
1995 Series J	5.00% to 6.10%	2004-2019	16,065	4,740
1995 Series K	6.20%	2020	1,495	555
1995 Series L	6.25%	2027	12,950	4,820
1995 Series M	4.90% to 5.875%	2004-2017	32,025	13,560
1996 Series A	6.375%	2028	34,480	7,725
1996 Series B	6.35%	2018-2019	7,990	3,950
1996 Series C	5.30% to 6.10%	2004-2015	12,345	4,145
1996 Series D	5.25% to 6.00%	2004-2017	23,580	5,315
1996 Series E	6.25%	2022-2023	14,495	4,415
1996 Series F	6.30%	2026-2028	18,275	5,575
1996 Series G	6.25%	2026-2028	41,810	11,295
1996 Series H	6.00%	2021	13,865	3,745
1996 Series I	7.04% to 8.00%	2004-2017	14,325	3,305
1996 Series J	5.60%	2021	915	360
1996 Series K	4.40% to 5.40%	2004-2017	9,280	4,845
1997 Series A	5.05% to 5.95%	2004-2017	22,630	8,360

Bonds Payable, Net (continued)

Series	Interest Rate	Maturity	Original Amount	Outstanding Amount
Single Family Mortgage Bonds (continued)				
1997 Series B	6.20%	2021	$ 9,180	$ 4,340
1997 Series C	6.25%	2029	27,740	5,005
1997 Series D	5.80% to 5.85%	2019-2021	15,885	7,195
1997 Series E	5.90%	2029	23,495	6,145
1997 Series F	7.03% to 7.25%	2004-2007	11,620	1,230
1997 Series G	5.20% to 6.00%	2004-2018	40,260	16,855
1997 Series H	6.15%	2019	11,455	205
1997 Series I	5.50%	2017	9,730	6,225
1997 Series K	5.75%	2026-2029	22,700	14,515
1997 Series L	6.60% to 6.80%	2004-2007	9,550	1,865
1998 Series A	4.65% to 5.20%	2008-2017	5,710	3,050
1998 Series B	4.55% to 5.50%	2004-2029	17,030	7,070
1998 Series C	4.34% to 5.25%	2004-2017	21,775	12,195
1998 Series E	5.40%	2025-2030	30,500	20,715
1998 Series F-1	4.45% to 5.45%	2004-2017	10,650	5,580
1998 Series G-1	5.60%	2022	6,150	3,815
1998 Series H-1	5.65%	2031	14,885	9,240
1998 Series F-2	4.65% to 5.70%	2004-2017	11,385	7,970
1998 Series G-2	6.00%	2022	6,605	5,415
1998 Series H-2	6.05%	2031	15,965	13,100
1999 Series B	5.00% to 5.25%	2013-2020	18,865	13,685
1999 Series C	4.25% to 4.85%	2004-2024	21,960	9,455
1999 Series D	5.45%	2026-2031	23,975	17,430
1999 Series H	5.30% to 5.80%	2011-2021	16,350	11,225
1999 Series I	4.70% to 6.05%	2004-2031	34,700	18,685
1999 Series J	5.00%	2017	4,745	4,375
1999 Series K	3.20% to 5.35%	2004-2033	44,515	40,390
2000 Series A	5.25% to 5.85%	2009-2020	18,650	12,400
2000 Series B	5.15% to 5.55%	2004-2024	16,580	8,135
2000 Series C	6.10%	2030-2032	30,320	20,160
2000 Series F	Variable	2031	20,000	19,410
2000 Series G	4.25% to 5.40%	2008-2025	39,990	36,645
2000 Series H	3.90% to 5.50%	2004-2023	32,475	27,025
2000 Series I	4.85% to 5.80%	2004-2019	20,185	16,805
2000 Series J	5.40% to 5.90%	2023-2030	29,720	24,965
2001 Series A	5.35% to 5.45%	2017-2022	14,570	12,705
2001 Series B	4.10% to 5.675%	2004-2030	34,855	27,835
2001 Series E	2.00% to 4.90%	2006-2035	23,000	23,000
			1,452,510	700,410
Combined Totals			$2,826,360	$1,857,305

The Agency uses special and optional redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

All bonds are subject to optional redemption after various dates at an amount equal to 100% to 102% of the unpaid principal and accrued interest as set forth in detail within the applicable series resolution.

Bonds Payable, Net (continued)

Annual debt service requirements to maturity for bonds as of June 30, 2004, excluding bonds called for early redemption prior to June 30, 2004, as listed below, are as follows (in thousands):

	Rental Housing Bonds		Residential Housing Finance Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2005	$ 9,265	$11,733	$234,530	$23,605
2006	10,120	11,285	108,685	22,512
2007	10,615	10,812	185,430	21,240
2008	11,205	10,297	13,395	16,991
2009	12,040	9,738	8,715	16,598
2010-2014	68,045	38,410	65,350	75,516
2015-2019	47,150	22,261	59,770	61,051
2020-2024	25,000	10,412	68,955	46,936
2025-2029	14,360	5,638	82,275	31,945
2030-2034	7,340	2,555	92,220	13,897
2035-2039	2,985	1,232	15,885	672
2040-2044	2,890	573	—	—
2045-2049	670	25	—	—

	Single Family Mortgage Bonds		Combined Totals	
Fiscal Year	Principal	Interest	Principal	Interest
2005	$ 18,705	$ 38,305	$262,500	$ 73,643
2006	19,305	37,386	138,110	71,183
2007	14,910	36,546	210,955	68,598
2008	15,095	35,780	39,695	63,068
2009	15,640	35,013	36,395	61,349
2010-2014	105,270	160,271	238,665	274,197
2015-2019	133,660	125,977	240,580	209,289
2020-2024	143,310	87,309	237,265	144,657
2025-2029	165,420	42,853	262,055	80,436
2030-2034	67,175	6,764	166,735	23,216
2035-2039	1,920	95	20,790	1,999
2040-2044	—	—	2,890	573
2045-2049	—	—	670	25

The principal due for convertible option bonds (COBs) is reflected in subsequent fiscal year columns of the table above based on the mandatory tender dates of those bonds. This presentation does not alter the expectation that these bonds will be remarketed long-term at or prior to their mandatory tender date. COBs are secured by investment contracts that are structured to provide liquidity at each debt service payment date in the amounts due to bondholders. Such investment contracts are included in cash and cash equivalents on the statement of net assets.

Residential Housing Finance Bonds, 2003 Series B and J, accrue interest at a rate that changes each week. The rate is determined through a weekly remarketing of the outstanding bonds. Future interest due for these series, as displayed above in the annual debt service requirements table, is based upon the rate as of June 30, 2004. As rates vary, variable rate bond interest payments will vary. The associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The Single Family Bonds, 2000 Series F accrue interest at a variable rate that is recalculated for each calendar month. The rate is the sum of the monthly London Interbank Offered Rate plus 0.30% per annum provided that the rate may not be more than 11.00% per annum. This series was placed with a single investor. Future interest due for this series, as displayed above in the annual

Bonds Payable, Net (continued)

debt service requirements table, is based upon the calculated rate as of June 30, 2004. As rates vary, variable rate bond interest payments will vary.

The income and assets of each of the bond funds are pledged for the payment of principal and interest on the bonds issued, and to be issued, by the respective programs. The bond resolutions contain covenants that govern the respective programs financed thereby and require the Agency to maintain certain reserves and meet certain reporting requirements. The Agency believes that as of June 30, 2004, it is in compliance with those covenants and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

As of or after June 30, 2004, the Agency called for early redemption of certain bonds that are described under Subsequent Events.

Interest Rate Swaps

Objective of Swaps

During fiscal 2004 the Agency entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps were to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds and to achieve the Agency's goal of lending to low- and moderate-income, first-time home buyers at below market, fixed interest rates.

Swap Payments and Associated Debt

Using rates as of June 30, 2004, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2005	$ —	$ 538	$1,347	$ 1,885
2006	—	555	1,293	1,848
2007	—	555	1,264	1,819
2008	—	555	1,228	1,783
2009	—	555	1,195	1,750
2010-2014	—	2,775	5,514	8,289
2015-2019	—	2,770	4,859	7,629
2020-2024	6,115	2,728	4,133	12,976
2025-2029	21,400	1,926	2,150	25,476
2030-2034	22,485	607	360	23,452

Terms of Swaps

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2004, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. The Agency has purchased the cumulative right, based upon a 300% Bond Market Association (BMA) prepayment rate on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary and the right to terminate the outstanding swap balances at par value on or after the 20 year anniversary dates of the swaps.

Interest Rate Swaps (continued)

Associated Bond Series	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
RHFB 2003B	$25,000,000	July 23, 2003	3.532%	65% of one-month LIBOR* plus 0.23% per annum	$ 1,127,840	January 1, 2033	Aa2**/ AA+***
RHFB 2003J	$25,000,000	October 15, 2003	4.183%	65% of one-month LIBOR* plus 0.23% per annum	$(1,037,619)	July 1, 2033	Aa2**/ AA+***
Total	$50,000,000				$ 90,221		

*London Interbank Offered Rate

**Moody's Investors Service, Inc.

***Standard & Poor's Inc.

Swap Valuation

The Fair Values presented above were estimated by the Agency's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Agency based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Agency's swap contracts. The Fair Values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2004. A positive fair value represents money due the Agency by the counterparty upon termination of the swap while a negative fair value represents money payable by the Agency.

Termination Risk

The Agency's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the fair value of the swap. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Agency's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Credit Risk

The terms of the swaps expose the Agency to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Agency's current credit exposure to the counterparty with which the swaps were executed. As of June 30, 2004, the Agency had a net credit risk exposure to its counterparty because the combined swap position had a positive net fair value. The swap agreements contain varying collateral requirements based upon counterparty credit rating and the fair value of the swap. These bi-lateral requirements are established to mitigate potential credit risk exposure. These requirements were met as of June 30, 2004.

Amortization Risk

The Agency may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the

Interest Rate Swaps (continued)

swaps to enable the Agency to closely manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Agency may terminate the swaps at market value at any time.

Basis Risk

The Agency incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Agency pays a variable rate on its bonds based on the weekly tax-exempt BMA rate but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. As of June 30, 2004, the interest rate on the Agency's variable rate debt was 1.10% per annum while the interest rate on the swaps was 0.96% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between these two interest rate indices.

Tax Risk

The structure of the variable interest rate payments the Agency receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency has chosen to assume this risk because it was economically unfeasible to transfer to the swap counterparty.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2004 consist of the following (in thousands):

Funds	Arbitrage Rebate Payable to the Federal Government	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve	$ —	$1,904	$1,765	$ 3,669
Rental Housing	404	—	14	418
Residential Housing Finance	1,054	—	1,294	2,348
Single Family	8,674	—	43	8,717
State Appropriated	—	—	754	754
Federal Appropriated	—	—	1,966	1,966
Agency-wide Totals	$10,132	$1,904	$5,836	$17,872

The amount of arbitrage rebate payable that is not due within one year in Rental Housing is $.404 million, in Residential Housing Finance is $1.054 million and in Single Family is $5.059 million, for a total of $6.517 million.

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2004 consist of the following (in thousands):

		Due from						
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Single Family	State Appropriated	Federal Appropriated	Total
Due to	General Reserve	$ —	$ 5	$ —	$ —	$109	$214	$ 328
	Rental Housing	—	—	—	—	—	—	—
	Residential Housing Finance	4,036	21,145	—	—	—	—	25,181
	Single Family	—	—	—	—	—	—	—
	State Appropriated	—	—	390	1,167	—	—	1,557
	Federal Appropriated	—	—	—	—	—	—	—
	Agency-wide Totals	$4,036	$21,150	$390	$1,167	$109	$214	$27,066

The $21.145 million due to Residential Housing Finance reflects advances made to Rental Housing in fiscal 1997 and accrued interest on those advances. The advances were made to take advantage of economically favorable conditions for optionally redeeming bonds in Rental Housing. Repayment of the advances continues according to the original debt repayment schedule. The portion that will not be repaid within one year is $20.182 million.

All remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2004 consist of the following (in thousands):

		Transfer from						
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Single Family	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve-administrative reimbursement	$—	$1,491	$3,383	$ 4,653	$4,188	$665	$14,380
	Rental Housing	—	—	—	—	—	—	—
	Residential Housing Finance	—	1,676	—	64,236	209	—	66,121
	Single Family	—	—	—	—	—	—	—
	State Appropriated	—	—	—	334	—	—	334
	Federal Appropriated	—	620	—	—	—	—	620
	Agency-wide Totals	$—	$3,787	$3,383	$69,223	$4,397	$665	$81,455

Interfund transfers recorded in Interfund Payable (Receivable) are used to move loan payments that were deposited for administrative convenience in a fund not holding the loans, to make payments for administrative reimbursements due the General Reserve from the other funds, to pay for loans transferred between funds, and to move payments from Rental Housing to Residential Housing Finance due on outstanding loans between those funds.

Interfund Transfers (continued)

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2004, consist of the following (in thousands):

	Funds	Transfer from						
		General Reserve	Rental Housing	Residential Housing Finance	Single Family	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve	$ —-	$—	$ —	$ —	$—	$—	$ —
	Rental Housing	—	—	358	—	—	—	358
	Residential Housing Finance	2,856	—	—	11,918	—	—	14,774
	Single Family	—	—	—	—	—	—	—
	State Appropriated	—	—	—	—	—	—	—
	Federal Appropriated	—	—	—	—	—	—	—
	Agency-wide Totals	$2,856	$—	$358	$11,918	$—	$—	$15,132

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain the Housing Endowment Fund requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Net Assets

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenants that it will use the money in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of the MHFA enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's bondholders, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile. The following table describes total net assets restricted by covenant, including the balances to be maintained according to the Agency's Board guidelines, as of June 30, 2004, in thousands.

Net Assets (continued)

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation in Fair Market Value of Investments	Total Net Assets Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve			
An amount equal to 2% of gross loans outstanding (excluding loans reserved 100% and appropriated loans) will be invested in short term, investment grade paper at market interest rates	$ 28,245	$ —	$ 28,245
Unrealized appreciation in fair market value of investments	—	96	96
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	28,245	96	28,341
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount equal to 5% of bonds outstanding less the Housing Endowment Fund (Pool 1) will be invested in intermediate to long term, investment grade housing loans, as defined by the Agency, at interest rates which could be up to 3% below market.	64,620	—	64,620
Unrealized appreciation in fair market value of investments	—	698	698
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	64,620	698	65,318
Housing Affordability Fund (Pool 3), Residential Housing Finance			
Funds in excess of 5% of bonds may be used for administration of housing programs, contributions to bond issues, early bond redemptions, and low interest rate loans with higher than ordinary risk factors	183,598	—	183,598
Unrealized appreciation in fair market value of investments	—	200	200
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	183,598	200	183,798
Agency-wide Total	$276,463	$994	$277,457

The Housing Endowment Fund (Pool 1) is maintained in the Restricted By Covenant Net Assets of General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3) are maintained in the Restricted by Covenant Net Assets of Residential Housing Finance fund.

In connection with self-insuring certain single family loans, the Agency has agreed to maintain General Reserve net assets of at least 125% of the Single Family Mortgage bond resolution insurance reserve. The amount aggregated $10.718 million at June 30, 2004.

Net Assets (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as net assets restricted by law.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (System), a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

Employees who retire at "normal" retirement age or, for those hired on or before June 30, 1989, at an age where they qualify for the "Rule of 90" (i.e., at an age where age plus years of service equals or exceeds 90) are entitled to an unreduced monthly benefit payable for life. For those hired on or before June 30, 1989, normal retirement age is age 65, or age 62 with 30 years of service. For those hired after June 30, 1989, normal retirement age is the Social Security retirement age. The monthly benefit is calculated according to the "step formula" for anyone retiring under the Rule of 90. For those hired on or before June 30, 1989 and not retiring under the Rule of 90, the monthly benefit is calculated according to the step formula or the "level formula," whichever provides the largest benefit. For those hired after June 30, 1989, the monthly benefit is calculated according to the level formula. Under the step formula, an employee earns a 1.2% credit for each of the first 10 years of employment and a 1.7% credit for each year thereafter. The monthly benefit is then determined by applying the sum of these credits to the average monthly salary earned during the employee's five years of greatest earnings. Under the level formula the monthly benefit is computed just as it is under the step formula except that an employee earns a 1.7% credit for each year of employment, not just for those years beyond the first 10. A reduced benefit is available to those retiring at age 55 with at least three years of service. With 30 years of service, a reduced benefit is available at any age to those hired on or before June 30, 1989. The System also provides death and disability benefits. Benefits are established by Minnesota state law.

The Agency's pension contribution to the System for the year ending June 30, 2004 was $435 thousand.

Details of the benefit plan are provided on a System-wide basis. The Agency portion is not separately determinable. The funding status of the System's benefit plan is summarized as follows.

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Actual Covered Payroll (Previous FY)	UAAL as a % of Covered Payroll
07/01/03	$7,757,292	$7,830,671	$ 73,379	99.06%	$2,009,975	3.65%
07/01/02	7,673,028	7,340,397	(332,631)	104.53	1,915,350	(17.37)
07/01/01	7,366,673	6,573,193	(793,480)	112.07	1,834,042	(43.26)

Schedule of Employer Contributions
(dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate	Actual Covered Payroll	Actual Member Contributions	Annual Required Contribution	Actual Employer Contribution*	Percentage Contributed
2003	8.34%	$2,009,975	$83,850	$83,782	$80,399	95.96%
2002	6.79	1,915,350	79,487	50,565	76,614	151.52
2001	7.12	1,834,042	74,364	56,220	73,362	130.49

*This includes contributions from other sources (if applicable).

The information presented is as of July 1, 2003, which is the latest actuarial information available.

Defined Benefit Pension Plan (continued)

The above summarizes the defined benefit pension plan. Please refer to the June 30, 2003, Minnesota State Retirement System Comprehensive Annual Financial Report for a more comprehensive description. A copy of the System's comprehensive annual financial report can be obtained by contacting Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103 or calling (651) 296-2761.

Commitments

As of June 30, 2004, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve	$ —
Rental Housing	8,640
Residential Housing Finance	127,001
Single Family	—
State Appropriated	92,153
Federal Appropriated	18,468
Agency-wide Totals	$246,262

The Agency has cancelable lease commitments for office facilities and parking on a long-term basis. Lease expense for the fiscal year ended June 30, 2004 was $.916 million. Commitments for future minimum lease payments under cancelable leases for office facilities and parking are (in thousands):

	Fiscal Year:					
	2005	2006	2007	2008	2009	Total
Amount:	$943	$967	$983	$913	$858	$4,664

The Agency has in place a $15 million revolving line of credit with Wells Fargo Bank, N.A. that expires on December 31, 2004 and may be renewed annually for additional one-year periods through December 31, 2007. The line of credit agreement requires the Agency to maintain certain asset levels and meet certain reporting requirements. At June 30, 2004 there was no balance outstanding. The line of credit activity for the year ended June 30, 2004, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$8,563	$6,470	$(15,033)	$0

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on General Reserve's financial position or results of operations.

Subsequent Events

On May 27, 2004 the Board of the Agency approved series resolutions authorizing the issuance of $102,345,000 bonds for the purpose of providing funds for certain of the Agency's homeownership programs. The Residential Housing Bonds, 2004 Series E, 2004 Series F, and 2004 Series G were delivered on July 22, 2004.

On June 24, 2004 the Board of the Agency approved the remarketing of $38,610,000 convertible option Residential Housing Bonds 2003 Series H for the purpose of providing funds for certain of the Agency's homeownership programs. The Residential Housing Bonds, 2003 Series H were remarketed on July 22, 2004.

On June 24, 2004 the Board of the Agency approved series resolutions authorizing the issuance of $41,510,000 convertible option bonds. The Residential Housing Bonds, 2004 Series H were delivered on July 22, 2004.

Subsequent Events (continued)

The Agency called for early redemption subsequent to June 30, 2004 the following bonds:

Program Funds	Retirement Date	Original Par Value
Residential Housing Finance	July 1, 2004	$ 8,290,000
Single Family	July 1, 2004	64,655,000
Rental Housing	July 26, 2004	1,640,000
Residential Housing Finance	August 20, 2004	1,670,000
Single Family	August 20, 2004	47,620,000
Rental Housing	September 16, 2004	870,000

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2000 – 2004

		2000	2001	2002	2003	2004
Loans Receivable, net	Multifamily programs	$ 392,010	$ 353,893	$ 337,087	$ 348,196	$ 362,870
	Homeownership programs	1,226,528	1,228,105	1,212,436	1,009,937	932,777
	Home improvement programs	99,770	108,860	104,537	92,345	89,157
	Total	$1,718,308	$1,690,858	$1,654,060	$1,450,478	$1,384,804
Bonds Payable, net	Multifamily programs	$ 337,013	$ 325,314	$ 267,739	$ 246,701	$ 216,928
	Homeownership programs	1,637,944	1,640,348	1,668,449	1,579,978	1,607,661
	Home improvement programs	—	—	—	20,000	20,000
	Total	$1,974,957	$1,965,662	$1,936,188	$1,846,679	$1,844,589
Loans purchased or originated in year	Multifamily programs	$ 25,419	$ 14,143	$ 18,341	$ 58,607	$ 50,509
	Homeownership programs	165,703	165,633	229,603	145,748	216,109
	Home improvement programs	29,965	40,027	37,281	35,391	34,981
	Total	$ 221,087	$ 219,803	$ 285,225	$ 239,746	$ 301,599
Net Assets	Total net assets	$ 536,748	$ 582,674	$ 612,361	$ 648,459	$ 666,978
	Percent of total assets	20.0%	21.5%	22.6%	24.6%	25.2%
Revenues over Expenses	Revenues over expenses for the year(1)	$ 19,452	$ 42,023	$ 29,687	$ 36,098	$ 18,519

Notes:

(1) Includes Administrative Reimbursement revenue received from State Appropriated fund of $5,618 in 2002, $4,497 in 2003, and $4,131 in 2004. This revenue item was included in revenues over expenses beginning in 2002 due to GASB 34 presentation requirements.

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Net Assets (in thousands)
General Reserve and Bond Funds
June 30, 2004 (with comparative totals for June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Assets	Cash and cash equivalents	$ 4,807	$ 43,273	$ 629,917	$261,992
	Investment securities	115,155	38,771	142,893	12,535
	Loans receivable, net	—	228,622	633,363	522,819
	Interest receivable on loans	—	1,697	2,887	2,811
	Interest receivable on investments	1,128	1,141	913	243
	Mortgage insurance claims receivable	—	—	6	757
	Real estate owned	—	—	251	1,342
	Capital assets, net	1,774	—	—	—
	Other assets	1,138	8	498	5
	Total assets	$124,002	$313,512	$1,410,728	$802,504
Liabilities	Bonds payable, net	$ —	$216,928	$ 933,993	$693,668
	Interest payable	—	4,945	12,141	19,197
	Accounts payable and other liabilities	3,669	418	2,348	8,717
	Interfund payable (receivable)	3,708	21,150	(24,791)	1,167
	Funds held for others	86,510	—	—	—
	Total liabilities	93,887	243,441	923,691	722,749
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	—	70,071	237,921	79,755
	Restricted by covenant	28,341	—	249,116	—
	Invested in capital assets	1,774	—	—	—
	Total net assets	30,115	70,071	487,037	79,755
	Total liabilities and net assets	$124,002	$313,512	$1,410,728	$802,504

2004 Total General Reserve and Bond Funds	2003 Total General Reserve and Bond Funds
$ 939,989	$ 845,334
309,354	327,971
1,384,804	1,450,478
7,395	8,032
3,425	4,253
763	584
1,593	899
1,774	733
1,649	1,755
$2,650,746	$2,640,039
$1,844,589	$1,846,679
36,283	43,464
15,152	13,768
1,234	1,325
86,510	86,344
1,983,768	1,991,580
387,747	382,253
277,457	265,473
1,774	733
666,978	648,459
$2,650,746	$2,640,039

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Revenues	Interest earned on loans	$ —	$16,982	$ 31,989	$ 46,325
	Interest earned on investments	617	3,098	15,499	18,034
	Administrative reimbursement	14,349	—	—	—
	Fees earned and other income	7,631	933	319	—
	Unrealized gains (losses) on securities	(2,042)	(1,473)	(2,735)	(2,772)
	Total revenues	20,555	19,540	45,072	61,587
Expenses	Interest	—	15,196	23,064	51,254
	Loan administration and trustee fees	—	246	2,651	2,405
	Administrative reimbursement	—	1,496	3,383	4,653
	Salaries and benefits	13,131	—	—	—
	Other general operating	5,782	—	252	—
	Reduction in carrying value of certain low interest rate deferred loans	—	(226)	2,718	—
	Provision for loan losses	—	897	1,255	78
	Total expenses	18,913	17,609	33,323	58,390
	Revenues over (under) expenses	1,642	1,931	11,749	3,197
Other changes	Non-operating transfer of assets between funds	(4,036)	358	15,596	(11,918)
	Change in net assets	(2,394)	2,289	27,345	(8,721)
Net Assets	Total net assets, beginning of year	32,509	67,782	459,692	88,476
	Total net assets, end of year	$30,115	$70,071	$487,037	$ 79,755

2004 Total General Reserve and Bond Funds	2003 Total General Reserve and Bond Funds
$ 95,296	$109,067
37,248	35,943
14,349	14,372
8,883	8,909
(9,022)	5,394
146,754	173,685
89,514	101,023
5,302	5,948
9,532	9,174
13,131	13,124
6,034	6,543
2,492	(331)
2,230	2,106
128,235	137,587
18,519	36,098
—	—
18,519	36,098
648,459	612,361
$666,978	$648,459

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Cash flows from operating activities	Principal repayments on loans	$ —	$ 27,622	$ 97,365	$ 234,931
	Investment in loans	—	(21,860)	(254,070)	(25,669)
	Interest received on loans	—	16,815	31,403	43,818
	Other operating	—	—	(252)	—
	Fees and other income received	7,628	933	427	—
	Salaries, benefits and vendor payments	(18,391)	(249)	(2,262)	(2,419)
	Administrative reimbursement from funds	14,379	(1,491)	(3,383)	(4,653)
	Interest transferred to funds held for others	(2,649)	—	—	—
	Deposits into funds held for others	35,907	—	10	—
	Disbursements made from funds held for others	(35,747)	—	(4)	—
	Interfund transfers and other assets	(352)	—	222	(333)
	Net cash provided (used) by operating activities	775	21,770	(130,544)	245,675
Cash flows from noncapital financing activities	Proceeds from sale of bonds	—	13,485	727,941	23,000
	Principal repayment on bonds	—	(43,740)	(313,223)	(408,710)
	Interest paid on bonds and notes	—	(12,824)	(17,226)	(59,488)
	Financing costs paid related to bonds issued	—	(315)	(4,117)	(294)
	Interest paid/received between funds	—	(1,541)	1,541	—
	Principal paid/received between funds	—	(135)	135	—
	Premium paid on redemption of bonds	—	(392)	—	(1,026)
	Agency contribution to program funds	—	358	11,560	(11,918)
	Transfer of cash between funds	(2,856)	—	2,856	—
	Net cash provided (used) by noncapital financing activities	(2,856)	(45,104)	409,467	(458,436)
Cash flows from investing activities	Investment in real estate owned	—	—	(49)	(692)
	Interest received on investments	4,003	3,338	14,668	15,615
	Proceeds from sale of mortgage insurance claims/real estate owned	—	—	708	5,885
	Proceeds from maturity, sale or transfer of investment securities	40,080	32,729	142,136	20,798
	Purchase of investment securities	(39,343)	(29,155)	(151,060)	(5,753)
	Purchase of loans between funds	—	—	(64,236)	64,236
	Net cash provided (used) by investing activities	4,740	6,912	(57,833)	100,089
	Net increase (decrease) in cash and cash equivalents	2,659	(16,422)	221,090	(112,672)
Cash and cash equivalents	Beginning of year	2,148	59,695	408,827	374,664
	End of year	$ 4,807	$ 43,273	$ 629,917	$ 261,992

2004 Total General Reserve and Bond Funds	2003 Total General Reserve and Bond Funds
$ 359,918	$ 439,075
(301,599)	(239,746)
92,036	108,770
(252)	(628)
8,988	8,731
(23,321)	(24,649)
4,852	5,494
(2,649)	(3,468)
35,917	34,451
(35,751)	(42,385)
(463)	(66)
137,676	285,579
764,426	446,823
(765,673)	(538,270)
(89,538)	(99,038)
(4,726)	(2,066)
—	—
—	—
(1,418)	(1,103)
—	—
—	—
(96,929)	(193,654)
(741)	(429)
37,624	39,379
6,593	4,034
235,743	280,742
(225,311)	(329,935)
—	—
53,908	(6,209)
94,655	85,716
845,334	759,618
$ 939,989	$ 845,334

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

Reconciliation of revenues over expenses to net cash provided (used) by operating activities

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance	Bond Funds: Single Family
Revenues over expenses	$ 1,642	$ 1,931	$ 11,749	$ 3,197
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:				
Amortization of premiums (discounts) and fees on loans	—	(164)	326	(3,626)
Depreciation	481	—	—	—
Loss on disposal of fixed assets	—	—	—	—
Realized gains on sale of securities, net	(80)	(134)	(159)	(1,650)
Unrealized losses (gains) on securities, net	2,042	1,473	2,735	2,772
Provision for loan losses	—	897	1,255	78
Reduction in carrying value of certain low interest rate and/or deferred loans	—	(226)	2,718	—
Capitalized interest on loans and real estate owned	—	(73)	(44)	(420)
Interest earned on investments	(537)	(3,141)	(16,181)	(16,619)
Interest expense on bonds and notes	—	15,196	23,064	51,254
Changes in assets and liabilities:				
Decrease (increase) in loans receivable, excluding loans transferred between funds	—	5,762	(156,705)	209,262
Decrease (increase) in interest receivable on loans	—	70	(867)	1,434
Increase in arbitrage rebate liability	—	177	841	340
Interest transferred to funds held for others	(2,649)	—	—	—
Increase (decrease) in accounts payable	41	(4)	496	(15)
Increase (decrease) in interfund payable, affecting operating activities only	30	5	207	(333)
Increase (decrease) in funds held for others	160	—	6	—
Other	(355)	1	15	1
Total	(867)	19,839	(142,293)	242,478
Net cash provided (used) by operating activities	$ 775	$21,770	$(130,544)	$245,675

2004 Total General Reserve and Bond Funds	2003 Total General Reserve and Bond Funds
$ 18,519	$ 36,098
(3,464)	(1,369)
481	539
—	571
(2,023)	(1,187)
9,022	(5,394)
2,230	2,106
2,492	(331)
(537)	(348)
(36,478)	(36,201)
89,514	101,023
58,319	199,329
637	1,320
1,358	1,545
(2,649)	(3,468)
518	(753)
(91)	738
166	(7,934)
(338)	(705)
119,157	249,481
$137,676	$285,579

Other Information

Board of Directors

Michael Finch, Ph.D., Chair
Member

Peter Bernier, Vice Chair
Member

The Honorable Patricia Anderson
Ex officio member
State Auditor, State of Minnesota

Lee Himle
Member

Marina Muñoz Lyon
Member

Betty Lou Berg
Member

Paul Gaston
Member

Legal and Financial Services

Bond Trustee
Wells Fargo Bank, N.A.

Bond Paying Agent
Wells Fargo Bank, N.A.

Bond Counsel
Dorsey & Whitney LLP, Minneapolis

Financial Advisor
Caine Mitter & Associates

Underwriting Team
UBS Financial Services Inc.
Piper Jaffray & Co.
RBC Dain Rauscher Inc.

Certified Public Accountants
Deloitte & Touche LLP

Location

The Minnesota Housing Finance Agency offices are located at 400 Sibley Street, Suite 300, St. Paul, Minnesota 55101-1998.

For further information, please write, call or visit our web site.

(651) 296-7608 (general phone number)

(800) 657-3769 (toll free)

(651) 296-8139 (fax number)

www.mhfa.state.mn.us

If you use a Telecommunications Device for the Deaf, you may call (651) 297-2361.

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, status with regard to receipt of public assistance, creed, marital status, sexual orientation, familial status, national origin, sex, religion, age, or disability in employment or the provision of services or resources. Information contained in this publication will be made available in an alternative format upon request.

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The following statements are extracted provisions of the Continuing Disclosure Agreement between the Agency and the Trustee.

Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

> "Agency Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.
>
> "Agency Disclosure Representative" shall mean such officer of the Agency or a designee, or such other person or agent of the Agency as the Commissioners shall designate in writing to the Trustee from time to time.
>
> "Beneficial Owners" shall mean (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.
>
> "Listed Events" shall mean any of the events listed below under the heading "Reporting of Significant Events."
>
> "National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.
>
> "Repository" shall mean each National Repository and each State Repository.
>
> "Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 ("1934 Act").
>
> "State Repository" shall mean any public or private repository or entity as may be designated by the State as a state information depository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

Provision of Annual Reports.

(a) The Agency shall, no later than nine months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2006, provide to each Repository and to the Trustee, an Agency Annual Report in compliance with the requirements of Section 4 of this Disclosure Agreement.

(b) If on the date specified in subsection (a) for providing the Agency Annual Report to Repositories, the Trustee has not received a copy of the Agency Annual Report, the Trustee shall contact the Agency Disclosure Representative to determine if the Agency is in compliance with subsection (a). If the Trustee determines that the Agency has not filed its Agency Annual Report, when due, the Trustee shall file a notice with the Repositories as set forth in Exhibit A and as required by Rule 15c2-12(b)(5)(i)(D).

Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

Audited financial statements of the Agency for its prior fiscal year reporting on the statements of net assets of the Agency's Residential Housing Finance Program Fund and the General Reserve Account of the Housing Development Fund and related statements of revenues and expenses, changes in net assets and statement of cash flows. If, on the date the Agency is required to provide the Agency Annual Report, the Agency has not received a report of independent auditors, the Agency shall provide the Repositories and the Trustee with its unaudited financial statements prepared in substantially the format of its audited financial statements.

Any or all of the items listed above may be provided by reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories. If the document provided by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so incorporated by reference in the Agency's Annual Report.

The accounting principles used by the Agency in the preparation of its financial statements are accounting principles generally accepted in the United States of America, referred to as "GAAP."

Reporting of Significant Events.

(a) This section shall govern the giving of notices of the occurrence of any of the following events with respect to the Series Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, other than items 8 and 9, inform the Agency Disclosure Representative of the occurrence of the event.

(c) Whenever the Agency obtains actual knowledge of the occurrence of a Listed Event, the Agency shall, as soon as practicable, take such steps as are necessary to determine if such event would constitute material information within the meaning of cases decided under the 1934 Act.

(d) If the Agency has determined that the occurrence of a Listed Event is material within the meaning of cases decided under the 1934 Act, the Agency Disclosure Representative shall promptly notify the Trustee in writing. Such notice shall inform the Trustee that the occurrence is being reported by the Agency or instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to information received from the Trustee under subsection (b), the Agency determines that the Listed Event would not be material within the meaning of cases decided under the 1934 Act, the Agency Disclosure Representative shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency Disclosure Representative to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and each State Repository.

(g) Notice of Listed Events described in subsections (a) (8) and (9) need not be given under this section any earlier than notice of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. Nothing in this Disclosure Agreement supercedes the Trustee duties under the Resolution with respect to notices of redemption or notices in connection with defeasance of Bonds.

Management Discussion of Items Disclosed in Annual Reports or as Significant Events. If an item required to be disclosed in the Agency's Annual Report, or as a Listed Event, would be misleading without discussion, the Agency shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in the context in which it is made.

Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series Bonds in accordance with the Resolution.

Substitution of Obligated Person. The Agency shall not transfer its obligations under the Resolution unless the transferee agrees to assume all the obligations of the Agency under this Disclosure Agreement.

Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Agency), and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel experienced in federal securities laws, acceptable to each of the Agency and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Agency Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Agency Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Agency Annual Report or notice of occurrence of a Listed Event.

Default.

(a) In the event of a failure of the Agency to provide to the Repositories the Agency Annual Report as undertaken by the Agency in this Disclosure Agreement, the Beneficial Owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with its obligations to provide Annual Reports under this Disclosure Agreement.

(b) Notwithstanding the foregoing, no Beneficial Owner shall have the right to challenge the content or adequacy of the information provided pursuant to this Disclosure Agreement by mandamus, specific performance or other equitable proceedings unless Beneficial Owners of Bonds representing at least 25% aggregate principal amount of outstanding Bonds shall join in such proceedings.

(c) A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Alternative Filing Systems. To the extent Agency filings or notices are required to be made to any Repository under the Disclosure Agreement, the Agency reserves the right to use www.DisclosureUSA.org currently maintained by the Municipal Advisory Council of Texas, or any similar system that is acceptable to the Securities and Exchange Commission.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution. Defined terms used in the following summaries are identical in all material respects with those used in the Bond Resolution.

Certain Defined Terms

Agency Certificate: As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Bond Resolution or (iii) requesting or directing the Trustee or other party to take action pursuant to the Bond Resolution.

Agency Swap Payment: a payment due to a Swap Counterparty from the Agency pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

Authorized Officer: The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

Cash Flow Certificate: A certificate from an Authorized Officer giving effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established hereunder or under any Series Resolution (excluding the Insurance Reserve Fund, the Alternative Loan Fund and, except to the extent otherwise provided in a Series Resolution, the Endowment Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, unless otherwise provided in a Series Resolution, the Endowment Fund) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of such series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, with respect to Outstanding Bonds of such series.

Code: The Internal Revenue Code of 1986, as amended and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Counterparty Swap Payment: a payment due to or received by the Agency from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the Agency under any related Swap Counterparty Guarantee.

Debt Service Reserve Requirement: As of any particular date of computation, the sum of amounts established for each Series of Bonds by each Series Resolution.

Finance or *finance:* When used with reference to a Program Obligation, shall be construed to include (i) the making or purchase of such Program Obligation, (ii) the participation by the Agency, either with itself or with others, in the making or purchase thereof, or (iii) the permanent financing of a Program Obligation which has been temporarily financed by the Agency through the issuance of notes or other obligations or otherwise.

Fiscal Year: The period of twelve (12) calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year, or such other twelve (12) month period as may be designated by the Agency by Agency Certificate delivered to the Trustee.

Insurance Reserve Requirement: As of any particular date of computation, the sum of amounts, if any, established for each Series of Bonds by the Series Resolution.

Investment Obligations: Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency's moneys:

(a) Direct obligations of, or obligations the timely payment of principal and interest on which are insured or guaranteed by, the United States of America;

(b) Obligations (i) which are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;

(c) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including any Fiduciary) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such Depository has combined capital and surplus of at least $75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such Depository will not adversely affect the Rating of the Bonds;

(d) Repurchase agreements and reverse repurchase agreements with banks which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;

(e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in subparagraphs (a) or (b) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in subparagraphs (a) or (b) above;

(f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and

(g) Any other investment that will not adversely affect the Rating of the Bonds.

Lender: To the extent permitted in the Act, any bank or trust company, savings and loan association, savings bank, credit union, insurance company or other financial intermediary (whether or not organized for profit) approved by the Agency or mortgage banker or mortgage broker authorized to deal in mortgage loans insured or guaranteed by an agency of the United States government. Such Lender shall be authorized to do business in the State, and shall have such qualifications as may be established from time to time by rules and regulations of the Agency. For purposes of the Bond Resolution, Lender shall also be deemed to include any federal or state agency, including the Agency, or any political subdivision of the State or agency thereof.

Parity Certificate: An Agency Certificate, giving effect to the action proposed to be taken in connection with the filing thereof, showing that (A) the sum of (i) the moneys, Investment Obligations and Cash Equivalents then credited to the Acquisition Accounts, the Revenue Fund, the Bond Fund Principal Account, the Bond Fund Interest Account, and the Debt Service Reserve Fund, (ii) the unpaid principal amount of all Program Obligations credited to the Acquisition Accounts (other than any Acquisition Account funded with moneys transferred from the Alternative Loan Fund or Endowment Fund), and (iii) any other moneys, Investment Obligations and Cash Equivalents and the unpaid principal amount of all Program Obligations otherwise specifically pledged to the payment of Outstanding Bonds by a Series Resolution, exceeds (B) an amount equal to 103% of the principal amount of Outstanding Bonds of all Series.

Principal Requirement: As of any particular date of calculation with respect to Bonds Outstanding on that date, the amount of money equal to any unpaid Principal Installment then due plus the Principal Installment to become due on each Series of Bonds on the next respective Principal Installment Date within the next succeeding six months.

Program: The program for the financing of Program Obligations for Housing established by the Agency pursuant to the Act, as the same may be amended from time to time, and the Bond Resolution and for financing Other Obligations.

Program Loan: A loan for Housing secured in such manner as the Agency may specify in the applicable Series Resolution for Program Loans to be made from the proceeds of a Series of Bonds.

Program Obligation: Any Program Loan or Program Security acquired by the Agency by the expenditure of amounts in an Acquisition Account.

Program Security: An obligation representing an undivided interest in a pool of Program Loans, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

Rating: with respect to any Series of Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Bond Resolution, and an action which does not "impair" the Rating with respect to any Series of Bonds shall be an action which will not cause the Rating Agency to lower or withdraw the rating it has assigned to the Series of Bonds.

Rating Agency: any nationally recognized entity which, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the Bond Resolution.

Revenues: With respect to the Outstanding Bonds, all payments, proceeds, rents, premiums, penalties, charges and other cash income received by the Agency from or on account of any Program Obligation (including scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder) (exclusive, however, of Program Obligations, if any, credited to the Endowment Fund), any Counterparty Swap Payments received from any Swap Counterparty pursuant to a Swap Agreement, any amounts deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, except as otherwise provided in a Series Resolution, the Endowment Fund) from sources not subject to the lien of the Bond Resolution, and all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, except as otherwise provided in a Series Resolution, the Endowment Fund), but excludes (i) any amount retained by a servicer (including the Agency) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (ii) any payments for the guaranty or insurance of any Program Obligation, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by or in connection with any Program Obligation, (iv) amounts payable with respect to a Program Obligation which represent a return on amounts financed by the Agency or by other persons pursuant to a participation, forbearance or other arrangement from sources other than proceeds of Bonds or other amounts held hereunder and (v) to the extent such items do not exceed the income derived therefrom, payments or charges constituting expenses of managing and maintaining property acquired pursuant to a Program Loan.

Swap Agreement: with respect to any Bonds, an interest rate exchange agreement between the Agency and a Swap Counterparty, as amended or supplemented, or other interest rate hedge agreement between the Agency and a Swap Counterparty, as amended or supplemented, for the purpose of converting, in whole or in part, (i) the Agency's fixed interest rate liability on all or a portion of any Bonds to a variable rate liability, (ii) the Agency's variable rate liability on all or a portion of any Bonds to a fixed rate liability or (iii) the Agency's variable rate liability on all or a portion of any Bonds to a different variable rate liability.

Swap Counterparty: any Person with whom the Agency shall from time to time enter into a Swap Agreement, as specified in a Series Resolution.

Swap Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Swap Agreement, as specified in a Series Resolution.

Series Accounts

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than the Endowment Fund and the Alternative Loan Fund), a separate Series Account for each Series of Bonds. The proceeds of a particular Series of Bonds, other amounts made available by the Agency in the Series Resolution or otherwise relating to a particular Series of Bonds and the Revenues relating to a particular Series of Bonds (including the payments on Program Obligations acquired with the proceeds of a particular Series of Bonds or the payments on any other collateral pledged to a particular Series of Bonds and the earnings on investments of any of said proceeds, funds and amounts) shall be deposited or credited to the separate Series Accounts established for that particular Series of Bonds. Where required to assure compliance with the covenants of the Bond Resolution and any Series Resolution, withdrawals from Series Accounts established in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) for any other Series of Bonds. For purposes of investment, the Trustee, may, or shall at the direction of the Agency, consolidate the Series Accounts required to be established in a particular Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds. In addition to the Funds and Accounts established under the Bond Resolution, the Trustee may from time to time, establish, maintain, close and reestablish such accounts and subaccounts as may be requested by the Agency for convenience of administration of the Program and as shall not be inconsistent with the provisions of the Bond Resolution.

Cost of Issuance Accounts

Each Series Resolution authorizing the issuance of a Series of Bonds may, but is not required to, provide for a separate Cost of Issuance Account to be held by the Trustee. Moneys in each such Cost of Issuance Account shall be expended for Costs of Issuance of such Series of Bonds and for no other purpose upon receipt by the Trustee of a requisition signed by an Authorized Officer stating the amount and purpose of any such payment. Any amounts in a Cost of Issuance Account remaining therein upon payment of all Costs of Issuance for such Series of Bonds shall (i) if not proceeds of Bonds, be transferred to the Revenue Fund and (ii) if sale proceeds, investment proceeds or transferred proceeds of Bonds, be transferred to any one or more of the Acquisition Accounts or the Bond Redemption Fund, upon receipt by the Trustee of a Certificate of the Agency stating that such moneys are no longer needed for the payment of Costs of Issuance whereupon such Account shall be closed. Interest and other income derived from the investment or deposit of each such Cost of Issuance Account shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Acquisition Accounts

Each Series Resolution authorizing the issuance of a Series of Bonds shall, unless such Bonds are Refunding Bonds for which no such account is necessary, establish a separate Acquisition Account to be held by the Trustee. There shall be deposited from time to time in each Acquisition Account (i) any proceeds of Bonds or other amounts required to be deposited therein pursuant to the Bond Resolution or the applicable Series Resolution and (ii) any other amounts determined by the Agency to be deposited therein from time to time.

Except as otherwise permitted or required to be transferred to other Funds and Accounts, amounts in an Acquisition Account shall be expended only to Finance Program Obligations. All Program Obligations Financed by application of amounts in an Acquisition Account shall be credited to such Acquisition Account or, if a Series Resolution so provides, to any one or more subfunds in the Endowment Fund. No Program Loan shall be Financed unless the requirements of the applicable Series Resolution have been met, and no Program Security shall be Financed unless the Program Security is registered in the name of the Trustee or is registered in the name of the Agency and delivered to the Trustee with a written assignment thereof to the Trustee pursuant to the Bond Resolution from and after the date such Program Security is Financed hereunder. In addition, no Program Security shall be Financed unless such Program Security represents a pass through or participation interest in a pool of Program Loans and provides for a guaranty of all payments to be made to the Agency thereunder by a Federal Mortgage Agency.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in any Acquisition Account at any time for the purpose of making payments pursuant to the Bond Resolution, but only upon receipt of the following documents prior to any proposed withdrawal:

(1) an Agency Certificate setting forth the amount to be paid, the person persons to whom such payment is to be made (which may be or include the Agency) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) an Agency Certificate stating that the amount to be withdrawn from such Acquisition Account pursuant to such requisition is a proper charge thereon and, if such requisition is made to Finance the acquisition of Program Obligations, that (i) the terms of such Program Obligations conform to the description of the Program Obligations to be Financed from such amount as provided to the Trustee pursuant to the terms of the Bond Resolution, and (ii) such Program Obligations otherwise comply with the provisions of the Bond Resolution.

At any time the Agency, by Agency Certificate, may direct the Trustee to transfer amounts in an Acquisition Account into the Bond Fund Principal Account or Bond Fund Interest Account, as appropriate, to pay principal or sinking fund installments of and interest on the related Series of Bonds, or into the appropriate account in the Debt Service Reserve Fund or Insurance Reserve Fund, which Request shall state that such transfer is appropriate to meet the requirements of said Fund.

The interest earned and other income derived from the investment or deposit of each Acquisition Account may be transferred to the appropriate account in the Revenue Fund for the related Series of Bonds by the Trustee upon receipt thereof to the extent that such amounts exceed any losses realized by investment of deposits in such Acquisition Account or may be retained in the Acquisition Account for the Financing of additional Program Obligations, as directed by Agency Certificate.

All amounts deposited into an Acquisition Account shall be disbursed in the manner provided in the Bond Resolution or the Agency may, by Agency Certificate, direct the Trustee to transfer any amounts from the Acquisition Account to the Bond Redemption Fund to be used for the redemption of Bonds of the related Series; provided, however, that (i) the Agency Certificate shall specify the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against sinking fund installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, the Agency shall file an updated Cash Flow Certificate with the Trustee.

The Agency may establish temporary subaccounts within an Acquisition Account for the collection and custody of fees paid by Lenders or other persons in connection with the reservation of funds in the Acquisition Account for use in Financing Program Obligations to be originated by such Lenders or other persons. To the extent that the Agency’s agreements with such Lenders or other persons provide for the refund of any such fees (or portions thereof), amounts may be withdrawn from any such subaccount or the Acquisition Account in accordance with such agreements, and any amounts not required to be so applied may, pursuant to an Agency Certificate, be applied to any other purpose of the Acquisition Account as provided in the Bond Resolution.

Revenue Fund

The Agency shall cause all Revenues to be deposited promptly with a Depository and to be transmitted regularly to the Trustee. Unless otherwise provided in the Bond Resolution, all such amounts shall be deposited in the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or the Series Resolution or other resolution of the Agency.

The Trustee shall withdraw from any money in the Revenue Fund and credit to each of the following Funds and Accounts, or pay to the Person specified, the amount indicated in the following tabulation, at the times indicated in the following tabulation:

(1) on or before the applicable Interest Payment Date, to the Bond Fund Interest Account the amount needed, taking into account any balance then on deposit therein, to increase the balance therein to the Interest Requirement;

(2) on or before the applicable Principal Installment Date, to the Bond Fund Principal Account the amount, needed, taking into account any balance then on deposit therein, to increase the amount therein to the Principal Requirement;

(3) on any date, assuming any prior transfers required pursuant to subsections (1) and (2) above have been made, to the Debt Service Reserve Fund, the amount, if any, needed to increase the amount therein to the Debt Service Reserve Requirement;

(4) on any date, assuming any prior transfers required pursuant to subsections (1), (2) and (3) above have been made, to the Insurance Reserve Fund, the amount, if any, needed to increase the amount therein to the Insurance Reserve Requirement;

(5) unless otherwise expressly provided in the Series Resolution in respect of a series of Bonds to which the Swap Agreement relates in whole or in part, on or before the applicable due dates, assuming any prior transfers required pursuant to subsections (1), (2), (3) and (4) above have been made, to any Swap Counterparty, the Agency Swap Payments due from time to time pursuant to a Swap Agreement; and

(6) to the extent not transferred pursuant to the preceding subsections, the balance shall be held in the Revenue Fund until and unless directed by Agency Certificate to be transferred and utilized as set forth elsewhere in this section.

At such periodic intervals as the Agency, by Agency Certificate, shall direct, the Trustee shall withdraw from the Revenue Fund and transfer to the United States of America such amounts as are necessary to comply with the Code, including particularly the arbitrage rebate requirements of Section 148 thereof.

Amounts credited to the Revenue Fund shall be transferred to the Bond Redemption Fund on or before the designated Redemption Date to be used for the purchase or redemption of Bonds pursuant to the Bond Resolution and the terms of any related Series Resolution upon the filing with the Trustee of (i) an Agency Certificate specifying the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against sinking fund installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, a Cash Flow Certificate.

Amounts credited to the Revenue Fund may be transferred to an existing Acquisition Account or a new Acquisition Account to be established to be used to acquire Program Obligations upon filing with the Trustee of (i) an Agency Certificate specifying the amount to be so transferred and either specifying the existing Acquisition Account to which the funds are to be deposited or directing the establishment of a new Acquisition Account for the deposit of the funds and providing the information relating to the new Acquisition Account required by the Bond Resolution and (ii) a Cash Flow Certificate.

Amounts credited to the Revenue Fund, as directed by an Agency Certificate, shall be released to the Agency for the payment of Program Expenses or the establishment of reserves therefor in an amount needed or required to pay reasonable and necessary Program Expenses; provided that if the amount to be released exceeds the amount assumed in the most recently filed Cash Flow Certificate, the Agency shall file a new Cash Flow Certificate with the Trustee.

Amounts credited to the Revenue Fund, except Program Expenses, may be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, or transferred to the Endowment Fund, upon the filing with the Trustee of (i) an Agency Certificate directing the same, (ii) a Cash Flow Certificate and (iii) a Parity Certificate.

Any investment earnings on moneys held in the Revenue Fund shall be retained therein.

Bond Fund Interest Account and Bond Fund Principal Account

The Trustee shall withdraw from the Bond Fund Interest Account, on or immediately prior to each Interest Payment Date of the Bonds, an amount equal to the unpaid interest due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is authorized to transmit the same to any Paying Agents who shall apply the same to such payment.

If the withdrawals required with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Fund Principal Account, on or immediately prior to each Principal Installment Date, an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before said Principal Installment Date and shall cause the same to be applied to the payment of the principal amount of said Bonds when due and is authorized to transmit the same to any Paying Agents who shall apply the same to such payment.

Any amount at any time held in the Bond Fund Interest Account or Bond Fund Principal Account in excess of the Interest Requirement or Principal Requirement may be transferred by the Trustee to the Revenue Fund, if so directed by Agency Certificate, and otherwise shall be retained in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be.

The interest earned or other income derived from the investment of moneys in the Bond Fund Interest Account and Bond Fund Principal Account shall be transferred by the Trustee to the Revenue Fund (unless the Trustee is directed by Agency Certificate to retain such amounts in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be).

Bond Redemption Fund

Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Series Resolutions authorizing the issuance thereof, all amounts deposited in the Bond Redemption Fund shall be applied to the purchase or redemption of Bonds, including payment of any redemption premium, on the applicable Redemption Date; provided, however, that in the event the Agency has issued refunding obligations for the purpose of redeeming Bonds of a Series M accordance with the Bond Resolution, upon receipt of an Agency Certificate directing such transfer and confirmation by the Trustee that provisions have been made for wiring proceeds of such refunding obligations to the Trustee, the Trustee, immediately on the date of such confirmation, shall transfer moneys in the Bond Redemption Fund in an amount equal to the amount of refunding proceeds received by the Trustee to the funds or accounts specified in the refunding resolution as specified in the Agency Certificate. The Redemption Price of Bonds subject to redemption by operation of the Bond Redemption Fund in the Bond Fund shall be the price set forth in the applicable Series Resolution. Upon receipt of an Agency Certificate directing the same, the Trustee shall transfer at the time of purchase or no more than forty-five (45) calendar days prior to such redemption to the Bond Redemption Fund in the Bond Fund from the Debt Service Reserve Fund or Insurance Reserve Fund the amount stated in such Request, which amount shall be no greater than the amount by which the Debt Service Reserve Requirement or Insurance Reserve Requirement will decrease due to the purchase or redemption of Bonds. Subject to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds, requiring the application thereof to the purchase or redemption of any particular Bonds, the

Trustee shall apply any amounts deposited in the Bond Redemption Fund to the purchase or redemption of Bonds at the times and in the manner provided in the Bond Resolution. Amounts on deposit in the Bond Redemption Fund for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Series Resolution authorizing the issuance of Refunding Bonds shall be segregated and shall be identified as such on the records of the Trustee.

Any earnings derived from the investment of amounts deposited in the Bond Redemption Fund pursuant to the issuance and delivery of Refunding Bonds, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in the Resolution, be deposited in the Bond Redemption Fund. All other interest earned or other income derived from the investment or deposit or moneys in each Bond Redemption Fund in the Bond Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Endowment Fund

The Trustee shall establish and maintain three subfunds within the Endowment Fund entitled the "Home Improvement Endowment Fund," the "Homeownership Endowment Fund" and the "Multifamily Housing Endowment Fund." Each such subfund may be used to make or purchase loans, make grants, and provide other subsidies and assistance, upon such terms as the Agency may determine, with respect to the type of housing and housing improvements appropriate to each subfund. Upon receipt of an Agency Certificate, the Trustee shall (i) deposit in a designated subfund of the Endowment Fund any funds, securities, Cash Equivalents, loans or other property provided by the Agency and not otherwise pledged under the Bond Resolution or (ii) withdraw from a designated subfund and deposit in another designated subfund of the Endowment Fund any funds, securities, Cash Equivalents, loans or other property specified in such Agency Certificate, or (iii) withdraw from a designated subfund or subfunds of the Endowment Fund for release to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, any funds, securities, Cash Equivalents, loans or other property specified in such Agency Certificate; subject, however, to any covenants or agreements made by the Agency in a Series Resolution.

Any moneys held in a subfund of the Endowment Fund may be invested or reinvested in such securities, loans or other investment as may be directed by an Authorized Officer, which may include Investment Obligations, Program Obligations or Other Obligations but is not restricted thereto. Any interest or income earned with respect to any said securities, loans or other property shall likewise be retained in the appropriate subfund of the Endowment Fund.

Subject to programmatic uses permitted by the Bond Resolution, funds, securities, Cash Equivalents, loans and other property held from time to time in the Endowment Fund are available for the payment of the principal of, Redemption Price and interest on Bonds when due. Amounts on deposit in the Endowment Fund shall be used to make up deficiencies in the Bond Fund Interest Account, Bond Fund Principal Account, Bond Redemption Fund, Debt Service Reserve Fund and Insurance Reserve Fund as specified in the Bond Resolution. The Agency has not covenanted in the Bond Resolution to maintain any minimum balance in the Endowment Fund and there is no assurance any funds will be available therein in the event of a deficiency in any other Funds or Accounts.

Debt Service Reserve Fund

There shall be deposited in the Debt Service Reserve Fund all amounts required to be deposited therein by the Bond Resolution or any Series Resolution and any other amounts available therefor and determined by the Agency to be deposited therein.

If on any Bond Payment Date the amount in the Bond Fund Interest Account, Bond Fund Principal Account or Bond Redemption Fund, as appropriate, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent required pursuant to the Bond Resolution.

If, concurrently with any allocation from the Revenue Fund pursuant to the Bond Resolution, or, on any date upon which a Series Resolution shall be delivered to the Trustee, the amount on deposit in the Debt Service Reserve Fund shall be in excess of the Debt Service Reserve Requirement, the Trustee shall, if so directed in writing pursuant to an Agency Certificate, (1) transfer the amount of such excess which is Revenues to any one or more of the Acquisition Accounts, the Bond Fund Interest Account, the Bond Fund Principal Account, the Bond Redemption Fund or the Revenue Fund as so directed and (2) transfer the amount of such excess which is sale proceeds, investment proceeds or transferred proceeds of Bonds to any one or more of the Acquisition Accounts or the Bond Redemption Fund.

Subject to any limitation provided in the Act, a Series Resolution may provide that the Debt Service Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Debt Service Reserve Fund so funded shall be deemed to include any amount payable under such Cash Equivalents on the demand of the Trustee.

Any earnings derived from the investment of amounts deposited in the Debt Service Reserve Fund shall, to the extent the balance therein is less than the Debt Service Reserve Requirement, be retained in the Debt Service Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

In order better to secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 3 of the Act, the Agency shall cause the Chair annually, on or before December 1 of each year, to make and deliver to the Governor of the State the Chair's certificate stating the sum, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. All money received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 3 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund.

Notwithstanding the provisions of the foregoing paragraph, prior to causing the Chair to execute and deliver the certificate specified therein, the Agency shall first transfer to the Debt Service Reserve Fund from the Endowment Fund such amount as may be available therein to reduce or eliminate, if possible, the deficiency in the Debt Service Reserve Fund.

Insurance Reserve Fund

The Insurance Reserve Requirement, if any, received by the Trustee upon the issuance of a Series of Bonds shall be held in the Insurance Reserve Fund and used for the purpose of paying that portion of the claim for loss with respect to any Program Loan in default, made or purchased from an Acquisition Account, which is not paid by any public or private insuring agency. The Agency shall promptly furnish to the Trustee an Agency Certificate stating the amount of the loss, when determinable, and the Trustee shall forthwith transfer this amount to the extent available from the Insurance Reserve Fund to the Revenue Fund.

If on any Bond Payment Date the amount in the Bond Fund Interest Account, Bond Fund Principal Account or Bond Redemption Fund, as appropriate, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Insurance Reserve Fund to the extent required pursuant to the Bond Resolution.

If, concurrently with any allocation from the Revenue Fund pursuant to the Bond Resolution, or, on any date upon which a Series Resolution shall be delivered to the Trustee, the amount on deposit in the Insurance Reserve Fund shall be in excess of the Insurance Reserve Requirement, the Trustee shall, if so directed in writing pursuant to an Agency Certificate, (1) transfer the amount of such excess which is Revenues to any one or more of the Acquisition Accounts, the Bond Fund Interest Account, the Bond Fund Principal Account, the Bond Redemption Fund or the Revenue Fund as so directed and (2) transfer the amount of such excess which is sale proceeds, investment proceeds or transferred proceeds of Bonds to any one or more of the Acquisition Accounts or the Bond Redemption Fund.

Subject to any limitation provided in the Act, a Series Resolution may provide that the Insurance Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Insurance Reserve Fund so funded shall be deemed to include any amount payable under such Cash Equivalents on the demand of the Trustee.

Any earnings derived from the investment of amounts deposited in the Insurance Reserve Fund shall, to the extent the balance therein is less than the Insurance Reserve Requirement, be retained in the Insurance Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

If at any time the amount in the Insurance Reserve Fund is less than the Insurance Reserve Requirement, and is not restored from available Revenues in accordance with the Bond Resolution, or available funds in the General Reserve Account or Alternative Loan Fund supplied by the Agency upon notice of the deficiency from the Trustee, the deficiency shall be supplied by the Trustee by the transfer of funds available from the Endowment Fund.

Alternative Loan Fund

The Trustee shall maintain the Alternative Loan Fund created within the Bond Resolution and shall deposit therein any amounts authorized by an Agency Certificate to be withdrawn from the Revenue Fund in accordance with the Resolution and any other amounts provided by the Agency for deposit therein. Amounts on deposit in the Alternative Loan Fund shall be free and clear of any lien or pledge created by the Bond Resolution, and free and clear of any restrictions on the investment of funds set forth in the Bond Resolution. Amounts deposited into the Alternative Loan Fund may be used for any lawful purpose for which the Agency may from time to time use funds on deposit in its General Reserve Account and, pending such use, may be invested in any securities or investments permissible generally for the investment of funds of the Agency as specified by Agency Certificate. By Agency Certificate furnished to the Trustee, the Agency may at any time appropriate any funds and investments on deposit in the Alternative Loan Fund to any Account or Fund created pursuant to the Bond Resolution (in which case such funds and investments shall become subject to the lien and pledge thereof) or may direct that such funds and investments be transferred to the Agency's General Reserve Account or to any other fund or account established pursuant to resolution of the Agency.

The Agency, by Agency Certificate, may request the Trustee to establish one or more subaccounts in the Alternative Loan Fund to be restricted to such uses, and used in accordance with such terms, as are specified in the Agency Certificate.

Any earnings derived from the investment of amounts deposited in the Alternative Loan Fund shall be retained therein unless otherwise directed by Agency Certificate.

Investment of Moneys Held by the Trustee

Moneys held by the Trustee for the credit of any Account or Fund established under the Bond Resolution shall be invested by the Trustee as directed by the Agency to the fullest extent practicable and reasonable in Investment Obligations which shall mature or be redeemable at the option of the Owner prior to the respective dates when the moneys held for the credit of such Fund or Account will be required for the purposes intended. Unless otherwise confirmed in writing, an account statement delivered by the Trustee to the Agency shall be deemed written confirmation by the Agency that investment transactions identified therein accurately reflect the investment directions given to the Trustee pursuant to the terms of the Bond Resolution, unless the Agency notifies the Trustee in writing to the contrary within forty five (45) days of the date of such settlement.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account or combination thereof, and the Trustee shall inform the Agency of the detail of all such investments. The Trustee shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary to provide moneys to meet any payment from a Fund or Account. The Trustee shall not be liable for any depreciation of the value of any investment on the redemption, sale and maturity thereof, and in the absence of any direction from the Agency, the Trustee shall not be required to invest such funds.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, any Investment Obligations. The Trustee shall advise the Agency in writing monthly, unless otherwise directed by Agency Certificate, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Bond Resolution as of the end of the preceding month.

In computing the amount in any Fund or Account, Investment Obligations shall be valued at par or, if purchased at a price other than par, at their Amortized Value, in either event exclusive of accrued interest purchased.

Except as otherwise specifically provided in the Bond Resolution or in a Series Resolution, the income or interest earned, or gain, shall be transferred by the Trustee upon receipt thereof to the appropriate Revenue Account.

The Trustee shall not be liable or responsible for the making of any investment authorized by the Bond Resolution in the manner provided in the Bond Resolution or for any loss resulting from any such investment so made, except for its own negligence.

Cash Flow Certificates

The Agency is required to file a Cash Flow Certificate (i) at least once within any 12 month period and (ii) at such other times as may be required pursuant to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds of a Series then Outstanding.

Creation of Liens

The Agency shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Agency or by any Fiduciary under the Bond Resolution and shall not create or cause to be created any lien or charge on any pledged Revenues or such moneys, securities, rights or interests: provided, however, that nothing in the Bond Resolution shall prevent the Agency from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after any pledge of Revenues provided in the Bond Resolution shall be discharged and satisfied as provided in the Bond Resolution, or (ii) notes or bonds of the Agency not secured under the Bond Resolution; and provided, further, that, to secure its obligation to make Agency Swap Payments to a Swap Counterparty pursuant to a Swap Agreement, the Agency may grant to the Swap Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the collateral pledged to the payment of the Bonds under the Bond Resolution.

Defeasance of Bonds

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any one or more of the alternate Paying Agents (through deposit by the Agency of moneys for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Bond Resolution. All Outstanding Bonds of any Series shall be deemed prior to the maturity or Redemption Date thereof to have been paid within the meaning and with the effect expressed in the Bond Resolution if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds.

Events of Default

Each of the following events shall constitute an event of default under the Bond Resolution: (1) the Agency shall fail to pay any Principal Installment or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise, or shall fail to pay the purchase price of any Bond tendered or deemed tendered for purchase on the date established therefor; or (2) the Agency shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable; or (3) the Agency shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Bond Resolution or in the Bonds, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than a majority in principal amount of the Bonds Outstanding; or (4) the Agency shall file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or (5) the State limits or alters the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Bond Resolution, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

Acceleration; Annulment of Acceleration

Upon the occurrence of an Event of Default, the Trustee may and, upon the written request of the Bondowners of not less than 25% in aggregate principal amount of Bonds Outstanding shall, give 30 days' notice in writing to the Agency of its intention to declare all Bonds Outstanding immediately due and payable; provided, however, that the Trustee may not make any such declaration with respect to an Event of Default under item (3) above unless (1) the Trustee has received a written request to do so from 100% of the Owners of all Outstanding Bonds or (2) there are sufficient moneys available in the Funds and Accounts to pay the principal and interest on the Bonds upon such declaration. At the end of such 30-day period the Trustee may, and upon such written request of Bondowners of not less than 25% in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the Agency, declare all Bonds Outstanding immediately due and payable and such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Resolution, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if (1) moneys shall have been deposited in the Bond Fund sufficient to pay all matured installments of interest and principal or Redemption Price or purchase price (other than principal then due only because of such declaration) of all Outstanding Bonds; (2) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agents; (3) all other amounts then payable by the Agency under the Bond Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (4) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Default or impair any right consequent thereon.

If the Agency shall fail to pay any Principal Installment, the Redemption Price, the purchase price or any installment of interest on any Bond when and as the same shall become due and payable, the Trustee shall, within 30 days, give written notice thereof by first-class mail to the Bondowners, shown by the registry of Bondowners required to be maintained at the office of the Trustee.

Additional Remedies and Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to: (1) suit upon all or any part of the Bonds; (2) suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners; (3) suit to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners; (4) enforcement of any other right of the Bondowners conferred by law or by the Bond Resolution; and (5) in the event that all Bonds are declared due and payable, by selling Program Obligations.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Bond Resolution by any acts which may be unlawful or in violation of the Bond Resolution, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Bond Resolution.

Amendments

Amendments of the Resolutions may be made by a Supplemental Resolution.

Supplemental Resolutions may become effective upon filing with the Trustee if they add limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution or Series Resolution, add covenants and agreements of the Agency in the Bond Resolution or Series Resolution that are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution in effect at the time, add limitations and restrictions to be observed by the Agency, surrender any right, power or privilege reserved to or conferred upon the Agency or are reasonably necessary to preserve the tax exemption of Outstanding Bonds or permit the issuance of additional tax exempt Bonds.

Supplemental Resolutions become effective upon consent of the Trustee for the following purposes:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or any Series Resolution;

(2) To insert such provisions clarifying matters or questions arising under the Bond Resolution or any Series Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution theretofore in effect;

(3) To waive any right reserved to the Agency, provided that the loss of such right shall not adversely impair any Revenues available to pay the Outstanding Bonds of any Series; and

(4) To make any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

Other Supplemental Resolutions may become effective only with consent (i) of the Bondowners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bondowners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given.

However, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price or purchase price thereof or in the rate of interest thereon (except as otherwise provided in a Series Resolution) without the consent of the Bondowners of all such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Bondowners of which is required to effect any such modification or amendment or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Any amendment may be made with unanimous consent of the Bondowners, except that no amendment shall change any of the rights or obligations of any fiduciary without the consent of the Fiduciary.

APPENDIX E

MORTGAGE INSURANCE PROGRAMS AND STATE LAWS AFFECTING FORECLOSURES

Federal Housing Administration Single-Family Mortgage Insurance Programs

The National Housing Act of 1934, as amended, authorizes various Federal Housing Administration (the "FHA") mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contain five or more dwelling units or less than five such units.

The regulations governing all of the FHA programs under which the mortgage loans may be insured provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to the Department of Housing and Urban Development ("HUD").

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash, unless the mortgage holder specifically requests in debentures issued by HUD. Under others, HUD has the option, at its discretion, to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on single-family mortgage loans in cash, with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment.

HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher. The HUD debenture interest rates applicable to the FHA insured mortgages which the Agency has acquired or committed to acquire are in most cases lower than the interest rates of such mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of institution of foreclosure proceedings or acquisition of the property. The mortgage holder 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 2/3 of the mortgagee's foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, or, if the property has suffered damage because of failure of the mortgage holder to take action to inspect and preserve the property, it is generally required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage holder prior to such conveyance or assignment. For mortgages insured on or after April 19, 1992, if the property has been damaged during the mortgage holder's possession by events other than fire, flood, earthquake or tornado notwithstanding reasonable action by the mortgage holder, HUD may require the mortgage holder to repair the property prior to conveyance to HUD as a condition to payment of an insurance claim.

Veterans Administration Guaranty Program

The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranteed by the Veterans Administration (the "VA") covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee, as the VA may elect. The program has no mortgage loan limits (other than that the amount may not exceed the property's reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years. The guaranty provisions for mortgage loans are as follows: (a) for home and condominium loans of $45,000 or less, 50% of the loan is guaranteed (for loans with an original principal balance of $45,000 and not more than $56,250, the guaranty will not exceed $22,500); (b) for home and condominium loans of more than $56,250 but less than or equal to $144,000, 40% of the loan is guaranteed subject to a maximum guaranty of $36,000; (c) for home and condominium loans of more than $144,000, 25% of the principal amount of the loan is guaranteed subject to a maximum guarantee of $50,750; and (d) for loans for manufactured homes, 40% of the loan is guaranteed (with a maximum guaranty of $20,000). 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 mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

Rural Development (RD) Insured Program

Loans insured by Rural Development ("RD") may be made to purchase new or existing homes in designated rural areas. Eligible rural areas have a population not in excess of 10,000 persons or if located outside a Metropolitan Statistical Area, not in excess of 25,000. Loans may be made up to 100% of the market value of the property or 100% of the acquisition cost, whichever is less. The maximum loan amount is the applicable FHA maximum loan amount. The interest rate of these 30 year mortgages may not exceed the higher of the current VA rate or the Federal National Mortgage Association's ("FNMA") required net yield for 90 day commitments on a 30 year fixed-rate mortgage with actual/actual remittance plus 60 basis points. RD covers all losses on foreclosed loans up to 35% of the original principal. Any loss in excess of this amount carries an 85% guarantee. It is the present administrative policy of the Agency to tender a claim to RD by the earlier of (a) six months after the date of acquisition of the property through foreclosure or (b) 30 days after the sale of the property. The Agency retains title to the property and may apply the insurance proceeds and any sale proceeds to the outstanding debt.

Private Mortgage Insurance Programs

In accordance with the Bond Resolution, all Program Loans insured by a private mortgage insurance company shall be in any amount not exceeding the Market Value of the Home, provided that the Agency is issued a mortgage insurance policy under which the minimum insured percentage of any claim filed is at least equal to that percentage of the Market Value or sale price of the Home, whichever is less, by which the original principal amount of the mortgage exceeds 80% of such Market Value. Each private mortgage insurer insuring such Program Loans must be (a) licensed to do business in Minnesota and (b) maintain a rating of A2 from Moody's Investors Services and AA from Standard and Poors Corporation, or must be approved to insure mortgages purchased by FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC"). Both FNMA and FHLMC require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by FNMA in determining whether to approve a private mortgage insurer are the following: (a) experienced mortgage insurers are expected to have policyholders' surplus of not less than $5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of 25 times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with FNMA's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

FHLMC eligibility requirements for approving private mortgage insurers presently provide that (a) not more than 10% of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families and (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10% of its policyholders' surplus (net of reinsurance); (c) no insurer shall have more than 20% of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60% of its total insurance in force; and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law.

FHLMC also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than $5 million; (b) an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis; if a greater unearned premium reserve is required by the state where the insurer is licensed, then such greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50% of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages which have resulted in the conveyance of property which remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85% of its total admitted assets in the form of marketable securities or other highly liquid investments which qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of 25 times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports with the FHLMC.

It is the present administrative policy of the Agency to require that any private mortgage insurance policy with respect to a Program Loan to be purchased with the proceeds of the Series Bonds contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within sixty days of presentation of the claim by the mortgage lender; (b) for a mortgage lender to present a claim, the mortgage lender must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor; (c) when a claim is presented, the insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (either 20 or 25%, depending on the coverage purchased by the mortgage lender) and allowing the insured lender to retain title to the property.

The foregoing description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in regulations of the FHA, RD and the VA, respectively, and of the regulations, master insurance contracts and other such information of the various private mortgage insurers. Program Loans purchased by the Agency are not limited by the Resolutions to the foregoing programs and it is possible that insurance benefits under other Federal or private programs in which the Agency may participate could be more or less favorable.

Insurance Reserve Fund

For a description of the Insurance Reserve Fund, see "Summary of Certain Provisions of the Bond Resolution" in Appendix D.

State Laws Affecting Foreclosures

Mortgage foreclosures in Minnesota are governed by statute and permit two alternative methods, "by action" or "by advertisement." The latter is normally utilized since it is slightly faster, less expensive, and does not have the same tendency to invite contest as does foreclosure by action. The process is normally initiated by the publication, recordation and service of a notice of foreclosure. This notice must include all relevant information on the mortgage loan and the secured premises as well as a statement of the time and place of sale and the time allowed by law for redemption by the mortgagor. This notice must then be published in a legal newspaper each week for six consecutive weeks. Service of the notice on the mortgagor and any other affected party must be completed at least four weeks prior to the designated date of the foreclosure sale. Compliance with the above publication and service of notice requirements within the prescribed time limitations is essential to the validity of the mortgage foreclosure sale.

Prior to the foreclosure sale, the mortgagor has the right to reinstate the mortgage and prevent foreclosure by curing all defaults on a current basis and by paying attorneys' fees and out-of-pocket disbursements to the extent permitted by statute. If the mortgage is not reinstated, the foreclosure sale is held in the sheriffs office in the county in which the real estate being foreclosed is located. Although anyone can bid at a foreclosure sale, the normal result of the foreclosure sale is that the lender bids in the debt without competing bidders (and under the Bond Resolution, the Agency is required to do so), and purchases the mortgaged property from the defaulting borrower through the sheriff, subject to the rights of the borrower and subsequent creditors to redeem.

The holding of such foreclosure sale starts the period of redemption. The period of redemption will normally be six months but can be as long as twelve months. During the period of redemption the mortgagor normally retains the right to remain in possession of the mortgaged property without making mortgage payments or paying real estate taxes. During the period of redemption, the mortgagor has the right to pay off the entire indebtedness, including full principal, accrued interest, any amounts reasonably paid by the mortgagee to preserve the security, and attorneys' fees and disbursements to the extent allowed by statute.

After the period of redemption expires, the mortgagee is entitled to possession of the premises, but may have to bring an unlawful detainer proceeding to enforce its possessory rights, and a proceeding subsequent in the case of Torrens property to perfect its title to the mortgaged property.

It is not unusual, therefore, for a mortgagee to be delayed 10 months or more from the date of initiation of the mortgage foreclosure proceeding until it realizes its possessory rights.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond of each Series for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. is the Registered Owner of the Series Bonds of a series, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of such Series Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Series Bonds.*

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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC'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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "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, but Beneficial Owners are 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 Series 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 Series Bonds, except in the event that use of the Book-Entry System for Series Bonds of such Series Ms discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by 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 Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 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. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series and maturity are being redeemed, DTC's, practice is to determine by lot the amount of the interest of each Direct Participant in such Series Bonds of such maturity to be redeemed.

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

Payment of the principal, redemption price and interest on the Series 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 Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the issuer, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Under the Series Resolution, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations under the Resolutions to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolutions to be given to owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to all or any series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, such series of Series Bonds are required to be delivered as described in the Series Resolution. The Beneficial Owner, upon registration of such Series Bonds held in the Beneficial Owner's name, shall become the Bondowner.

The Agency may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository) for all or any series of the Series Bonds. In such event, the Series Bonds of such series are to be delivered as described in the Series Resolution.

APPENDIX G

OPINIONS OF BOND COUNSEL

[To be dated the date of issuance of the 2005 Series J Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Residential Housing Finance Bonds, 2005 Series J

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Residential Housing Finance Bonds, 2005 Series J, in the aggregate principal amount of $11,890,000 (the "2005 Series J Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2005 Series J Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2005 Series J Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, and to mandatory tender for purchase at par, all as provided in the Series Resolution.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented, and the Series Resolution adopted June 9, 2005. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2005 Series J Bonds in order that interest on the 2005 Series J Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond and Series Resolution; (3) the 2005 Series J Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond and Series Resolution, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2005 Series J Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2005 Series J Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; and (5) the interest payable on the 2005 Series J Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2005 Series J Bonds will not be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and in calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates, but will be included in the calculation of adjusted current earnings for purposes of calculating federal and State of Minnesota alternative minimum taxes imposed on corporations. We express no opinion regarding other federal or state tax consequences arising from the ownership or disposition of the 2005 Series J Bonds. All owners of 2005 Series J Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2005 Series J Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2005 Series J Bonds and the Bond and Series Resolution may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights heretofore or hereafter enacted.

Dated: _______________, 2005.

Respectfully yours,

[To be dated the date of issuance of the Series 2005 Series K Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Residential Housing Finance Bonds, 2005 Series K

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Residential Housing Finance Bonds, 2005 Series K, in the aggregate principal amount of $41,950,000 (the "2005 Series K Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2005 Series K Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2005 Series K Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, and to mandatory tender for purchase at par, all as provided in the Series Resolution.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented, and the Series Resolution adopted June 9, 2005. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2005 Series K Bonds in order that interest on the 2005 Series K Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond and Series Resolution; (3) the 2005 Series K Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond and Series Resolution, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2005 Series K Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2005 Series K Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; and (5) the interest payable on the 2005 Series K Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2005 Series K Bonds will be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and in calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal or state tax consequences arising from the ownership or disposition of the 2005 Series K Bonds. All owners of 2005 Series K Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2005 Series K Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2005 Series K Bonds and the Bond and Series Resolution may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights heretofore or hereafter enacted.

Dated: ______________, 2005.

Respectfully yours,

[To be dated the date of issuance of the Series 2005 Series L Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Residential Housing Finance Bonds, 2005 Series L

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Residential Housing Finance Bonds, 2005 Series L, in the aggregate principal amount of $48,165,000 (the "2005 Series L Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2005 Series L Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2005 Series L Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, and to mandatory tender for purchase at par, all as provided in the Series Resolution.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented, and the Series Resolution adopted June 9, 2005. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2005 Series L Bonds in order that interest on the 2005 Series L Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond and Series Resolution; (3) the 2005 Series L Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond and Series Resolution, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2005 Series L Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2005 Series L Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; and (5) the interest payable on the 2005 Series L Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2005 Series L Bonds will be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and in calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal or state tax consequences arising from the ownership or disposition of the 2005 Series L Bonds. All owners of 2005 Series L Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2005 Series L Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2005 Series L Bonds and the Bond and Series Resolution may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights heretofore or hereafter enacted.

Dated: _______________, 2005.

Respectfully yours,

[to be dated the date of issuance of the 2005 Series M Bonds]

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Residential Housing Finance Bonds, 2005 Series M

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Residential Housing Finance Bonds, 2005 Series M, in the aggregate principal amount of $60,000,000 (the "2005 Series M Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

The 2005 Series M Bonds are dated, mature on the date, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2005 Series M Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and to optional and mandatory tender for purchase at par, all as provided in the Series Resolution.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented, and the Series Resolution adopted June 9, 2005. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2005 Series M Bonds in order that interest on the 2005 Series M Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond and Series Resolutions have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond and Series Resolutions; (3) the 2005 Series M Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond and Series Resolutions, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2005 Series M Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2005 Series M Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; and (5) the interest payable on the 2005 Series M Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2005 Series M Bonds will be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and in calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal or state tax consequences arising from the ownership or disposition of the 2005 Series M Bonds. All owners of 2005 Series M Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2005 Series M Bonds.

The interest rate on all or a portion of the 2005 Series M Bonds may be converted from a variable rate mode to a different interest rate mode on a Conversion Date (as defined in the Series Resolution), subject to the terms and conditions set forth in the Series Resolution, including the requirement of delivery to the Agency and the Trustee of an opinion of nationally recognized bond counsel to the effect that the change in interest rate period will not adversely affect the exemption of interest on the 2005 Series M Bonds from federal income taxation. We express no opinion as to the exemption from federal or State of Minnesota income taxation of interest on any 2005 Series M Bond on or after the initial Conversion Date, if and when it occurs.

The opinions expressed above are qualified only to the extent that the enforceability of the 2005 Series M Bonds and the Bond and Series Resolutions may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights heretofore or hereafter enacted.

Dated: ______________, 2005.

Respectfully yours,

APPENDIX H

CERTAIN DEFINITIONS WITH RESPECT TO THE 2005 SERIES M BONDS

"*Alternate Liquidity Facility*" means any standby purchase agreement, line of credit, letter of credit or similar agreement (not including a Non-Conforming Liquidity Facility or Self-Liquidity Facility) providing liquidity for the Liquidity Facility Bonds or any portion thereof, delivered by the Agency in connection with a Mode Change to a Mode Period other than an Auction Mode Period or in substitution for an existing Liquidity Facility pursuant to the terms of the Series Resolution. The extension or renewal of an extant Liquidity Facility shall not be deemed an Alternate Liquidity Facility.

"*Bank*" means (i) with respect to the Initial Liquidity Facility for the 2005 Series M Bonds, Lloyds TSB Bank plc, acting through its New York Branch, a national banking association, together with its successors and assigns; (ii) with respect to an Alternate Liquidity Facility or a Non-Conforming Liquidity Facility, the provider thereof, together with its successors and assigns; and (iii) with respect to Self Liquidity, the Agency, together with its successors and assigns.

"*Bank Bonds*" means 2005 Series M Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility, other than Self Liquidity.

"*Bank Rate*" means the rate of interest, if any, on any Bank Bonds held by and payable to the Bank at any time as determined and calculated in accordance with the provisions of the Liquidity Facility.

"*Bank Purchase Date*" means any Purchase Date on which the Bank purchases 2005 Series M Bonds.

"*Business Day*" means any day which shall not be a Saturday, Sunday, legal holiday or a day on which banks in the City of New York, New York or Minneapolis, Minnesota are authorized or required by law or executive order to remain closed and which shall not be a day on which the New York Stock Exchange is closed.

"*Conversion Date*" means the Business Day on which the interest rate on any of the 2005 Series M Bonds is Converted to a Fixed Interest Rate or an Indexed Rate.

"*Convert*," "*Converted*" or "*Conversion*," as appropriate, means the conversion of the interest rate on any of the 2005 Series M Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the Series Resolution.

"*Liquidity Expiration Event*" means either (i) the Agency has determined to terminate a Liquidity Facility in accordance with its terms, (ii) the Bank has delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that such Liquidity Facility will not be extended or renewed or (iii) the Bank has not delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that such Liquidity Facility will be extended or renewed.

"*Liquidity Facility*" means any instrument delivered pursuant to the terms of the Series Resolution which provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the Series Resolution, including the Initial Liquidity Facility and any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self Liquidity.

"*Maximum Rate*" means (i) with respect to the 2005 Series M Bonds (other than Auction Bonds) 12% per annum, unless the Agency directs in writing that such rate be increased to a higher rate and delivers to the Trustee (a) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the exclusion of interest on the Series Bonds, including the 2005 Series M Bonds, from gross income of the owners thereof for federal income tax purposes, (b) an Agency Certificate to the Trustee to the effect that such increase will not impair the Ratings on the 2005 Series M Bonds by each Rating Agency; and (c) a certified copy of a resolution adopted by the Agency approving such increase in the Maximum Rate; (ii) with respect to Auction Bonds, as of any Auction Date and as determined by the Agency, the product of the Auction Index times the Auction Multiple; and (iii) with respect to Bank Bonds, the meaning ascribed to such term in the Liquidity Facility; provided, however, that in no event shall the Maximum Rate, as described in (i) or (ii) above, exceed the lesser of (a) 12% or such higher rate as approved by the Agency's governing body or (b) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

"*Mode*" means the manner in which the interest rate on any of the 2005 Series M Bonds is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Auction Rate.

"*Mode Change*" means a change in Mode Period.

"*Mode Change Date*" means the date of effectiveness of a Mode Change.

"*Mode Period*" means each period beginning on the first Effective Rate Date for any of the 2005 Series M Bonds, or the first Effective Rate Date following a change from one Mode to another (including a change from one Auction Mode Period to another Auction Mode Period of a different duration), and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode with respect to such 2005 Series M Bonds.

"*Non-Conforming Liquidity Facility*" means a liquidity facility delivered by the Agency pursuant to the Series Resolution applicable to the 2005 Series M Bonds which does not meet the requirements for an Alternate Liquidity Facility.

"*Purchase Date*" means any date that 2005 Series M Bonds are to be purchased pursuant to the Series Resolution.

"*Purchase Price*" means an amount equal to the principal amount of any 2005 Series M Bond tendered or deemed tendered for purchase as provided herein, plus, if the Purchase Date is not an Interest Payment Date, accrued interest from the previous Interest Payment Date to the day preceding the Purchase Date.

"*Record Date*" means, with respect to Variable Rate Bonds, the Business Day immediately prior to the applicable Interest Payment Date and, in all other cases, the fifteenth day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then such Record Date shall be deemed to be the first Business Day following such Record Date.

"*Remarketing Agreement*" means the Remarketing Agreement, between the Agency and UBS Financial Services Inc. with respect to the 2005 Series M Bonds, as the same may be amended in accordance with the terms thereof, and any similar agreement entered into between the Agency and any successor Remarketing Agent in respect of the 2005 Series M Bonds.

"*Self Liquidity*" means a liquidity facility provided by the Agency's own funds pursuant to the Series Resolution applicable to the 2005 Series M Bonds, other than a Non-Conforming Liquidity Facility.

"*TBMA Index*" means the rate determined on the basis of an index based upon the weekly interest rate resets of tax-exempt variable-rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by The Bond Market Association, formerly the Public Securities Association.

"*Tender Agent*" means the Trustee appointed pursuant to the Series Resolution.

"*Variable Rate Bonds*" means the 2005 Series M Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, a Semiannual Mode Period (whether or not in each case such 2005 Series M Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds) or 2005 Series M Bonds during an Auction Mode Period.

APPENDIX I

SUMMARY OF CERTAIN PROVISIONS OF AND RELATING TO THE STANDBY BOND PURCHASE AGREEMENT

This Appendix contains a summary of the Initial Liquidity Facility to be entered into with the Initial Liquidity Provider in the form of a Standby Bond Purchase Agreement in respect of the 2005 Series M Bonds. A copy of the Initial Liquidity Facility is on file with the Trustee, the Tender Agent and the Agency. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial Liquidity Facility. For further information regarding the Initial Liquidity Provider (called the "Bank" in this Appendix I), see Appendix J.

THE INITIAL LIQUIDITY FACILITY

General

The Initial Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Official Statement, the Initial Liquidity Facility or the Resolutions, and reference thereto is made for full understanding of their import.

The Agency expects to execute the Initial Liquidity Facility with the Bank on the date of delivery of the 2005 Series M Bonds. The Initial Liquidity Facility requires the Bank to provide funds for the purchase of 2005 Series M Bonds (while bearing interest at a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate) that have been tendered and not remarketed subject to certain conditions described below. The 2005 Series M Bonds held by the Bank shall bear interest at the Bank Rate in accordance with the Initial Liquidity Facility.

The obligation of the Bank pursuant to the Initial Liquidity Facility to provide funds for the purchase of 2005 Series M Bonds (while bearing interest at a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate) that have been tendered and not remarketed shall end on the earliest of (i) August 3, 2012, as such date may be extended from time to time in accordance with the Initial Liquidity Facility, (ii) the date on which no Eligible Bonds are Outstanding and (iii) the date on which the Available Commitment and the Bank's obligation to purchase Eligible Bonds has been terminated in its entirety at the option of the Agency or in connection with the redemption, repayment, defeasance or other payment of all of the 2005 Series M Bonds, the conversion of the 2005 Series M Bonds to bear interest at a rate of interest other than a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate, the effectiveness of an Alternate Liquidity Facility, or under the circumstances described below under "Events of Default and Remedies."

Subject to the terms and conditions of the Initial Liquidity Facility, the Bank agrees from time to time during the Commitment Period to extend credit to the Agency through the purchase, with its own funds, of Eligible Bonds, at the Purchase Price on a Purchase Date. The aggregate principal amount (or portion thereof in denominations authorized by the Resolutions or any integral multiple thereof) of any Eligible Bond purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:00 a.m. on such Purchase Date and the portion of the Purchase Price constituting accrued interest on such Eligible Bonds shall not exceed the lesser of (a) the Available Interest Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:00 a.m. on such Purchase Date and (b) the actual aggregate amount of interest accrued on each such Eligible Bond to but excluding such Purchase Date. Any Eligible Bonds so purchased shall thereupon constitute Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Rate and have other characteristics of Bank Bonds as set forth in the Initial Liquidity Facility, the Bond Resolution, the Series Resolution and the 2005 Series M Bonds.

If, on any Purchase Date during the Purchase Period, the Bank receives not later than 12:00 noon, New York City time, a Notice of Bank Purchase from the Tender Agent, the Bank shall, subject to the conditions set forth in the Initial Liquidity Facility, transfer to the Tender Agent not later than 2:00 p.m., New York City time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank.

The obligation of the Bank to purchase Eligible Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank: (i) no Event of Default described in paragraph 1(a), 7, 8 or 9 below shall have occurred and be continuing; and (ii) the Bank shall have timely received a Notice of Bank Purchase.

Events of Default and Remedies

The following events constitute Events of Default under the Initial Liquidity Facility.

(1) The Agency shall fail to pay when due (a) any principal of, or interest on, any 2005 Series M Bond (including any Bank Bond) or any Parity Obligation or (b) any fees owed to the Bank pursuant to specified sections of the Initial Liquidity Facility; or

(2) The Agency shall fail to pay any amount owing under specified sections of the Initial Liquidity Facility (other than those referred to in paragraph (1) above) within three (3) Business Days after the same shall become due; or

(3) Any representation or warranty made by or on behalf of the Agency in the Initial Liquidity Facility, the Resolutions or in any Related Document or in any certificate or statement delivered under said documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Agency shall default in the due performance or observance of any of the covenants set forth in specified sections of the Initial Liquidity Facility; or

(5) The Agency shall materially default in the due performance or observance of any other term, covenant or agreement contained in the Initial Liquidity Facility (other than those referred to in paragraphs (1), (2), (3) and (4) above), the Bond Resolution, the Series Resolution or any Related Document and such default shall remain unremedied for a period of thirty (30) days after the Agency shall have received notice thereof; or

(6) One or more final, unappealable judgments against the Agency or the Pledged Property for the payment of money, and not covered by insurance, or attachments against the property of the Agency or the Pledged Property, the operation or result of which, individually or in the aggregate, equal or exceed $2,500,000 shall remain unpaid, undischarged, unbonded or undismissed for a period of thirty (30) days; or

(7) (a) The Agency shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the 2005 Series M Bonds or any Parity Obligations, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Pledged Property, or the Agency shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Agency any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in an order for such relief or in the appointment of a receiver or similar official or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Agency, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Pledged Property, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the Agency shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Agency shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or

(8) (a) Any material provision of the Lloyds Standby Bond Purchase Agreement, the Bond Resolution, the Series Resolution, the Act, the 2005 Series M Bonds or any Parity Obligation shall at any time for any reason cease to be valid and binding on, or enforceable against, the Agency as a result of federal or state legislative, executive or

administrative action (without regard to when such action shall become effective), or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Agency, to be null and void, invalid or unenforceable; or (b) the State or any other Governmental Authority with jurisdiction over the Agency shall have declared or imposed a debt moratorium, debt adjustment or comparable restriction on repayment of the 2005 Series M Bonds or any Parity Obligation; or (c) any governmental entity with jurisdiction to rule on the validity of the Lloyds Standby Bond Purchase Agreement, the 2005 Series M Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation shall announce, find or rule that any material provision of the Lloyds Standby Bond Purchase Agreement, the 2005 Series M Bonds, the Act, the Bond Resolution, the Series Resolution, or any Parity Obligation, as the case may be, is not valid or not binding on the Agency; or (d) the State or the Agency (i) makes a claim in a judicial or administrative proceeding that the Agency has no further liability or obligation under the Lloyds Standby Bond Purchase Agreement, the 2005 Series M Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation or (ii) contests in a judicial or administrative proceeding the validity or enforceability of any material provision of the Lloyds Standby Bond Purchase Agreement, the 2005 Series M Bonds, the Act, the Bond Resolution, the Series Resolution or any Parity Obligation relating to or otherwise affecting the Agency's obligation to pay the principal of or interest on any 2005 Series M Bonds (including any Bank Bonds) or such Parity Obligations; or

(9) S&P and Moody's shall have (a) assigned the 2005 Series M Bonds or any Parity Obligations a long-term rating below "BBB-", in the case of S&P, and "Baa3", in the case of Moody's, (b) withdrawn their long-term ratings of the 2005 Series M Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance or (c) suspended their long-term ratings of the 2005 Series M Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance; provided, however, that any downgrade, withdrawal or suspension described in any of the foregoing provisions shall not be deemed an Event of Default if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a person other than the Agency; or

(10) Any "event of default" as described in this Official Statement in "Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Events of Default" which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder.

Following the occurrence of certain of the above referenced Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Initial Liquidity Facility for a complete listing of all consequences of Events of Defaults.

(a) In the case of any Event of Default specified in paragraph 1(a), 7, 8(a), 8(b) or 9 above (each, a "Special Event of Default"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank to purchase Eligible Bonds pursuant to the Initial Liquidity Facility shall immediately terminate and expire without requirement of notice by the Bank. After such termination or expiration, the Bank shall deliver, within two (2) Business Days, to the Agency, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(b) In the case of an Event of Default as specified in paragraph 8(c) or 8(d) above (each, a "Suspension Event"), the obligation of the Bank to purchase Eligible Bonds under the Initial Liquidity Facility shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Agency, the Trustee, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. Upon the occurrence of a Suspension Event described in paragraph 8(c) or 8(d), if a court with jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the material provisions of the Act or any other document described in paragraph 8(c) are not valid or not binding on the Agency or that a claim or contest described in paragraph 8(d) shall have been upheld in favor of the State or the Agency in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the material provision of the Act or any other document described in paragraph 8(c) is valid and binding on the Agency or that the claim or contest described in paragraph 8(d) shall have been dismissed pursuant to a final and nonappealable judgment, then the Available Commitment and the obligations of the Bank under the Initial Liquidity Facility shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if three (3) years after the effective date of the suspension of the obligations of the Bank pursuant to any Event of Default described in paragraph 8(c) or 8(d), litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. In the case of each Suspension Event, the Tender Agent shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Bank to purchase Eligible Bonds.

(c) Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) declare all obligations of the Agency to the Bank under the Initial Liquidity Facility to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are expressly waived; (ii) the Bank may give written notice of such Event of Default and termination of the Agreement (a "Notice of Termination Date") to the Trustee, the Tender Agent, the Agency and the Remarketing Agent requesting a Default Tender; provided, that the obligation of the Bank to purchase Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation to purchase Bonds; (iii) require immediate purchase of Bank Bonds by the Agency; (iv) exercise any right or remedy available to it under any other provision of the Initial Liquidity Facility; or (v) exercise any other rights or remedies available under the Bond Resolution, the Series Resolution and any Related Document, any other agreement or at law or in equity; provided, further, however, the Bank shall not have the right to terminate its obligation to purchase Bonds except as described herein.

APPENDIX J

CERTAIN INFORMATION RELATING TO THE INITIAL LIQUIDITY PROVIDER

THE LLOYDS TSB BANK GROUP

"Disclosure Statement"

Lloyds TSB Bank plc (the "Bank") is a wholly-owned subsidiary of Lloyds TSB Group plc ("LTSB Group"). The Bank and its subsidiaries (the "Bank's Group") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2004, total consolidated assets of LTSB Group were approximately £280 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 70,000.

The main business activities of the Bank's Group during 2004 are described below:

UK Retail Banking and Mortgages

UK Retail Banking and Mortgages provides banking and other financial services, private banking, stockbroking and mortgages to 15 million personal customers in England, Scotland and Wales.

Insurance and Investments

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services in the United Kingdom.

Wholesale and International Banking

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and small and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

The Bank's Group provides banking, investment and other financial services overseas in two main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida) and (ii) Europe and Offshore Banking. During 2004, the LTSB Group completed the disposal of substantially all of its local businesses in Argentina, Panama, Guatemala, Honduras and Colombia.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of the most recently available (i) annual Report and Accounts of LTSB Group for the fiscal year ended December 31, 2004 (ii) Annual Report on Form 20F of LTSB Group. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance. Additional information (including a full copy of such Report and Accounts) is available from the LTSB Group web site at http://www.investorrelations.lloydstsb.com.

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