**NEW ISSUE** **RATINGS: Moody's: 2023 Series L: "Aa1" 2023 Series M: "Aa1/VMIG 1"**
**S&P: 2023 Series L: "AA+" 2023 Series M: "AA+/A-1+"**
(See "Ratings" herein.)

*Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the purchase of the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.*

MINNESOTA HOUSING

# $100,000,000
# MINNESOTA HOUSING FINANCE AGENCY
## $70,000,000 Residential Housing Finance Bonds, 2023 Series L (Taxable)
## $30,000,000 Residential Housing Finance Bonds, 2023 Series M (Taxable)[1]

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

| | |
|---|---|
| *Tax Exemption* | Interest on the Series Bonds is includable in gross income for purposes of federal income taxation and is includable in the taxable net income of individuals, trusts and estates for state of Minnesota (the "State") income tax purposes. (For additional information, see "Tax Matters" herein.). |
| *Redemption and Tender* | The Agency may redeem all or a portion of the Series Bonds by optional or special redemption, and must redeem a portion of the Series Bonds by mandatory sinking fund redemption, as described under "The Series Bonds" herein. Owners of the 2023 Series M Bonds will have the option, and may be required, to tender their Series Bonds at par, as described under "The Series Bonds" herein. |
| *Security* | Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by the Agency's pledge of all Bond proceeds, Program Obligations, Investment Obligations, Revenues and other assets held under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution or in a Series Resolution. The Series Bonds are also 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 is not liable for the payment of the Series Bonds and the Series Bonds are not a debt of the State.* (See "Security for the Bonds" herein.) Liquidity support for the purchase of any 2023 Series M Bonds tendered will, subject to the terms and conditions of that support, initially be provided by TD Bank, N.A. See "Liquidity Facility" and "Security for the Bonds" herein. |
| *Interest Payment Dates* | January 1 and July 1, commencing January 1, 2024, and, in respect of a Series Bond to be redeemed, the redemption date. |
| *Denominations* | $5,000 or any integral multiple thereof for the 2023 Series L Bonds, and $100,000 or any integral multiple of $5,000 in excess thereof for the 2023 Series M Bonds. |
| *Closing/Settlement* | September 14, 2023 through the facilities of DTC in New York, New York. |
| *Bond Counsel* | Kutak Rock LLP. |
| *Underwriters' Counsel* | Dorsey & Whitney LLP. |
| *Trustee* | Computershare Trust Company, National Association, in St. Paul, Minnesota. |
| *Book-Entry-Only System* | The Depository Trust Company. See Appendix E 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 Kutak Rock LLP, Bond Counsel, as to the validity of the Series Bonds.

**RBC Capital Markets**

**Morgan Stanley** **Northland Securities** **Piper Sandler & Co.** **Wells Fargo Securities**

The date of this Official Statement is August 23, 2023.

TD Securities (USA) LLC is the initial Remarketing Agent for the 2023 Series M Bonds.

[1] Long-term variable rate.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

**2023 Series L Bonds (Taxable)**

**$15,075,000 Serial Bonds**

| Due | Principal Amount | Interest Rate | CUSIP* | Due | Principal Amount | Interest Rate | CUSIP* |
|---|---|---|---|---|---|---|---|
| January 1, 2026 | $1,185,000 | 5.217% | 60416TZ76 | January 1, 2030 | $ 835,000 | 5.580% | 60416T2F4 |
| July 1, 2026 | 1,295,000 | 5.217 | 60416TZ84 | July 1, 2030 | 860,000 | 5.610 | 60416T2G2 |
| January 1, 2027 | 1,335,000 | 5.264 | 60416TZ92 | January 1, 2031 | 885,000 | 5.546 | 60416T2H0 |
| July 1, 2027 | 720,000 | 5.344 | 60416T2A5 | July 1, 2031 | 915,000 | 5.576 | 60416T2J6 |
| January 1, 2028 | 740,000 | 5.364 | 60416T2B3 | January 1, 2032 | 945,000 | 5.596 | 60416T2K3 |
| July 1, 2028 | 760,000 | 5.414 | 60416T2C1 | July 1, 2032 | 970,000 | 5.626 | 60416T2L1 |
| January 1, 2029 | 785,000 | 5.480 | 60416T2D9 | January 1, 2033 | 1,000,000 | 5.626 | 60416T2M9 |
| July 1, 2029 | 810,000 | 5.540 | 60416T2E7 | July 1, 2033 | 1,035,000 | 5.646 | 60416T2N7 |

**Price of Serial Bonds — 100.000%**

**$12,325,000 5.666% Term Bonds Due July 1, 2038 at 100.000% (CUSIP 60416T2P2*)**
**$18,570,000 5.843% Term Bonds Due January 1, 2044 at 100.000% (CUSIP 60416T2Q0*)**
**$24,030,000 6.250% PAC Term Bonds Due July 1, 2053 at 102.311% (CUSIP 60416T2R8*)**

**2023 Series M Bonds (Taxable)**

**$30,000,000 Variable Rate Demand Term Bonds Due January 1, 2050 (CUSIP 60416TZ50*)**
**(The initial interest rate on the 2023 Series M Bonds will be set forth in a certificate of RBC Capital Markets, LLC delivered to the Trustee at closing.)**
**Price of 2023 Series M Bonds — 100.000%**

*CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners 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. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

None of Minnesota Housing Finance Agency, TD Bank, N.A. (the "Initial Liquidity Provider"), or any of the Underwriters has authorized any dealer, broker, salesperson or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency or the Initial Liquidity Provider since the date of this Official Statement.

This Official Statement contains statements that, 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 and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

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 that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. 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**
**$100,000,000**
**MINNESOTA HOUSING FINANCE AGENCY**
**RESIDENTIAL HOUSING FINANCE BONDS,**
**2023 SERIES L (TAXABLE) AND 2023 SERIES M (TAXABLE)**

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), and its Residential Housing Finance Bonds, 2023 Series L (Taxable) (the "2023 Series L Bonds"), and 2023 Series M (Taxable) (the "2023 Series M Bonds," and collectively with the 2023 Series L Bonds, the "Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted as amended and restated on August 24, 1995, and as further amended and supplemented in accordance with its terms (the "Bond Resolution"), and a series resolution of the Agency adopted on June 6, 2023, with respect to the 2023 Series L Bonds (the "2023/2024 Series Resolution") and a series resolution adopted on October 27, 2022, as amended, with respect to the 2023 Series M Bonds (the "2023 Series M Resolution" and, collectively with the 2023/2024 Series Resolution, the "Series Resolutions"). (The Bond Resolution and the Series Resolutions are herein sometimes referred to as the "Resolutions.")

The Residential Housing Finance Bonds Outstanding in the aggregate principal amount of $2,792,305,000 as of July 31, 2023, under the Bond Resolution, and any additional Residential Housing Finance Bonds hereafter issued pursuant to the Bond Resolution, including the Series Bonds (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution).

The Resolutions include definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix C and Appendix J. The summaries and references in this Official Statement to the Act, the Resolutions and other documents are only outlines of certain provisions and do not summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Resolutions are qualified in their entirety by the complete text of the Act and the Resolutions, copies of which are available from the Agency. All references to the Series Bonds are qualified in their entirety by the complete form thereof and the provisions in the Resolutions establishing the terms of the Series Bonds.

## INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the state of Minnesota (the "State"). 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 those 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 financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Bond Resolution. Please refer to the information in the notes to the financial statements included in Appendix A-1 to this Official Statement at pages 73 and 74 under the heading "Net Position — Restricted by Covenant."

Prior to the fall of 2009, the Agency implemented its single-family mortgage lending program by purchasing "whole loans" from lenders and financing purchases of the loans with proceeds of its bonds. In September 2009, the Agency began acquiring mortgage-backed securities guaranteed as to timely payment of principal and interest by a Federal Mortgage Agency (as defined in the Resolutions, "Program Securities") instead of directly acquiring mortgage loans from lenders. (See "The Residential Housing Finance Program—'MBS' Model.")

The Agency is issuing the Series Bonds to provide money to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA Securities"), the Federal National Mortgage Association ("Fannie Mae Securities") or the Federal Home Loan Mortgage Corporation ("Freddie Mac Securities") and backed by pools of mortgage loans ("Program Loans"), that certain mortgage lending institutions (the "Lenders") have made to qualified persons or families of low and moderate income to finance the purchase of single-family residences in Minnesota. Program Securities guaranteed by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") may also include Uniform Mortgage-Backed Securities ("UMBS"). (See "The Residential Housing Finance Program—Uniform Mortgage-Backed Securities.") Each Program Loan must be (i) insured by the Federal Housing Administration (the "FHA") of the United States Department of Housing and Urban Development ("HUD") pursuant to the National Housing Act of 1934, as amended (the "Housing Act"), (ii) guaranteed by the Veterans Administration ("VA") pursuant to the Servicemen's Readjustment Act of 1944, as amended, (iii) guaranteed by USDA Rural Development (formerly Rural Economic and Community Development) ("USDA Rural Development"), under its Guaranteed Rural Housing Loan Program, or (iv) insured by private mortgage insurance issued by an entity acceptable to Fannie Mae or Freddie Mac or have certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac.

The 2023 Series M Bonds will bear interest at a rate determined weekly (the "Weekly Mode"), unless the Agency converts the 2023 Series M Bonds to a different interest-rate-setting mode (a "Mode") as described herein. Except as otherwise provided herein, so long as the 2023 Series M Bonds are in the Weekly Mode, the owners of any 2023 Series M Bonds are entitled to demand purchase of their 2023 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. Owners also will be required to tender their 2023 Series M Bonds for purchase under certain circumstances. TD Securities (USA) LLC, will act as the initial remarketing agent for the 2023 Series M Bonds (the "Remarketing Agent"). (See "Description of the Series Bonds – Remarketing of 2023 Series M Bonds.")

The Agency will provide a liquidity facility (the "Liquidity Facility") to be in effect for the period from the date of delivery of the 2023 Series M Bonds until the date, if any, when the Agency has converted all 2023 Series M Bonds 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 2023 Series M Bonds will be a Standby Bond Purchase Agreement (the "Standby Bond Purchase Agreement" or the "Initial Liquidity Facility"), between the Agency, the Trustee, the Tender Agent and TD Bank, N.A. (the "Initial Liquidity Provider"). The Initial Liquidity Facility has a stated expiration date of September 14, 2028, subject to earlier termination or suspension as hereinafter described. The Standby Bond Purchase Agreement will be executed as of the date of delivery of the 2023 Series M Bonds, and will provide for the purchase by the Initial Liquidity Provider on the terms and conditions specified therein of tendered 2023 Series M Bonds that cannot be remarketed. If the Standby Bond Purchase Agreement is to expire or terminate according to its terms (other than as a result of an Immediate Termination Event thereunder) or is to be replaced with another Liquidity Facility, the 2023 Series M Bonds are subject to mandatory tender. If an Immediate Termination Event or Immediate Suspension Event (each as defined in the Standby Bond Purchase Agreement) has occurred under the Standby Bond Purchase Agreement, the Initial Liquidity Provider will have no obligation to purchase the 2023 Series M Bonds and the Remarketing Agent will be entitled to suspend its efforts to remarket 2023 Series M Bonds. (See "Description of the Series Bonds—Optional and Mandatory Tender of Certain 2023 Series M Bonds—Agency Not Responsible to Owners for Initial Liquidity Provider's Failure to Purchase 2023 Series M Bonds" herein, and "Appendix K – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement" hereto.)

TD Securities (USA) LLC, the Remarketing Agent for the 2023 Series M Bonds, and TD Bank, N.A., the Initial Liquidity Provider, are both wholly-owned subsidiaries of The Toronto-Dominion Bank and part of TD Bank Group. TD Securities (USA) LLC is not a bank and is a distinct legal entity from TD Bank, N.A. TD Bank, N.A. may have other banking and financial relationships with the Agency or any other party that may be involved in this transaction.

**THIS OFFICIAL STATEMENT PROVIDES INFORMATION TO PROSPECTIVE INVESTORS OF 2023 SERIES M BONDS WHILE THOSE 2023 SERIES M BONDS ARE IN THE WEEKLY MODE AND WHILE THE INITIAL LIQUIDITY FACILITY REMAINS IN EFFECT. PROSPECTIVE INVESTORS OF**

**2023 SERIES M BONDS IN THE EVENT OF A MODE CHANGE, IF A CONVERSION DATE OR FLOATING RATE CHANGE DATE HAS OCCURRED OR WHILE AN ALTERNATE LIQUIDITY FACILITY IS IN EFFECT SHOULD NOT RELY ON THIS OFFICIAL STATEMENT. THE AGENCY MUST DELIVER AN UPDATED DISCLOSURE DOCUMENT IN THE EVENT OF A MODE CHANGE, FLOATING RATE CHANGE OR CONVERSION AND THE RELATED REMARKETING OF 2023 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) is expected to be executed with Royal Bank of Canada, as counterparty, in connection with the issuance of the 2023 Series M Bonds, effective on the anticipated date of delivery of the 2023 Series M Bonds and with an initial notional amount equal to a portion of the principal amount of the 2023 Series M Bonds. (See "The Series Bonds — Interest on the 2023 Series M Bonds – Swap Agreement" herein.)

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution), by the Agency's pledge of all Program Obligations, Investment Obligations, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution. Under the Bond Resolution, the Agency is authorized to acquire Program Obligations in connection with Housing, which is defined to include single family loans, home improvement loans, multifamily loans and other housing related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. The Program Obligations acquired with the proceeds of Bonds have primarily consisted of Program Loans comprising single family housing loans secured by first or subordinate mortgages. In addition, the Agency has financed certain home improvement loans as Program Obligations by a single Series of Bonds issued under the Bond Resolution. The Agency intends to apply certain proceeds of the Series Bonds to acquire Program Securities backed by qualifying single family first mortgage loans. (See "Estimated Sources and Uses of Funds.") The Agency does not currently anticipate that future Series of Bonds issued under the Bond Resolution will finance Program Obligations other than Program Securities backed by single family loans, Deferred Payment Loans and Deferred Payment Loans Plus (each a "DPA Loan") or certain home improvement loans. (See "Security for the Bonds," "Appendix C – Summary of Certain Provisions of the Bond Resolution" and "Other Programs—Deferred Payment Loans.")

The Series 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 provide that particular funds must be applied for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund is legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (See "The Agency—Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund.") (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 State appropriations, the Agency recovers the costs of administering the programs from those appropriations only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

**The Agency has no taxing power. Neither the State nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of or interest on the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that 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, 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 that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that 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 and qualified. The Chair 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.

*John DeCramer*, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

*Melanie Benjamin*, Member — Term expires January 2025, Onamia, Minnesota – Consultant

*Eric Cooperstein,* Member — Term expires January 2027, Edina, Minnesota – Attorney

*Stephanie Klinzing*, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

*Stephen Spears*, Member — Term expires January 2026, Plymouth, Minnesota – Banker

*Terri Thao*, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

### Staff

The staff of the Agency presently consists of approximately 295 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the 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:

*Jennifer Ho* — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

*Rachel Robinson* — Deputy Commissioner, appointed effective March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

*Michael Solomon* — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position he served as Treasurer of the City of Saint Paul overseeing financial operations including cash, investment and debt management in addition to significant work in economic development and financial empowerment. He held other roles in the City's Office of Financial Services from 2012 to 2017 including Debt Manager leading the issuance of debt obligations from a variety of credits utilizing innovative financing tools. Mr. Solomon worked for a local municipal financial advisory and consulting firm from 2008 to 2012 specializing in the issuance and management of municipal debt. He received his degree in Financial Management from the University of St. Thomas in Saint Paul, Minnesota and is an active member of the Government Finance Officers Association, serving on its Committee of Treasury and Investment Management contributing to best practices and guidance used across the industry.

*Debbi Larson* — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

*Irene Kao* — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

*Kayla Schuchman* -- Assistant Commissioner, Single Family, appointed effective January 2022. Prior to Ms. Schuchman's appointment to this role she was the Housing Director for the City of Saint Paul, and prior to that worked as a Project Manager at CommonBond Communities. Her previous experience includes nine years with the Agency, including as Multifamily Programs Middle Manager from December 2014 to December 2016, Low Income Housing Tax Credit Program Manager and RFP Coordinator from 2012 to 2014 and Multifamily Housing Development Officer from 2007 to 2012. Prior to that, Ms. Schuchman held positions as a Senior Financial Analyst and Budget Analyst at Minneapolis Public Housing Authority. She holds a Master's degree in Public Policy from the University of Minnesota's Humphrey School and a Bachelor of Arts Degree in Economics from Macalester College, Saint Paul, Minnesota. Ms. Schuchman holds a Housing Development Finance Professional certification through the National Development Council, has served as a director on several nonprofit boards and was named a 40 under 40 honoree by the Minneapolis/Saint Paul Business Journal in February 2021.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

**Independent Auditors**

The financial statements of the Agency as of and for the year ended June 30, 2022, included in this Official Statement as Appendix A-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2022. RSM US LLP also has not performed any procedures relating to this Official Statement.

**Financial Statements of the Agency**

The Agency financial statements included in this Official Statement as Appendix A-1 as of and for the fiscal year ended June 30, 2022, 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.

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix A-1 in the Notes to Financial Statements at pages 75 through 77 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2022, with respect to MSRS is \$0.544 million. The Agency's total net pension liability and post-employment benefits liability is \$2.423 million.

In Appendix A-2 to this Official Statement, 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, 2023. The Agency has prepared the information in Appendix A-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix A-2 is not accompanied by a statement from the independent auditors.

**Disclosure Information**

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix B hereto) 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. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2023, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix B — Summary of Continuing Disclosure Undertaking.")

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency's Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency's Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency's Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with Bank of New York Mellon in connection with the Agency's Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPS of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in "Appendix B — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In addition to the information required by the Continuing Disclosure Undertaking, 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/disclosure.html, but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

**Net Position 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 position of the General Reserve and the Alternative Loan Fund is 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 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 those 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 to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining 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 net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent 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 position (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; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $619.865 million, representing the combined net position of these funds so calculated as of June 30, 2022. 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. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2022, appears in the Notes to Financial Statements of the Agency included in Appendix A-1 to this Official Statement at pages 73 and 74 under the heading “Net Position — Restricted by Covenant.”

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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, 2023 (unaudited) (in thousands):

| | Nine months Ended March 31, 2023 (unaudited) | Fiscal Year Ended June 30, 2022 | Fiscal Year Ended June 30, 2021 |
|---|---|---|---|
| Revenues | | | |
| Fees earned and other income[1] | $11,860 | $12,372 | $12,676 |
| Interest earned on investments | 537 | 157 | 212 |
| Unrealized gain (loss) on investments | -- | -- | -- |
| Administrative reimbursement[2], [3] | 30,539 | 31,161 | 33,144 |
| Total revenues | 42,936 | 43,690 | 46,032 |
| Expenses | | | |
| Salaries and benefits | 25,912 | 17,676 | 32,501 |
| Other general operating expenses | 8,013 | 4,282 | 7,424 |
| Interest | 276 | 423 | -- |
| Total expenses | 34,201 | 22,381 | 39,925 |
| Revenues over expenses | 8,735 | 21,309 | 6,107 |
| Non-operating transfer of assets between funds[4] | (8,538) | (22,153) | (8,363) |
| Change in net position | 197 | (844) | (2,256) |
| Net position beginning of period | 8,891 | 9,735[5] | 12,307 |
| Net position end of period | $ 9,088 | $8,891 | $10,051 |

(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) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), 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. The Agency recovers costs associated with administering State appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix A-1 to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

**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. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, 2017, 2019 and 2021, the total appropriations to the Agency aggregated approximately $436.5 million. For the biennial periods ending June 30, 2023, and June 30, 2025, the Legislature has appropriated approximately $125.6 million and $1.268 billion, respectively, to 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 that 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 July 31, 2023:

| | Number of Series* | Final Maturity | Original Principal Amount* (in thousands) | Principal Amount Outstanding (in thousands) |
|---|---|---|---|---|
| Rental Housing Bonds | 11 | 2049 | $ 78,355 | $ 77,665 |
| Residential Housing Finance Bonds | 73 | 2053 | 4,200,445 | 2,792,305 |
| Homeownership Finance Bonds | 59 | 2052 | 2,674,572 | 1,020,839 |
| Multifamily Housing Bonds (Treasury HFA Initiative) | 1 | 2051 | 15,000 | 12,500 |
| Totals | 144 | | $6,968,372 | $3,903,309 |

*Does not include series of bonds or the original principal amount of any bonds that had been, as of July 31, 2023, defeased or paid in full, whether at maturity or earlier redemption.

On or about August 24, 2023, the Agency intends to issue approximately $150,000,000 in aggregate principal amount of its Residential Housing Finance Bonds, 2023 Series J (Taxable) and Residential Housing Finance Bonds, 2023 Series K (Taxable) under the Bond Resolution.

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 Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to those liquidity facilities is included in Appendix H – Certain Information Relating to Liquidity Facilities for Bonds Outstanding and certain other information related to variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A-1 to this Official Statement and in the unaudited financial statements contained in Appendix A-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate ("USD LIBOR"); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate ("SOFR"), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

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.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $515,000,000. The Agency has issued 30 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2022 in an aggregate principal amount of $471,495,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the "Amended Bank Note") to Royal Bank of Canada (the "Bank"), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021 and a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 (the "Amended Revolving Credit Agreement"), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Bonds and Homeownership Finance Bonds previously issued by the Agency (collectively, the "Single Family Housing Bonds"). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the "2018 Revolving Credit Indenture"), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 29, 2023, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.45%) and may not exceed $100,000,000 at any time, and the cumulative amount of the advances made may not exceed $1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of $1,189,879,799, $17,207,136 of which is outstanding.

**Agency Continuity of Operations Plan**

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

## Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

## Single Family Mortgage Production Funding Considerations

As a state housing finance agency, the Agency relies on municipal bond markets operating efficiently to fund its Program. While these markets did not perform well, based on historical market relationships, the Agency could not fully realize the benefit of tax-exempt bond financing using traditional bond structures to finance single family mortgage loans at competitive interest rates. The Agency successfully combined traditional bond structures with economic refunding bonds and bonds secured by excess collateral under the Bond Resolution, and bonds structured with monthly principal pass-through payments from an identified portfolio of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities under the Homeownership Finance Bond Resolution, to fund single family mortgage production by purchasing Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency from time to time sells Program Securities in the secondary market, including selling Program Securities and later repurchasing an interest-only strip in those Program Securities. Since 2009 the Agency has sold approximately $2.476 billion of Program Securities, including Program Securities sold with the later repurchase of an interest-only strip, in the open market as of August 15, 2023, $566 million of which would have been eligible to be financed with tax-exempt bonds. In 2013, the Agency also issued and sold three series of its Home Ownership Mortgage-Backed Exempt Securities Certificates in the aggregate principal amount of $32.5 million, each of which is a special, limited obligation of the Agency payable from, and secured solely by, all principal and interest payments made on a single Program Security. Based on market conditions and the availability of economic refunding opportunities, the Agency determines whether to issue Additional Bonds under the Bond Resolution or under its Homeownership Finance Bond Resolution or to sell Program Securities in the secondary market.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

| | |
|---|---|
| *Sources* | |
| Principal amount of Series Bonds ........................................... | $100,000,000 |
| Original issue premium .......................................................... | 555,333 |
| Agency funds ......................................................................... | 3,173,628 |
| Total Sources of Funds | $103,728,961 |

| | |
|---|---|
| *Uses* | |
| Deposit to 2023 Series L-M Acquisition Account | $102,873,983 |
| Deposit to Costs of Issuance Account .................................... | 275,000 |
| Underwriters' Compensation .................................................. | 579,978 |
| Total Uses of Funds | $103,728,961 |

The Agency expects to apply and disburse approximately $100.555 million of proceeds of the Series Bonds deposited in the 2023 Series L-M Acquisition Account to purchase Program Securities backed by Program Loans with a principal amount of approximately $100 million, which Program Securities are estimated to have pass-through interest rates ranging from 6.375 percent to 7.000 percent, on or before January 1, 2024. Any Program Securities purchased from the Agency (if any) will be credited to the 2023 Series L-M Acquisition Account and pledged to the payment of Outstanding Bonds. (See "The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds.")

## THE SERIES BONDS

### General

The 2023 Series L Bonds will be fully registered bonds issued in the denominations of $5,000 or any integral multiple thereof of single maturities. The 2023 Series M Bonds will be fully registered bonds issued in the denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series Bonds of each Series will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for each Series of the Series Bonds. Computershare Trust Company, National Association, St. Paul, Minnesota, serves as successor Trustee under the Bond Resolution. (See "Trustee.") Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix E — Book-Entry-Only System.")

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 that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption and tender as hereinafter described.

### Interest on the 2023 Series L Bonds

Interest on the 2023 Series L Bonds will be paid semiannually on January 1 and July 1 of each year, commencing January 1, 2024, and, in respect of any 2023 Series L Bond then to be redeemed, on any redemption date. The 2023 Series L Bonds will bear interest from their dated date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal of or redemption price on those 2023 Series L Bonds. Interest on the 2023 Series L Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months and will be paid to the Owners of record in the bond registration books maintained by the Trustee as of the 15th day of the month preceding the regularly scheduled interest payment date, whether or not a business day (the "Record Date" for the 2023 Series L Bonds).

**Interest on the 2023 Series M Bonds**

The 2023 Series M Bonds will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The Record Date for 2023 Series M Bonds in the Weekly Mode (described below) is the last Business Day preceding each Interest Payment Date.

*Weekly Mode*. Interest on the 2023 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 is payable on January 1 and July 1 of each year, commencing January 1, 2024, and on any redemption date or Conversion Date; for the initial Interest Payment Date, from the date of delivery of the 2023 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, that Interest Payment Date.

The 2023 Series M Bonds will bear interest from the date of delivery to and including September 20, 2023, at the rate set forth in a certificate delivered by RBC Capital Markets, LLC on the date of delivery of the 2023 Series M Bonds. Thereafter, the 2023 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 2023 Series M Bonds (other than Bank Bonds) bear interest at an annual rate in excess of the lesser of 12 percent or the maximum rate permitted by law (the "Maximum Rate").

The Weekly Rate applicable to the 2023 Series M Bonds will be the rate that, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2023 Series M Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. In determining the Weekly Rate for any 2023 Series M Bonds, the Remarketing Agent will take into account to the extent applicable (1) market interest rates for comparable securities held by 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 those 2023 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 those 2023 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 SOFR Index, indices maintained by *The Bond Buyer*, and other publicly available interest rate indices); (3) general financial market conditions; and (4) factors particular to the Agency and the 2023 Series M Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2023 Series M Bonds (other than Bank Bonds) will be conclusive and binding on the Owners of those 2023 Series M Bonds. If the Remarketing Agent or the Trustee fails to give any notice required under the 2023 Series M Resolution, or there is any defect in a notice, it will not affect the interest rate on any 2023 Series M Bonds or the rights of the Owners thereof.

If for any reason the position of Remarketing Agent is vacant or a Remarketing Agent fails to establish the interest rate, the 2023 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 SOFR Index plus 0.60 percent or (ii) the Maximum Rate.

*Mode and Interest Rate 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 2023 Series M Bonds (each change is a "Mode Change" with respect to the 2023 Series M Bonds to which that Mode Change applies, and the date on which each Mode Change is effective is a "Mode Change Date"), (2) to change all or part of the 2023 Series M Bonds to become variable rate bonds not required to be covered by a Liquidity Facility (each change an "Unenhanced Variable Rate Change" with respect to the 2023 Series M Bonds to which it applies, and the date of each change an "Unenhanced Variable Rate Change Date"), (3) to change all or a portion of the 2023 Series M Bonds to become FRNs (a "Floating Rate Change" with respect to the 2023 Series M Bonds to which it applies, and the date of each change a "Floating Rate Change Date") or (4) to convert all or part of the 2023 Series M Bonds to bear interest at fixed rates to their maturity or to bear interest at an index rate (with respect to the 2023 Series M Bonds to which that conversion applies, a "Conversion," and the date on which that a Conversion is effective a "Conversion Date"). The Agency is to provide notice of a Mode Change, an Unenhanced Variable Rate Change, Floating 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, Floating Rate Change Date or Conversion Date. The Trustee is to provide notice of a Mode Change, an Unenhanced Variable Rate Change, Floating Rate Change or a Conversion to DTC not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date, Floating Rate Change Date or Conversion Date. On each Mode Change Date, Unenhanced Variable Rate Change Date, Floating Rate Change Date or Conversion Date, the 2023 Series M Bonds to which that Mode Change, Unenhanced Variable Rate Change, Floating Rate Change or Conversion applies will be subject to mandatory tender for purchase. **This Official Statement does not describe the 2023 Series M Bonds in any Mode other than a Weekly Mode or while an Alternate Liquidity Facility is in effect**.

For additional information with respect to the 2023 Series M Bonds, see also "Optional Redemption of 2023 Series M Bonds" below, "Appendix J – Certain Definitions With Respect to the 2023 Series M Bonds" and "Appendix K – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement."

*Swap Agreement*. The Agency entered into an interest rate swap agreement (the "Swap Agreement") with Royal Bank of Canada (the "Swap Counterparty") effective on the anticipated date of issuance of the 2023 Series M Bonds. The purpose of the Swap Agreement is to place a portion of the aggregate net obligation of the Agency with respect to the 2023 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, initially $30,000,000, and the relationship between an agreed-upon fixed rate and a variable rate calculated by reference to the SOFR Index. Payments the Agency makes to the Swap Counterparty, including any applicable termination amount referenced below, will 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 the Swap Counterparty makes to the Agency 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 whole (in which case a termination amount may be payable by one party to the other party), the Swap Agreement will expire on January 1, 2050.

**Sinking Fund Redemption**

The Agency is required to redeem the 2023 Series L Bonds with a stated maturity of July 1, 2038, in part on January 1, 2034, and on each July 1 and January 1 thereafter to and including January 1, 2038, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2034 | $1,065,000 | July 1, 2036 | $1,245,000 |
| July 1, 2034 | 1,100,000 | January 1, 2037 | 1,285,000 |
| January 1, 2035 | 1,135,000 | July 1, 2037 | 1,330,000 |
| July 1, 2035 | 1,170,000 | January 1, 2038 | 1,370,000 |
| January 1, 2036 | 1,210,000 | July 1, 2038 (maturity) | 1,415,000 |

The Agency is required to redeem the 2023 Series L Bonds with a stated maturity of January 1, 2044, in part on January 1, 2039, and on each July 1 and January 1 thereafter to and including July 1, 2043, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2039 | $1,460,000 | January 1, 2042 | $1,770,000 |
| July 1, 2039 | 1,505,000 | July 1, 2042 | 1,825,000 |
| January 1, 2040 | 1,555,000 | January 1, 2043 | 1,885,000 |
| July 1, 2040 | 1,605,000 | July 1, 2043 | 1,945,000 |
| January 1, 2041 | 1,660,000 | January 1, 2044 (maturity) | 1,650,000 |
| July 1, 2041 | 1,710,000 | | |

The Agency is required to redeem the 2023 Series L Bonds with a stated maturity of July 1, 2053 (the “PAC Term Bonds”) in part on January 1, 2050, and on each July 1 and January 1 thereafter to and including January 1, 2053, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2050 | $ 315,000 | January 1, 2052 | $3,380,000 |
| July 1, 2050 | 3,065,000 | July 1, 2052 | 3,495,000 |
| January 1, 2051 | 3,165,000 | January 1, 2053 | 3,610,000 |
| July 1, 2051 | 3,270,000 | July 1, 2053 (maturity) | 3,730,000 |

The Agency is required to redeem the 2023 Series M Bonds with a stated maturity of January 1, 2050, in part on January 1, 2044, and on each July 1 and January 1 thereafter to and including July 1, 2049, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2044 | $ 360,000 | July 1, 2047 | $2,520,000 |
| July 1, 2044 | 2,075,000 | January 1, 2048 | 2,605,000 |
| January 1, 2045 | 2,145,000 | July 1, 2048 | 2,690,000 |
| July 1, 2045 | 2,215,000 | January 1, 2049 | 2,780,000 |
| January 1, 2046 | 2,285,000 | July 1, 2049 | 2,870,000 |
| July 1, 2046 | 2,365,000 | January 1, 2050 (maturity) | 2,650,000 |
| January 1, 2047 | 2,440,000 | | |

Upon redemption of Series Bonds of a Series and maturity for which sinking fund installments have been established or any purchase and cancellation in lieu of redemption, the principal amount of that Series and maturity of the Series Bonds redeemed or purchased may be credited toward one or more sinking fund installments for that Series and maturity thereafter coming due in the manner the Agency specifies. The portion of any sinking fund installment remaining after the deductions credited to those payments is the unsatisfied balance of that sinking fund installment with respect to that Series and maturity of the Series Bonds for the purpose of calculating the payment due on or scheduled for a future date.

**Special Redemption**

*Unexpended Proceeds*. At its option, the Agency may redeem the Series Bonds prior to maturity, at any time, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, without premium (except that any PAC Term Bonds are to be redeemed at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, plus the unamortized premium thereon as the Agency determines by straight-line amortization of the original issue premium set forth on the inside front cover of this Official Statement between the date of issue and July 1, 2032 (as of which date the premium would reduce to $0)), from moneys representing Series Bond proceeds not used to purchase Program Securities and transferred to the Bond Redemption Fund from the 2023 Series L-M Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund. In the event the Agency determines to redeem any Series Bonds from unexpended proceeds, the Agency will select the Series, maturities and amounts of the Series Bonds to be redeemed and the Trustee will select the Series Bonds at random within each Series and maturity.

If the Agency has not expended all proceeds of the Series Bonds credited to the 2023 Series L-M Acquisition Account and the Delivery Period has not been extended (see "The Residential Housing Finance Program—Acquisition of Program Securities"), then the Agency must redeem the Series Bonds from those unexpended proceeds upon the expiration of the Delivery Period at the redemption price specified above.

The Agency expects to apply and disburse all of the proceeds of the Series Bonds credited to the 2023 Series L-M Acquisition Account to purchase Program Securities with a principal amount of approximately $100 million on or before January 1, 2024.

*Excess Revenues*. In the Agency's discretion and subject to the requirements of the Resolutions, the Agency may apply moneys on deposit in the Revenue Fund attributable to Excess Revenues to redeem Outstanding Bonds under the Bond Resolution (including the Series Bonds, but with respect to the PAC Term Bonds not in excess of the maximum cumulative redemption amounts shown below), at any time; subject, however, to any provisions to the contrary in any Series Resolution relating to a Series of Bonds. The redemption price of redeemed Bonds will be the principal amount of those Bonds plus accrued interest thereon, without premium. The Agency will select the Series, maturities and sinking fund installments of the Bonds to be redeemed.

As used herein, "Excess Revenues" means the Revenues, including prepayments (except as described below under "Repayments and Prepayments"), 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 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 swap agreements, liquidity facilities, remarketing agreements and other similar instruments.

*Repayments and Prepayments.* To the extent not needed to make regularly scheduled principal payments on the Series Bonds, either at maturity or pursuant to sinking fund installments, all prepayments and scheduled repayments of mortgage principal from Program Securities allocable to the Series Bonds received by or on behalf of the Agency (the "Series Bonds Receipts") must first be applied to redeem the PAC Term Bonds on a cumulative basis up to the Maximum Cumulative Amounts during each Redemption Period ending on the date therefor set forth in the following table:

| Redemption Period | Maximum Cumulative Amounts† | Redemption Period | Maximum Cumulative Amounts† |
|---|---|---|---|
| January 1, 2024 | $ 5,000 | July 1, 2028 | $12,660,000 |
| July 1, 2024 | 5,000 | January 1, 2029 | 14,430,000 |
| January 1, 2025 | 135,000 | July 1, 2029 | 16,130,000 |
| July 1, 2025 | 1,290,000 | January 1, 2030 | 17,760,000 |
| January 1, 2026 | 2,860,000 | July 1, 2030 | 19,315,000 |
| July 1, 2026 | 4,820,000 | January 1, 2031 | 20,805,000 |
| January 1, 2027 | 6,900,000 | July 1, 2031 | 22,225,000 |
| July 1, 2027 | 8,905,000 | January 1, 2032 | 23,570,000 |
| January 1, 2028 | 10,815,000 | July 1, 2032 | 24,030,000 |

†Based on an approximation of 75 percent PSA prepayment speed on the Program Loans backing Program Securities financed with the proceeds of the Series Bonds. (See "Projected Weighted Average Lives of the PAC Term Bonds" below for a discussion of the PSA Prepayment Model.) Amounts actually to be redeemed pursuant to this provision will be reduced proportionately to the extent any of the PAC Term Bonds are redeemed from unexpended proceeds of the Series Bonds.

To the extent the Agency redeems PAC Term Bonds more than once in a semiannual period or on a date that is not a regularly scheduled interest payment date, the Agency will not redeem PAC Term Bonds on a cumulative basis as of any date in an aggregate principal amount greater than the sum of (i) the Maximum Cumulative Amount in the table above for the immediately preceding regularly scheduled interest payment date and (ii) the proportionate amount (based on the number of days elapsed since the immediately preceding regularly scheduled interest payment date and the total number of days in the period (calculated on the basis of a 360-day year of twelve 30-day months)) of the difference between the Maximum Cumulative Amount set forth in the table above for the next succeeding regularly scheduled interest payment date and the Maximum Cumulative Amount for the immediately preceding regularly scheduled interest payment date.

If the Agency receives Series Bonds Receipts sufficient to redeem PAC Term Bonds up to the Maximum Cumulative Amounts in accordance with the table above, (1) the Agency may use any excess Series Bonds Receipts to redeem Outstanding Series Bonds (other than PAC Term Bonds) from the maturities the Agency selects, on any date, in whole or in part, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; and (2) if no Series Bonds are outstanding other than PAC Term Bonds, the Agency, at its option, may use any excess Series Bonds Receipts to redeem any Outstanding Bonds, including the PAC Term Bonds, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), or for any other purpose authorized under the Resolutions.

*Projected Weighted Average Lives of the PAC Term Bonds.* The following information is provided to allow prospective investors to evaluate the PAC Term Bonds that are the subject of the special redemption provisions described above.

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

Levels of prepayment on mortgage loans are commonly measured by a prepayment standard or model. The standard used in this Official Statement is The Standard Prepayment Model of The Securities Industry and Financial Markets Association, formerly The Bond Market Association and formerly the Public Securities Association (the

"PSA Prepayment Model"). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of mortgage loans. The PSA Prepayment Model does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Series Bond Program Loans. "100% PSA" assumes prepayment rates of 0.2 percent per year of the then-unpaid balance of the pool of mortgage loans in the first month of the life of the pool of mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the pool of mortgage loans, "100% PSA" assumes a constant prepayment rate of 6 percent per year. Multiples will be calculated from this prepayment rate standard, e.g. "200% PSA" assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month thirty and remaining constant at 12 percent per year thereafter. "0% PSA" assumes no prepayments of principal of a pool of mortgage loans will occur for the life of the pool of mortgage loans.

The information in the following table, entitled "Projected Weighted Average Lives for the PAC Term Bonds" is based on the assumptions, among other things, that (i) the Series Bond Program Loans prepay at the indicated percentages of the PSA Prepayment Model, (ii) $100.555 million of the proceeds of the Series Bonds in the 2023 Series L-M Acquisition Account are used to purchase Program Securities, (iii) the Program Securities financed with the proceeds of the Series Bonds will have a weighted average pass-through rate of not less than 6.708 percent and will be acquired by January 1, 2024, (iv) all scheduled principal and interest payments or prepayments on Series Bond Program Loans are received thirty days after the date on which due or assumed to be made and there are no foreclosures or repurchases of those Program Loans, (v) the PAC Term Bonds are redeemed only on regularly scheduled interest payment dates, and (vi) the Series Bonds, including the PAC Term Bonds, are not redeemed pursuant to optional redemption or from Excess Revenues. Based solely on the assumptions, some or all of which are unlikely to reflect actual experience, the following table provides projected weighted average life information for the PAC Term Bonds.

**Projected Weighted Average Lives for the PAC Term Bonds**

| PSA Prepayment | PAC Term Bonds Weighted Average Life† |
|---|---|
| 0% | 28.34 years |
| 50 | 6.51 |
| 75 | 5.00 |
| 100 | 5.00 |
| 200 | 5.00 |
| 300 | 5.00 |
| 400 | 5.00 |
| 500 | 5.00 |

†The weighted average life may be affected if, among other things, the Series Bonds, including the PAC Term Bonds, are redeemed with Excess Revenues, or from unexpended proceeds of the Series Bonds, as described above, or if PAC Term Bonds are redeemed on a date other than a regularly scheduled interest payment date.

**The Agency cannot give any assurance that prepayments of principal of the Series Bond 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 mortgage 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 mortgage loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on the mortgage loans, those mortgage loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on those mortgage loans. Conversely, if prevailing interest rates increase above the interest rates on the mortgage loans, the rate of prepayments might be expected to decrease. Foreclosures or repurchases of Series Bond Program Loans will also affect the expected special redemption schedules. The Agency cannot predict the number of Series Bond Program Loans that may become delinquent, repurchased or foreclosed. For these reasons, the Agency cannot**

**offer any assurances as to the rate at which the Series Bond Program Loans will prepay and offers no assurance that the scheduled amounts will, in fact, be available to effect any redemptions described herein.**

**Optional Redemption of the 2023 Series L Bonds**

The Agency may redeem 2023 Series L Bonds with stated maturities on or after July 1, 2033 prior to their stated maturity dates, at its option, in whole or in part, from the Series and in the amounts and from the stated maturities that the Agency designates, on January 1, 2033 or any date thereafter, from any amounts available to the Agency for that purpose, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

**General Provisions as to 2023 Series L Bonds**

Except as otherwise provided in the 2023/2024 Series Resolution, any 2023 Series L Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating (a) the 2023 Series L Bonds to be redeemed and (b) the maturities and amounts from which 2023 Series L Bonds are to be redeemed. If less than all 2023 Series L Bonds of a maturity are to be redeemed, the 2023 Series L Bonds of that maturity to be redeemed will be selected at random by a method determined by the Trustee. The Agency will not at any time cause 2023 Series L Bonds to be redeemed (other than pursuant to mandatory redemption) 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 that redemption.

The Trustee must mail a copy of the notice of redemption, by first class mail, to the registered owner of any 2023 Series L Bond called for redemption at least 30 days prior to the redemption date; that registered owner to be determined from the registry books as of the 15th day preceding the date that notice is mailed. (See "Appendix E — Book-Entry-Only System.")

**Optional Redemption of 2023 Series M Bonds**

*Optional Redemption*. The Agency may redeem 2023 Series M Bonds in the Weekly Mode at its option, in whole or in part on any Business Day (including any optional or mandatory tender date), from any money made available for that purpose, at a Redemption Price equal to 100 percent of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

*Notice of Redemption*. While 2023 Series M Bonds are in the Weekly Mode, the Trustee must give a copy of the notice of redemption identifying 2023 Series M Bonds to be redeemed by Immediate Notice not less than 20 days prior to the date fixed for redemption to the Owners of 2023 Series M Bonds to be redeemed at their addresses as shown on the bond register. "Immediate Notice" means notice by telephone, telex or telecopier to the address as the addressee has directed in writing, promptly followed by written notice by first class mail, postage prepaid. Notwithstanding the foregoing, the Trustee need not give a separate notice of redemption in addition to the notice of tender the Owner or the Trustee, as applicable, must give for 2023 Series M Bonds to be redeemed on an optional or mandatory tender date.

Subject to the terms of the 2023 Series M Resolution, any 2023 Series M Bonds to be optionally redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency stating (1) the principal amount of the 2023 Series M Bonds to be redeemed, and (2) the years in which and the amounts by which the applicable sinking fund installments, if any, are to be reduced. Upon any redemption of 2023 Series M Bonds, the Trustee is to select those to be redeemed by lot or another method of selection as it deems proper in its discretion; provided that the 2023 Series M Bonds that are Bank Bonds must be selected for redemption before other 2023 Series M Bonds.

**Optional and Mandatory Tender of 2023 Series M Bonds**

*Optional Tender*. Owners of 2023 Series M Bonds in the Weekly Mode may elect to tender their 2023 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. Those 2023 Series M Bonds are to be purchased on the purchase date specified in the notice at a price equal to 100 percent 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 2023 Series M Bonds by the Owners or beneficial owners thereof will be irrevocable once that notice is given to the Remarketing Agent and the Tender Agent.

*Mandatory Tender*. The 2023 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 those 2023 Series M 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 those 2023 Series M Bonds, on a date not less than five days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (iii) the effective date of an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self Liquidity, if a mandatory tender has not already occurred pursuant to the Liquidity Expiration Event, (iv) on any Conversion Date for those 2023 Series M Bonds, (v) on any Floating Rate Change Date and (vi) upon receipt of a Notice of Termination Date (as described in any Liquidity Facility) by the Trustee following the occurrence of certain Events of Default under that 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"). If any of the listed events occur, the Trustee must deliver a notice of mandatory tender to the Owners, 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 Owners of 2023 Series M Bonds subject to that mandatory tender are deemed to have tendered their 2023 Series M Bonds upon that date.

This paragraph is applicable to the 2023 Series M Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2023 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 that Mandatory Tender Date. Owners 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 those 2023 Series M Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and those Owners will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2023 Series M Bonds will be issued in place of those untendered 2023 Series M Bonds pursuant to the 2023 Series M Resolution, and, after the issuance of the replacement 2023 Series M Bonds, the untendered 2023 Series M Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

**Remarketing of 2023 Series M Bonds**

*General*. On each date on which 2023 Series M Bonds are required to be purchased, the Remarketing Agent must use its best efforts to sell those 2023 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 percent of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2023 Series M Bonds so tendered while the Initial Liquidity Facility is in effect, the Initial Liquidity Provider has agreed to purchase those 2023 Series M Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent is not required to remarket the 2023 Series M Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of an Immediate Termination Event under the Initial Liquidity Facility and the Initial Liquidity Provider's termination of its commitment to purchase 2023 Series M Bonds thereunder; (iii) during an Immediate Suspension Event under the Initial Liquidity Facility and the Initial Liquidity Provider's suspension of its commitment to purchase the 2023 Series M Bonds thereunder (unless there is reinstatement of the Initial Liquidity Facility; provided that if no reinstatement occurs within specific time periods, termination will occur without mandatory tender); or (iv) if the Initial Liquidity Provider breaches its obligation to purchase 2023 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 2023 Series M Resolution, including remarketing of tendered 2023 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 2023 Series M Bonds that are tendered by the Owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of Owners and potential purchasers of 2023 Series M Bonds.

*Remarketing Agent May Purchase 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, may purchase those obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2023 Series M Bonds for its own account and, in its sole discretion, may acquire tendered 2023 Series M Bonds in order to achieve a successful remarketing of the 2023 Series M Bonds (i.e., because there otherwise are not enough buyers to purchase the 2023 Series M Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2023 Series M Bonds and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2023 Series M Bonds by purchasing and selling 2023 Series M Bonds other than in connection with an optional or mandatory tender and remarketing. Those 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 2023 Series M Bonds. The purchase of 2023 Series M Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2023 Series M Bonds in the market than is the case. The Remarketing Agent may also sell any 2023 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 2023 Series M Bonds. The practices described above also may result in fewer 2023 Series M Bonds being tendered for purchase pursuant to the 2023 Series M Resolution.

*2023 Series M Bonds May Be Offered at Different Prices on Any Date, Including a Rate Determination Date.* Pursuant to 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 2023 Series M Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the 2023 Series M Bonds (including whether the Remarketing Agent is willing to purchase 2023 Series M Bonds for its own account). There may or may not be 2023 Series M Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2023 Series M Bonds tendered for purchase on that date at the principal amount thereof and the Remarketing Agent may sell 2023 Series M Bonds at varying prices to different investors on that 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 2023 Series M Bonds at the remarketing price. In the event the Remarketing Agent owns any 2023 Series M Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer those 2023 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 2023 Series M Bonds Other Than Through Tender Process May Be Limited*. The Remarketing Agent may buy and sell 2023 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 2023 Series M Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2023 Series M Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2023 Series M Bonds other than by tendering the 2023 Series M Bonds in accordance with the tender process.

*Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2023 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 will establish the applicable rate of interest on the 2023 Series M Bonds as described in the 2023 Series M Resolution.

*Agency Not Responsible to Owners for Initial Liquidity Provider's Failure To Purchase 2023 Series M Bonds*. Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2023 Series M Bonds is payable from moneys furnished in connection with the remarketing of the 2023 Series

M Bonds or from the Initial Liquidity Facility. Upon the occurrence of certain Immediate Termination Events or Immediate Suspension Events under the Initial Liquidity Facility, the Initial Liquidity Provider's obligation to purchase 2023 Series M Bonds under the Initial Liquidity Facility will immediately terminate or suspend without notice or other action on the part of the Initial Liquidity Provider. (See "Appendix K – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement.") **The Agency is not responsible to Owners if the Initial Liquidity Provider fails to purchase 2023 Series M Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2023 Series M Resolution or upon the occurrence of an Immediate Termination Event or a Suspension Event unless the Immediate Termination Event arises solely from the long term credit rating of the 2023 Series M Bonds being withdrawn or suspended or reduced below "Baa3" or "BBB- " by Moody's or S&P, respectively.**

If a Termination Event or Immediate Suspension Event has occurred resulting in the termination or suspension of the Initial Liquidity Facility or if the Initial Liquidity Provider does not purchase any 2023 Series M Bonds tendered or deemed tendered for purchase by the owners thereof and not remarketed, those Bonds will automatically bear interest in a Weekly Mode with the interest rate reset on a weekly basis at the lesser of (i) the SOFR Index plus 1.60 percent or (ii) the Maximum Rate. Owners will not have the right to tender their 2023 Series M Bonds during that period and may be required to hold their 2023 Series M Bonds to maturity or prior redemption.

## LIQUIDITY FACILITY

### General Provisions

The Agency has agreed in the 2023 Series M Resolution to maintain a Liquidity Facility in effect at all times when any 2023 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 2023 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) for the 2023 Series M Bonds, with another liquidity facility meeting the requirements of the 2023 Series M Resolution (an "Alternate Liquidity Facility," and, together 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 that delivery. Upon receipt of that notice, the Trustee will mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of that Alternate Liquidity Facility, to each Owner of the 2023 Series M Bonds at that Owner's registered address not less than 15 days prior to the date the 2023 Series M Bonds are subject to mandatory tender. If the Agency elects to replace the Liquidity Facility, the 2023 Series M Bonds will be subject to mandatory tender not less than five days prior to the termination of the existing Liquidity Facility. This Official Statement does not describe the 2023 Series M Bonds when an Alternate Liquidity Facility in respect thereof is in place.

The Agency may also elect to provide liquidity support for any 2023 Series M Bonds from its own funds or by delivering a liquidity facility that does not meet the requirements of an Alternate Liquidity Facility. If the Agency makes an election, those 2023 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 K to this Official Statement summarizes certain provisions of the Standby Bond Purchase Agreement, to which Appendix reference is made for the detailed provisions thereof. Certain information regarding the Initial Liquidity Provider appears in Appendix L to this Official Statement. **The Initial Liquidity Provider has no responsibility for the form and content of this Official Statement, other than solely with respect to the information describing itself set forth in "APPENDIX L – Certain Information Regarding the Initial Liquidity Provider", and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, other than solely**

**with respect to the information describing itself set forth in "APPENDIX L – Certain Information Regarding the Initial Liquidity Provider", or omitted herefrom.**

## SECURITY FOR THE BONDS

The Outstanding Bonds, including the Series 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 those 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 Series 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 is for the equal benefit, protection and security of Owners of all Outstanding Bonds, except as otherwise expressly provided therein or in a Series Resolution.

*The Agency has no taxing power. The State 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) will not be taken into account when preparing the Cash Flow Certificate. The Cash Flow Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions will be based upon the Agency's reasonable expectations at the time the 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 that Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of that Series. As set forth more fully in "Appendix C — 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, 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 and the types of Program Obligations that have been and are expected to be financed with the proceeds of the Series Bonds is provided below under the heading "The Residential Housing Finance Program." The Agency expects that approximately $100 million in aggregate principal amount of Program Securities will be acquired with proceeds of the Series Bonds. (See "Estimated Sources and Uses of Funds.") Additional information regarding GNMA, Fannie Mae and Freddie Mac and Program Securities and the current Master Servicer is contained in Appendix I to this Official Statement.

**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 C – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms").

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 that investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. As of June 30, 2023, $249,900 on deposit in the Debt Service Reserve Fund held in respect of Bonds under the Bond Resolution is invested in an investment agreement with Transamerica Life Insurance Co.

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 those Investment Obligations as provided therein. 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. All of the 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. Funds withdrawn from investment agreements under those 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 Agency may use the excess, to the extent permitted by applicable federal tax law, 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 that payment from any of (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund, or (c) any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or the Trustee must 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 will 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 to $0. The balance in the Debt Service Reserve Fund on July 3, 2023, was $6,160,384, 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 those bonds, the payment of interest thereon or the payment of any premium required when those bonds are redeemed before maturity, provided that the moneys in that fund are not to be withdrawn therefrom at any time in an amount that 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 that 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 issuance does not equal or exceed the minimum amount required by the resolution creating the fund unless the Agency deposits in each debt service reserve fund at the time of issuance, from the proceeds of the bonds or otherwise, an amount that, together with the amount then in the fund, is not less than the minimum amount 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 those 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 that 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. The Insurance Reserve Requirement with respect to the Series Bonds is $0. 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 those Bonds will be on deposit in the Debt Service Reserve Fund and an amount equal to the Insurance Reserve Requirement effective upon issuance of those 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 secured on an equal basis 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 in the Bond Resolution, except as otherwise expressly provided therein or in a Series Resolution.

**State Pledge Against Impairment of Contracts**

The State in the Act has pledged to and agreed with the Owners 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 Owners 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 the Owners, are fully met and discharged.

## THE RESIDENTIAL HOUSING FINANCE PROGRAM

**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 those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. All Outstanding Bonds issued under the Bond Resolution are secured on an equal basis, except as otherwise expressly provided in the Bond Resolution or in a Series Resolution. Certain proceeds of the Series Bonds will be used to purchase Program Securities backed by single family mortgage loans.

The following provides a general description of the Agency's Program in respect of the Program Securities backed by single family mortgage loans to be purchased with proceeds of the Series Bonds. *The Series Program Determinations governing the Program Obligations to be financed with proceeds of the Series Bonds may be revised by the Agency from time to time as provided in the Series Resolutions and, consequently, the following general description is subject to change*.

**"MBS" Model**

Effective for commitments made on or after September 1, 2009, the Agency changed its single-family mortgage lending program from a "whole loan" model to an "MBS" (mortgage-backed securities) model. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights). Pursuant to the Servicing Agreement, the Master Servicer is to acquire single family mortgage loans meeting Program requirements and pool those Program Loans into Program Securities to be purchased by the Trustee on behalf of the Agency. (See "Procedures for Origination, Purchase and Pooling -- Program Securities" below.) For additional information regarding the Master Servicer, see Appendix I to this Official Statement.

Prior to the transition to the "MBS" model, the Agency's Program 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. Generally, outstanding Program Loans purchased by the Agency with the proceeds of Bonds have 30-year terms except for some outstanding Program Loans purchased during a short period beginning in 2006 until October 2008 that have 40-year terms.

Outstanding Bonds have financed both Program Loans and Program Securities.

**Reimbursement of Advances of Agency Funds with Proceeds of Series Bonds**

The Agency anticipates that it will have purchased with its own funds Program Securities to be financed with the Series Bonds in approximately $35 million in unpaid principal balance of mortgage loans as of September 1, 2023, at pass-through interest rates ranging from 6.375 percent to 7.000 percent. The Agency expects that all funds credited to the 2023 Series L-M Acquisition Account will be disbursed on or before January 1, 2024, to purchase, or reimburse the Agency for the purchase of, Program Securities.

**Procedures for Origination, Purchase and Pooling**

***Application***

The Agency has published, and revises from time to time, its Start Up and Step Up Program Procedural Manuals (the "Manuals") which set forth the guidelines and procedures for participation in the Program and certain requirements for origination of mortgage loans, including provisions for compliance with the requirements of applicable federal tax law. Under the Start Up Program the Agency purchases mortgage loans made to mortgagors who qualify as first-time homebuyers, and that qualify for mortgage revenue bond financing, under applicable federal tax law. Under the Step Up Program the Agency purchases mortgage loans made to mortgagors who do not qualify for its Start Up Program, including in connection with refinancing of an existing mortgage loan.

The Master Servicer has also published its lending manual for the Program establishing additional origination, documentation and processing requirements. The Agency responds to inquiries by interested lenders by directing them to the Master Servicer and the appropriate page on the Master Servicer's website delineating information regarding the requirements a lender must satisfy to be eligible to participate in the Program. Lenders must complete an application process with the Master Servicer, including the payment of an application fee. Each Lender that satisfies the requirements of the Master Servicer and participates in the Program must execute a participation agreement with the Agency, which incorporates the Manual, and a participating lender agreement with the Master Servicer, which incorporates the Master Servicer's lending manual by reference. Generally, Lenders that participate in the Program receive no advance commitment of funds. Rather, Lenders may request an individual commitment of loan funds via the internet by entering loan information in the Agency's online loan purchase approval system (the "Commitment System"). Each commitment request is subject to a review of the Agency's eligibility rules that are a part of the Commitment System. If the information entered by the Lender meets the eligibility rules, the loan funds are then committed for each specific loan for a specific period. Should a specific loan ultimately be rejected or cancelled, the funds are available for use by another eligible borrower and Lender. There is no prescribed limit on the amount of funds that may be used by an individual participating Lender, subject to availability of funds.

Lenders are not required to pay a reservation fee upon obtaining a commitment of funds through the Commitment System. If the Master Servicer has not received a loan package pursuant to an individual commitment after 60 days, 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. Extension fees, if charged and not refunded, are deposited into the funds from which the loans or the Program Securities are purchased, either the Alternative Loan Fund or the Revenue Fund under the Bond Resolution.

***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:

| | **Household Size** | **11-County Twin Cities Metropolitan Area*** | **Dodge and Olmsted Counties** | **Balance of State** |
|---|---|---|---|---|
| Start Up Program | 1 or 2 Persons | $124,200 | $118,000 | $111,700 |
| Start Up Program | 3 or more Persons | $142,800 | $135,700 | $128,400 |
| Step Up Program | N/A | $185,700 | $185,700 | $167,000 |

*As used in this table, the "Twin Cities Metropolitan Area" comprises the following 11 counties: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties.

The Agency may revise the income limits for the loans from time to time to conform to State and federal law and Agency policy objectives.

At the time a loan is made, the borrower must certify his or her intention to occupy the mortgaged property as his or her principal residence.

Lenders must underwrite the borrower's credit in compliance with the underwriting standards of FHA, VA, USDA Rural Development (formerly the Rural Housing and Community Development Service), Fannie Mae, Freddie Mac or the insuring private mortgage insurance company, as applicable, and of the Master Servicer.

Certain borrowers may be eligible for a down payment and closing cost loan if needed for borrower qualification. (See "Deferred Payment Loans" and "Monthly Payment Loans" under "Other Programs" below.)

***Certain Fannie Mae Loan Products***

In May 2012, the Agency began offering the Fannie Mae HFA Preferred Risk Sharing™ loan product for borrowers who meet the qualifying guidelines. The HFA Preferred Risk Sharing™ loan product enabled eligible state housing finance agencies to deliver loans with up to 97 percent loan-to-value ratios without mortgage insurance. The loan product carried a higher Fannie Mae guarantee fee and the Agency had to agree to repurchase the loan if it becomes delinquent in the first 12 months and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the 12th month, does not become current and remains delinquent for four consecutive months thereafter. From May 2012 to date, Fannie Mae has requested the repurchase of, and the Agency has repurchased, 33 loans. Other than the loans described in the next sentences of this paragraph, no loans of this loan product are still subject to repurchase. Fannie Mae and the Agency entered into a variance with respect to 25 loans to borrowers who requested forbearance during the period permitted by the CARES Act, including the period for which forbearance could be requested as was subsequently extended by FHFA. Under the terms of that variance, Fannie Mae extended the term of the repurchase obligation with respect to those 25 loans to 48 months after resolution of the forbearance by the borrower either making the missed payments or accepting one of Fannie Mae's home retention workout options. Four of those 25 loans are included in the 33 loans which the Agency has repurchased. If those loans are Program Loans pooled into Program Securities, those Program Securities have the same Fannie Mae guaranty as other Fannie Mae Securities.

Effective for loans with application dates in Fannie Mae's underwriting system on and after September 5, 2019, Fannie Mae only made the HFA Preferred Risk Sharing™ loan product available to borrowers whose qualifying income, as calculated pursuant to Fannie Mae's underwriting standards, was not greater than 80 percent of area median income. E**ffective July 1, 2020, Fannie Mae no longer offers the HFA Preferred Risk Sharing™ loan product; the Agency ceased taking commitments for those loans on April 1, 2020.**

***Uniform Mortgage-Backed Securities***

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security ("UMBS"). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Securities and Freddie Mac Securities issued before that date and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Securities that are not UMBS and Freddie Mac is offering investors the opportunity to exchange existing Freddie Mac Securities for "mirror" UMBS backed by the same loans as the existing securities. Proceeds of the Series Bonds will be used to purchase Program Securities, which include UMBS. For purposes of this Official Statement, the term "Program Securities" includes UMBS.

***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 (see Appendix C – Summary of Certain Provisions of the Bond Resolution – Program Loans; Modification of Terms) under applicable Series Resolutions, 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 D to this Official Statement.)

**Acquisition of 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 that 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 I to this Official Statement.

During the Delivery Period, the Master Servicer is to acquire Program Loans from Lenders and pool the Program Loans into Program Securities as provided in the Servicing Agreement. The Trustee is to disburse moneys from the 2023 Series L-M Acquisition Account for the acquisition of Program Securities pursuant to the Servicing Agreement. The Trustee is to pay the Master Servicer an amount equal to between 101.5 percent and 103.5 percent of the principal amount of each Program Security acquired from the Master Servicer, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor.

The Agency may at any time transfer any proceeds of the Series Bonds in the 2023 Series L-M Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. In addition, the Agency will transfer any remaining proceeds of the Series Bonds in the 2023 Series L-M Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds at the end of the Delivery Period; provided that the Agency may (instead of redeeming Series Bonds from unexpended proceeds) extend the Delivery Period with respect to all or any portion of the unexpended amounts remaining in the 2023 Series L-M Acquisition Account, for the period or periods as the Agency determines consistent with the final sentence of this paragraph, but only if the Agency has delivered to the Trustee on or prior to the expiration of the then-current Delivery Period an Agency Certificate (i) designating the new ending date for the Delivery Period, (ii) certifying that the Agency has received a Cash Flow Certificate and a Parity Certificate confirmed by an investment banking firm, financial consulting firm or accounting firm, in each case nationally recognized with respect to the cash-flow analysis of qualified mortgage bonds, that shows that the extension will not adversely affect the availability of Revenues sufficient to make timely payment of principal of and interest on the Outstanding Bonds in the current and each subsequent Fiscal Year, and that at all times the assets of the Program will equal or exceed the liabilities of the Program, which Cash Flow Certificate and Parity Certificate must accompany the Agency Certificate; (iii) certifying that, to the extent necessary to satisfy the requirements of the Cash Flow Certificate and each Rating Agency then rating the Bonds, an Investment Obligation has been arranged for investment of amounts in the 2023 Series L-M Acquisition Account to a date not earlier than the ending date of the extended Delivery Period; (iv) designating the amount of any additional deposits required by the Cash Flow Certificate, the Parity Certificate and each Rating Agency then rating the Bonds to be made into funds held under the Resolutions in connection with that extension, which deposits must be made on or before the date of expiration of the then-current Origination Period and only from the Agency's funds; and (v) certifying that the Agency has notified each Rating Agency then rating the Bonds that the extension is being planned and has provided copies of the Cash Flow Certificate and Parity Certificate to each Rating Agency then rating the Bonds, together with any other documentation as each Rating Agency then rating the Bonds may request, and has received written confirmation that the Rating of Outstanding Bonds will not be impaired by the extension of the Delivery Period. On any date or dates subsequent to any extension of the Delivery Period, the Agency may transfer any unexpended proceeds relating to the Series Bonds remaining in the 2023 Series L-M Acquisition Account to the Bond Redemption Fund to be applied to redemption of Series Bonds. At the end of the Delivery Period, including any extension thereof, the Trustee is to transfer all amounts relating to the Series Bonds remaining in the 2023 Series L-M Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. The Delivery Period may not be extended beyond the date set forth in the definition under "Certain Defined Terms" in Appendix C to this Official Statement.

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 those interests need not be equal as to interest rate.

**Qualified Real Property**

Program Loans may finance the purchase of residential property in Minnesota on which is located an owner-occupied one or two-family dwelling, or an owner-occupied residential unit in a condominium, townhouse or planned unit development.

The Agency has established maximum purchase prices under the Program. The maximum purchase prices currently are as follows for both the Start Up Program and the Step Up Program:

| If the property to be mortgaged is located in: | Maximum Purchase Price One-Family | Maximum Purchase Price Two-Family |
|---|---|---|
| Twin Cities Metropolitan Area | $515,200 | $659,550 |
| Balance of State | $472,030 | $604,400 |

The Agency may revise the maximum purchase prices from time to time to conform to applicable State and federal law and Agency policy objectives.

**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. 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 percent/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, 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 Appendix C – Summary of Certain Provisions of the Bond Resolution – Program Loans; Modification of Terms.)

**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 I to this Official Statement. The Series Resolutions provide that in the event the Servicing Agreement is cancelled or terminated for any reason, the Agency must 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 that successor, the Trustee will, 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 will 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 June 30, 2023, the Agency had outstanding Program Loans receivable of $204,019,000 gross, including outstanding DPA Loans receivable of $19,588,000 gross, which were financed from the proceeds of Bonds. There are 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 whole loan portfolio funded by Bonds is contained in Appendix G to this Official Statement.

In addition, as of June 30, 2023, the following Program Securities (comprised of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

| | Principal Amount Outstanding | Percentage |
|---|---|---|
| GNMA II | $1,124,866,000 | 47.02% |
| GNMA I | 38,019,000 | 1.59 |
| FNMA | 999,195,000 | 41.77 |
| FHLMC | 230,190,000 | 9.62 |
| Total | $2,392,270,000 | 100.00% |

## OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency offers 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. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix A-1 to this Official Statement.

For example, as of June 30, 2023, the Homeownership Finance Bond Fund had $1,024,213,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's homeownership finance bonds. As of June 30, 2023, the Agency had outstanding home improvement loans receivable of $101,584,000 gross. *None of these loans secure or are available for the payment of principal of or interest on the Bonds.*

**Deferred Payment Loans**

The Agency has established The Deferred Payment Loan Program, a Homeownership Assistance Fund program funded by State appropriations. The Alternative Loan Fund within the Bond Resolution and Outstanding Bonds are also a source of funding for these loans. (See "Estimated Sources and Uses of Funds" and "The Residential Housing Finance Program— Reimbursement of Advances of Agency Funds with Proceeds of Series Bonds.") Under The Deferred Payment Loan Program there are two options: the Deferred Payment Loan and the Deferred Payment Loan Plus. A DPA Loan originated under either of these options is a junior lien loan from the Agency to the mortgagor that is interest-free, with repayment due on sale or transfer of the property or when the property is no longer occupied by the mortgagor. Both Deferred Payment Loans and Deferred Payment Loans Plus are only available to mortgagors who qualify for the Start Up Program.

Mortgagors who meet program income and liquid asset limits, and who do not have sufficient cash for down payment and closing costs, are eligible for a Deferred Payment Loan in an amount of up to $16,500.

Mortgagors who meet the requirements for a Deferred Payment Loan and additional targeting criteria are eligible for a Deferred Payment Loan Plus in an amount of up to $18,000. In addition to down payments and closing costs, mortgagors may use the funds to write down the senior lien loan principal.

Program Loans backing Program Securities made or purchased from the proceeds of a Series of Bonds may or may not be accompanied by either of The Deferred Payment Loan Program options. The Agency has not pledged the Homeownership Assistance Fund to the payment of principal or interest on Outstanding Bonds and it is not available for that purpose. 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. DPA Loans financed with proceeds of the Bonds are pledged to payment of Outstanding Bonds. (See "Security for the Bonds.")

**Monthly Payment Loans**

In connection with both the Start Up Program and the Step Up Program, the Agency added another down payment and closing cost loan option, the Monthly Payment Loan. A Monthly Payment Loan is a junior lien loan made by the Agency. The interest-bearing, amortizing loan has a ten-year term with an interest rate equal to the interest rate of the applicable first mortgage loan. Borrowers can receive a Monthly Payment Loan in an amount up to $18,000.

## TAX MATTERS

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series Bonds for the investors described below and is based on the advice of Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the Series Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Series Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Series Bond that is not a U.S. person. For these purposes, a "U.S. Person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United

States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Interest on the Series Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the Series Bonds generally must include interest (including original issue discount treated as interest) on the Series Bonds in gross income for federal income tax purposes.

***Characterization as Indebtedness***

The Agency intends for applicable tax purposes that the Series Bonds will be indebtedness of the Agency secured by the pledged Program Obligations and other assets. The owners of the Series Bonds, by accepting Series Bonds, have agreed to treat the Series Bonds as indebtedness of the Agency for federal income tax purposes. The Agency intends to treat this transaction as a financing reflecting the Series Bonds as its indebtedness for tax and financial accounting purposes. Bond Counsel is of the opinion that the Series Bonds should be treated as indebtedness of the Agency for federal income tax purposes.

In general, the characterization of a transaction as a sale of property rather than a secured loan, for federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized. While the IRS and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form. The Agency believes that it has retained the preponderance of the benefits and burdens associated with the pledged Program Obligations and other assets. Therefore, the Agency believes that it should be treated as the owner of the pledged Program Obligations and other assets for federal income tax purposes, and the Series Bonds should be treated as its indebtedness for federal income tax purposes. If, however, the IRS were to successfully assert that this transaction should not be treated as a loan secured by the pledged Program Obligations and other assets, the IRS could further assert that the Resolutions created a separate entity for federal income tax purposes which would be the owner of the pledged Program Obligations and other assets and would be deemed engaged in a business. That entity, the IRS could assert, should be characterized as an association or publicly traded partnership taxable as a corporation. In that event, the separate entity would be subject to corporate tax on income from the pledged Program Obligations and other assets, reduced by interest on the Series Bonds. Any such tax could materially reduce cash available to make payment on the Series Bonds.

In the opinion of Bond Counsel, the Series Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code.

***Taxation of Interest Income of the Series Bonds***

Payments of interest with regard to the Series Bonds will be includable as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the Series Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in that period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. Section 1272(a)(6) of the Code applies a specific method for accruing original issue discount on a debt instrument the principal payments of which may be accelerated by virtue of the prepayment of other debt instruments (such as the Series Bonds that are subject to acceleration by virtue of prepayment of the Program Obligations). Holders of the Series Bonds should consult their tax advisor as to the proper method of applying this provision of the Code for purposes of accruing original issue discount and the prepayment assumption to be applied to that calculation.

Payments of interest received with respect to the Series Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Series Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Series Bonds.

Individuals, estates or trusts owning the Series Bonds may be subject to the unearned income Medicare contribution tax under Section 1411 of the Code (the “Medicare Tax”) with respect to interest received or accrued on the Series Bonds, gain realized from a sale or other disposition of the Series Bonds and other income realized from owning, holding or disposing of the Series Bonds. The Medicare Tax is imposed on individuals beginning January 1, 2013. The Medicare Tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), (ii) the excess of “modified adjusted gross income” of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series Bonds should consult with their tax advisor concerning this Medicare Tax as it may apply to interest earned on the Series Bonds as well as gain on the sale of a Series Bond.

A purchaser (other than a person who purchases a Series Bond upon issuance at the issue price) who buys a Series Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series Bonds.

***Sale or Exchange of the Series Bonds***

If a holder sells a Series Bond, that person will recognize gain or loss equal to the difference between the amount realized on that sale and the holder’s basis in that Series Bond. Ordinarily, that gain or loss will be treated as a capital gain or loss. However, if a Series Bond was originally issued at a discount or was subsequently purchased at a market discount, a portion of that gain will be recharacterized as ordinary income.

If the terms of a Series Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those that involve the substitution of collateral. Each potential holder of a Series Bond should consult its own tax advisor concerning the circumstances in which the Series Bonds would be deemed reissued and the likely effects, if any, of that reissuance.

The legal defeasance of the Series Bonds may result in a deemed sale or exchange of those Series Bonds under certain circumstances. Holders of those Series Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

***Backup Withholding***

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series Bonds, if the purchasers, upon issuance, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

***Tax Treatment of Original Issue Discount***

2023 Series L Bonds that have an original yield above their interest rate constitute "Discounted Obligations." The difference between the initial public offering prices of Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount that is treated as having accrued with respect to that Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation that are attributable to accrued original issue discount will be treated as taxable interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days that are determined by reference to the maturity date of that Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for that Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of that Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for that Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on that Discounted Obligation the sum of the amounts that have been treated as original issue discount for those purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in that compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase those Discounted Obligations after the initial offering. Holders of Discounted Obligations including purchasers of Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to those obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

***Tax Treatment of Bond Premium***

2023 Series L Bonds that have an original yield (or are subsequently purchased at a price that yields) below their interest rate constitute "Premium Obligations". An amount equal to the excess of the purchase price of a Premium Obligation over its stated redemption price at maturity constitutes premium on that Premium Obligation. A purchaser of that Premium Obligation has the option to amortize any premium over that Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in that Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of that Premium Obligation prior to its maturity. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the election to amortize bond premium and the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning those Premium Obligations.

***State, Local or Foreign Taxation***

No representations are made regarding the tax consequences of purchase, ownership or disposition of the Series Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided in "State Law Considerations" below). Investors considering an investment in the Series Bonds should consult their own tax advisors regarding those tax consequences.

***Tax-Exempt Investors***

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for that entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to that interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a Series Bond incurs acquisition indebtedness with respect to a Series Bond, interest paid or accrued with respect to that holder may be excluded by that tax exempt holder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Series Bond is urged to consult its own tax advisor regarding the application of these provisions.

***Certain ERISA Considerations***

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of those plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, those plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Agency or any Underwriter of the Series Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series Bonds are acquired by those plans or arrangements with respect to which the Agency or any Underwriter is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series Bonds. The sale of the Series Bonds to a plan is in no respect a representation by the Agency or any Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the Series Bonds should consult with its counsel to confirm that that investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.**

***State Law Considerations***

Interest on the Series Bonds is includable in the taxable net income of individuals, trusts and estates for State income tax purposes. That interest is also includable in the income of corporations and financial institutions for purposes of the State franchise tax.

## LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or 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 litigations arising in the ordinary course of business. While the ultimate effect of those 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

The validity of the Series Bonds is subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix F attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP.

## RATINGS

The 2023 Series L Bonds are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), and "AA+" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), and the 2023 Series M Bonds are rated "Aa1/VMIG 1" by Moody's and "AA+/A-1+" by S&P. The short-term ratings assigned to the 2023 Series M Bonds are conditioned upon the issuance by the Initial Liquidity Provider of the Standby Bond Purchase Agreement. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that any 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 those ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix B to this Official Statement), or to contest any revision or withdrawal.

## TRUSTEE

Computershare Trust Company, National Association (the "Trustee"), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association ("WFBNA"). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA's corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least $75,000,000.

## FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 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 issuance and sale of the Series 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 Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

## UNDERWRITING

RBC Capital Markets, LLC, Piper Sandler & Co., Wells Fargo Bank, National Association, Morgan Stanley & Co. LLC and Northland Securities, Inc. (collectively, the “Underwriters”) will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds for the public offering prices stated on the inside front cover of this Official Statement. The Agency will pay the Underwriters a fee of $579,977.82 with respect to their purchase of the Series Bonds. The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than those public offering prices.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association (“WFBNA”), acting through its Municipal Finance Group, one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) ("WFA"), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company (“WFC”).

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of WFC and its subsidiaries, including WFBNA, which conducts its municipal securities sales, trading and underwriting operations through the WFBNA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

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

RBC Capital Markets, LLC, an underwriter of the Series Bonds, is a subsidiary of Royal Bank of Canada, the Swap Counterparty for the Series Bonds.

## 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 purpose. Any statements made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as opinion or estimates 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 owners 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/ Jennifer Ho
Commissioner

Dated: August 23, 2023.

# APPENDIX A-1

## AUDITED FINANCIAL STATEMENTS OF THE AGENCY
## FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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Minnesota Housing continued to create, preserve and finance affordable housing throughout another year challenged by the ongoing impacts of the COVID-19 pandemic. The Agency maintained strong financial performance and positive program outcomes even as it also administered the largest-scale direct assistance program it has ever managed. The perseverance of staff, investment in systems, and mission focus of the Agency resulted in many accomplishments, some of which are highlighted below.

**Delivering emergency federal housing assistance related to the COVID-19 pandemic**

Minnesota Housing received unprecedented levels of federal funding to continue to assist Minnesota households falling behind on their housing bills due to the effects of the pandemic with two new programs. The first program, RentHelpMN, helped renter households by paying property owners their past-due rent and covering overdue utility bills. The second program, HomeHelpMN, helped struggling homeowners avoid foreclosure by working with lenders to cover overdue mortgage payments and related costs.

- Successfully administered COVID-19 Emergency Rental Assistance funds allocated to the state by the U.S. Department of Treasury through its RentHelpMN program. The program has paid out approximately $450 million in more than 100,000 payments, assisting more than 50,000 unique households.
- Developed and launched HomeHelpMN with $128 million from the Homeowner Assistance Fund, also issued by Treasury to assist homeowners who have fallen behind on mortgage payments or other housing-related expenses due to the pandemic.

Additionally, Minnesota Housing policy staff worked with stakeholders and the Governor's Office to propose a comprehensive budget that over three years would have provided over $715 million in new investments to prevent and end homelessness and to create and preserve significant levels of housing affordable to people with modest incomes. Unfortunately, the 2022 legislative session ended without new housing investments.

**Creating and preserving homes Minnesotans can afford**

At the heart of Minnesota Housing's mission is creating and preserving affordable rental and homeownership opportunities across the state. To that end, Minnesota Housing announced the following funding selections and project advancements as part of our annual consolidated Request for Proposals:

- Selected 20 multifamily applications to create/preserve 1,095 rental units, which included 377 units that will be deeply affordable.
- The 20 multifamily applications represent $220 million in total development costs.
- Selected 44 Single-family applications to create/preserve 360 homes.
- Supported projects funded with more than $21 million in grants and loans through its Single-family Impact Fund and Workforce and Affordable Housing Development selections.

**Promoting affordable homeownership**

Minnesota Housing's home mortgage production exceeded last year's record-breaking results. Highlights include the following:

- Programs for first-time and repeat homebuyers totaled over $1.1 billion in mortgage financing for almost 5,400 households.
- Provided $68 million in loans to cover downpayment and closing costs related to first mortgage financing.
- 98% of homeowners who use Minnesota Housing homeownership programs also used Agency downpayment/ closing cost assistance loan programs.
- Over 1,400 borrowers accessed more than $30 million in capital to improve or rehabilitate their homes.

- Nearly 40% of homeownership first mortgage loans were made to Black or Indigenous households or households of color.

**Delivering financial assistance through programs**

In addition to direct lending, Minnesota Housing administers a variety of programs that provide rental assistance to individuals and families who are homeless or who face housing instability, as well as individuals experiencing behavioral health issues. Minnesota Housing runs grant programs providing resources aimed at making homelessness rare, brief and one-time. Minnesota Housing also manages the federal Section 8 performance-based contract programs on behalf of the United States Department of Housing and Urban Development.

- Administered programs to assist individuals and families who are homeless or who face housing instability, reaching over 10,000 individuals and families in the last year.
- Delivered more than $220 million in Section 8 rental assistance on behalf of HUD to serve nearly 30,000 units across Minnesota.

**Addressing equity and inclusion, especially with regard to race and disability**

Progress on issues of equity and inclusion remains a priority at the Agency, with a focus on antiracism. Accomplishments include:

- Nearly achieved the ambitious stretch goal of delivering 40% of single-family homebuyer loan products to Black and Indigenous households and households of color.
- Embedded the newly created leadership role, the Director of Equity and Inclusion, into all areas of our work.
- Established an Equity Action Team with participation from every division, which is developing a plan to advance the Agency's efforts to achieve equity internally and externally.
- Continually developed the Agency's cultural competency by expanding its bias trainings and related learnings offered to all staff, and built internal capacity to administer the Intercultural Development Inventory, with 16 staff certified as Qualified Administrators, and a third of staff members voluntarily taking this assessment.
- Centered the most impacted communities in our program design priorities.
- Defined health, housing and racial justice in the Minnesota Interagency Council on Homelessness plan and incorporated input from people with lived experience of homelessness.
- Increased opportunities for individuals with disabilities to live and work in integrated settings through the Olmstead Subcabinet and the Olmstead Implementation Office.

Minnesota Housing's work is made possible by our partners and investors across the state and country, and by the Agency's resilient staff, who have continued to develop and deliver responsive, effective programs under trying circumstances. Staff capacity and the challenge of making progress on new initiatives while maintaining existing programs and services will be a focus of the Agency in the year to come with the goal of continuing to deliver strong financial performance and positive program outcomes.

Jennifer Ho

Jennifer Leimaile Ho, Commissioner
Minnesota Housing

## Independent Auditor's Report

Board of Directors
Minnesota Housing Finance Agency

### Report on the Audit of the Financial Statements

***Opinions***

We have audited the financial statements of the business-type activities and each major fund of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

As discussed in Note 23 to the financial statements, the 2021 beginning net position for the business-type activities and State Appropriated Fund have been restated to correct errors. The 2021 beginning net position for the business-type activities and General Reserve Fund have been restated for the adoption and implementation of Governmental Accounting Standards Board Statement No. 87. Our opinions are not modified with respect to these matters.

***Other Matter***

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Agency as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 18, 2021, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2021, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statements. The accompanying 2021 supplementary information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other information section as listed in the accompanying table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Duluth, Minnesota
October 11, 2022

## Introduction

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.

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 housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes and distribution of emergency assistance. The Agency's mission is: Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

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 Development 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 Position 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.

Required and other 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, Homeownership Finance, Home Ownership Mortgage-backed Exempt Securities (HOMES℠), and Multifamily Housing.

The basic financial statements also include summarized comparative totals as of and for the year ended June 30, 2021. 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 2022 in comparison to the prior fiscal year.

### General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Homeownership Finance, Multifamily Housing, and HOMES[SM] (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 in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board (GASB). 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 interest rate swap agreement 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 to 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 Appropriated funds are not pledged or available to secure bonds issued under the bond funds 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 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.

## 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, Expenses and changes in Net Position 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

One-half of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts with U.S. Department of Housing and Urban Development ("HUD"). Over 60% of the principal amount of multifamily first mortgage loans receivable held in Rental Housing are insured by HUD pursuant to a risk sharing agreement whereby HUD agrees to assume 50% or greater of the loss upon a default of the mortgage loan

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 loans financed under state appropriation-backed housing bonds, conduit bonds, and one loan under Multifamily Housing, are financed in Rental Housing as of June 30, 2022. 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 2018 limited obligation Index Bank Note issued under a separate bond trust indenture and the restricted by covenant, Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3). The Alternative Loan Fund is not pledged as security for any bonds of the Agency but is available to pay debt service on any bonds except state appropriation-backed bonds and conduit bonds.

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 down payment and closing cost housing assistance loans, and unsecured and secured subordinated home improvement mortgage loans. The mortgage-backed securities are guaranteed as to payment of principal and interest by one of the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC). The majority of the single family first mortgage 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, along with the Homeownership Finance bond resolution (see Homeownership Finance below), were the principal sources of financing for bond-financed homeownership programs. 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 2022.

Assets of Pool 2 consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2022 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before those securities are permanently financed by issuing bonds, or sold into the to-be-announced (TBA) market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans, for tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, and index bank note expenses, and for 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 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 2022 funds from Pool 3 were used for down payment and closing 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, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, Habitat loans and deferred, subordinated multifamily loans.

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 originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. 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 one of the GNMA, FNMA or the FHLMC.  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.

### HOMES℠

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES℠ certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. Minnesota Housing is not committed to sell any HOMES℠ certificates but has the option to accept the investment bank's bid for HOMES℠ certificates, which may be a higher price than the Agency could achieve by selling the mortgage-backed security in the open market. The HOMES℠ Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

### 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.

### 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 funds appropriated by the state and federal government must be used for specific uses as set forth in the state appropriations or federal contracts and except for funds appropriated to pay debt service on state appropriation-backed bonds are not pledged or available to secure the bondholders or creditors of Minnesota Housing. Because the Agency is the issuer of the state appropriation-backed bonds they are shown in bonds payable section even though they are not a general obligation of the Agency. These bonds are payable solely from appropriations from the State of Minnesota. Per the offering disclosures for these appropriation-backed bonds, the Agency will not use its own resources to redeem or repay the bonds.

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 housing 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, federal emergency housing assistance and other housing-related program costs.

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## Condensed Financial Information

**Selected Elements From Statement of Net Position (in $000's)**

| | Agency-wide Total | | |
|---|---|---|---|
| | **Fiscal 2022** | **Fiscal 2021** | **Change** |
| Cash and other investments | $1,214,346 | $1,510,215 | $(295,869) |
| Investments - program securities mortgage-backed securities | 2,804,425 | 2,810,602 | (6,177) |
| Loans receivable, net | 954,733 | 929,425 | 25,308 |
| Capital assets, net | 8,317 | 10,512 | (2,195) |
| Other | 35,160 | 19,091 | 16,069 |
| Total assets | 5,016,981 | 5,279,845 | (262,864) |
| Total deferred outflows of resources | 12,398 | 16,372 | (3,974) |
| Total assets and deferred outflows | 5,029,379 | 5,296,217 | (266,838) |
| Long term liabilities (noncurrent) | 3,710,689 | 3,492,511 | 218,178 |
| Other (current) | 364,321 | 411,210 | (46,889) |
| Total liabilities | 4,075,010 | 3,903,721 | 171,289 |
| Deferred inflows of resources | 58,390 | 39,555 | 18,835 |
| Total liabilities and deferred inflows | 4,133,400 | 3,943,276 | 190,124 |
| Restricted by bond resolution | 203,444 | 485,980 | (282,536) |
| Restricted by covenant | 554,495 | 513,428 | 41,067 |
| Restricted by law | 382,384 | 562,264 | (179,880) |
| Unrestricted - state appropriation-backed debt | (245,138) | (210,547) | (34,591) |
| Invested in capital assets | 794 | 1,816 | (1,022) |
| Total net position | $ 895,979 | $1,352,941 | $(456,962) |

| | Agency-wide Total | | |
|---|---|---|---|
| | **Fiscal 2022** | **Fiscal 2021** | **Change** |
| Interest earned on loans and other investments | $ 47,511 | $ 47,791 | $ (280) |
| Interest earned on investments-program mortgage-backed securities | 81,674 | 80,931 | 743 |
| Appropriations received | 624,436 | 816,121 | (191,685) |
| Fees and reimbursements (2) | 20,193 | 22,890 | (2,697) |
| Net gain/loss on sale of mortgage-backed securities (MBS) Held for sale/HOMES certificates | 2,016 | 12,376 | (10,360) |
| Unrealized (losses) on investments | (294,763) | (45,098) | (249,665) |
| Total revenues (1) | 481,067 | 935,011 | (453,944) |
| Interest and financing, net expense | 74,402 | 106,563 | (32,161) |
| Appropriations disbursed | 769,089 | 395,726 | 373,363 |
| Fees | 3,183 | 3,413 | (230) |
| Payroll, General & Administrative | 27,717 | 45,996 | (18,279) |
| Loan loss/value Adjustments | 61,600 | 73,741 | (12,141) |
| Total expenses (1) | 935,991 | 625,439 | 310,552 |
| Non-operating transfer of assets between funds | (2,038) | (1,012) | (1,026) |
| Revenues over/under expenses | (456,962) | 308,560 | (765,522) |
| Beginning net position, as restated | 1,352,941 | 1,044,381 | 308,560 |
| Ending net position | $ 895,979 | $1,352,941 | $(456,962) |

(1) Agency-wide totals include interfund amounts
(2) Includes administrative reimbursements, net

| Combined General Reserve and Bond Funds | | | | | Combined State and Federal Appropriations Funds | | |
|---|---|---|---|---|---|---|---|
| Fiscal 2022 | | | | | | | |
| Excluding Pool 3 | Pool 3 | Total | Fiscal 2021 | Change | Fiscal 2022 | Fiscal 2021 | Change |
| $ 691,735 | $ 14,269 | $ 706,004 | $ 869,008 | $(163,004) | $508,342 | $641,207 | $(132,865) |
| 2,804,425 | - | 2,804,425 | 2,810,602 | (6,177) | - | - | - |
| 801,316 | 114,791 | 916,107 | 892,886 | $23,221 | 38,626 | 36,539 | 2,087 |
| 8,317 | - | 8,317 | 10,512 | $(2,195) | - | - | - |
| 34,499 | 108 | 34,607 | 18,601 | $16,006 | 553 | 490 | 63 |
| 4,340,292 | 129,168 | 4,469,460 | 4,601,609 | (132,149) | 547,521 | 678,236 | (130,715) |
| 12,398 | - | 12,398 | 16,372 | (3,974) | - | - | - |
| 4,352,690 | 129,168 | 4,481,858 | 4,617,981 | (136,123) | 547,521 | 678,236 | (130,715) |
| 3,339,592 | - | 3,339,592 | 3,190,891 | 148,701 | 375,350 | 301,620 | 73,730 |
| 334,843 | (9,700) | 325,143 | 386,311 | (61,168) | 34,925 | 24,899 | 10,026 |
| 3,674,435 | (9,700) | 3,664,735 | 3,577,202 | 87,533 | 410,275 | 326,519 | 83,756 |
| 58,390 | - | 58,390 | 39,555 | 18,835 | - | - | - |
| 3,732,825 | (9,700) | 3,723,125 | 3,616,757 | 106,368 | 410,275 | 326,519 | 83,756 |
| 203,444 | - | 203,444 | 485,980 | (282,536) | - | - | - |
| 415,627 | 138,868 | 554,495 | 513,428 | 41,067 | - | - | - |
| - | - | - | - | - | 382,384 | 562,264 | (179,880) |
| - | - | - | - | - | (245,138) | (210,547) | (34,591) |
| 794 | - | 794 | 1,816 | (1,022) | - | - | - |
| $ 619,865 | $138,868 | $ 758,733 | $1,001,224 | $(242,491) | $137,246 | $ 51,717 | $(214,471) |

| Combined General Reserve and Bond Funds | | | | | Combined State and Federal Appropriations Funds | | |
|---|---|---|---|---|---|---|---|
| Fiscal 2022 | | | | | | | |
| Excluding Pool 3 | Pool 3 | Total | Fiscal 2021 | Change | Fiscal 2022 | Fiscal 2021 | Change |
| $ 44,462 | $ 611 | $ 45,073 | $ 46,214 | $ (1,141) | $ 2,438 | $ 1,577 | $ 861 |
| 81,674 | - | 81,674 | 80,931 | 743 | - | - | - |
| - | - | - | - | - | 624,436 | 816,121 | (191,685) |
| 22,101 | (1,536) | 20,565 | 22,592 | (2,027) | (372) | 298 | (670) |
| 2,016 | - | 2,016 | 12,376 | (10,360) | - | - | - |
| (294,535) | (228) | (294,763) | (45,098) | (249,665) | - | - | - |
| (144,282) | (1,153) | (145,435) | 117,015 | (262,450) | 626,502 | 817,996 | (191,494) |
| 64,568 | - | 64,568 | 98,131 | (33,563) | 9,834 | 8,432 | 1,402 |
| - | - | - | - | - | 769,089 | 395,726 | 373,363 |
| 3,044 | 29 | 3,073 | 3,304 | (231) | 110 | 109 | 1 |
| 24,631 | 1,683 | 26,314 | 44,063 | (17,749) | 1,403 | 1,933 | (530) |
| 1,319 | 1,077 | 2,396 | 9,873 | (7,477) | 59,204 | 63,868 | (4,664) |
| 93,562 | 2,789 | 96,351 | 155,371 | (59,020) | 839,640 | 470,068 | 369,572 |
| (10,705) | 10,000 | (705) | 1,238 | (1,943) | (1,333) | (2,250) | 917 |
| (248,549) | 6,058 | (242,491) | (37,118) | (205,373) | (214,471) | 345,678 | (560,149) |
| 868,414 | 132,810 | 1,001,224 | 1,038,342 | (37,118) | 351,717 | 6,039 | 345,678 |
| $ 619,865 | $138,868 | $ 758,733 | $1,001,224 | $(242,491) | $137,246 | $351,717 | $(214,471) |

## General Reserve and Bond Funds – Statement of Net Position

### 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 as well as supplementary information in this 2022 Financial Report.

Investments-program Mortgage-backed securities (MBS), cash, cash equivalents, investment securities-other, loans receivable, and interest receivable comprise the majority of assets. Deferred pension expense, deferred loss on refunding and deferred loss on interest rate swap agreements comprise the majority of deferred outflows of resources in the General Reserve and bond funds. Capital assets, real estate owned and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets and deferred outflows of resources.

MBS is the single largest category of bond fund assets. Those assets are pledged as security for the payment of certain Agency mortgage revenue bonds held in acquisition accounts pledged to bond holders as security for bonds. This category of investments decreased 0.2% to $2,804.4 million. Single Family production was very strong in fiscal year 2022.

**Mortgage-backed Securities Portfolio Delinquency**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 27,026 | 95.0% | 23,981 | 89.3% |
| 60-89 Days | 372 | 1.3% | 246 | 0.9% |
| 90-119 Days | 202 | 0.7% | 120 | 0.4% |
| 120+ Days | 861 | 3.0% | 2,505 | 9.3% |
| Total Count | 28,461 | | 26,852 | |
| Total Past Due | 1,435 | 5.0% | 2,871 | 10.7% |

The 60+ day delinquency rate as of June 30, 2022 for the mortgage loans originated within the past 2 years under the MBS model was approximately 1.84 points above the delinquency rates benchmark at the HFA division of US Bank for the same time period. Similar to the homeownership loan portfolio described below, borrowers with mortgage loans that back the MBS portfolio can seek up to 18 months of payment forbearance due to the COVID Pandemic; the MBS payments are guaranteed by GNMA, FNMA or FHLMC and are not delinquent.

Cash and cash equivalents are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. This category decreased 21.8% to $528.6 million. Cash and Cash equivalents can fluctuate based on the timing of bond sales, the rate of production, debt repayments, purchase of investments and loan transactions.

Investments securities-other consists of MBS that are held by the Agency as investments, MBS held in the warehouse for future bond sales and MBS held for sale in the TBA market as well as other quality investments such as US agency, US treasuries, municipal bonds and government backed investment pools at the trustee, Wells Fargo, and the State Board of Investments (SBI). This category decreased by 8.0% to $177.4 million.

Loans receivable, net is another large 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; including Monthly Payment 2nd (MP 2nds) loans that include down payment and closing cost assistance loans. Loans receivable, net, increased 2.6% to $916.1 million at June 30, 2022 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 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 may increase as they are purchased in place of loans. The Agency also sells a portion of those MBS directly into the TBA market after hedging the interest rate risk with forward sales

## General Reserve and Bond Funds – Statement of Net Position (continued)

contracts at the time of loan commitment. The reserve for loan loss for the homeownership loan portfolio increased slightly. The reserve for loan loss for the home improvement loan portfolio increased due to a slight increase in the 120 day past due category. 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. 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. During the national emergency concerning the COVID Pandemic, borrowers with mortgage loans that are FHA insured, VA, HUD or RA, or purchased or securitized by FNMA or FHLMC can seek up to 18 months of payment forbearance. The Agency has chosen to grant similar forbearance relief for other single family homeownership and home improvement loans.

**Homeownership Loan Portfolio Delinquency**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 3,386 | 92.9% | 3,801 | 89.7% |
| 60-89 Days | 54 | 1.5% | 36 | 0.8% |
| 90-119 Days | 19 | 0.5% | 31 | 0.7% |
| 120+ Days | 184 | 5.1% | 369 | 8.7% |
| Total Count | 3,643 | | 4,237 | |
| Total Past Due | 257 | 7.1% | 436 | 10.3% |

**Homeownership Loan Portfolio Delinquency (In Forbearance)**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 3 | 9.1% | 15 | 7.5% |
| 60-89 Days | 2 | 6.1% | 10 | 5.0% |
| 90-119 Days | 1 | 3.0% | 9 | 4.5% |
| 120+ Days | 27 | 81.8% | 167 | 83.1% |
| Total Count | 33 | | 201 | |
| Total Past Due | 30 | 90.9% | 186 | 92.5% |

The first table above also includes loans in forbearance due to the COVID Pandemic. The 60+ day delinquency rate as of June 30, 2022 for the entire Minnesota Housing homeownership first lien loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately one percentage point the delinquency rates of similar loan data available as of June 30, 2022 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).

## General Reserve and Bond Funds – Statement of Net Position (continued)

**Homeownership (MP 2nd) Loan Portfolio Delinquency**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 7,505 | 95.0% | 6,500 | 90.1% |
| 60-89 Days | 68 | 0.9% | 36 | 0.5% |
| 90-119 Days | 33 | 0.4% | 31 | 0.4% |
| 120+ Days | 291 | 3.7% | 647 | 9.0% |
| Total Count | 7,897 | | 7,214 | |
| Total Past Due | 392 | 5.0% | 714 | 9.9% |

**Homeownership (MP 2nd) Loan Portfolio Delinquency (In Forbearance)**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 0 | 0.0% | 221 | 34.0% |
| 60-89 Days | 15 | 12.1% | 17 | 2.6% |
| 90-119 Days | 16 | 12.9% | 17 | 2.6% |
| 120+ Days | 93 | 75.0% | 395 | 60.8% |
| Total Count | 124 | | 650 | |
| Total Past Due | 124 | 100.0% | 429 | 66.0% |

The first table above also includes loans in forbearance due to the COVID Pandemic. The MP 2nd loans were made in conjunction with first lien mortgage loans that were pooled into MBS including, in part, the MBS portfolio the delinquency characteristics of which are described on a preceding page.

**Home Improvement Loan Portfolio Delinquency**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 4,723 | 97.8% | 4,806 | 98.6% |
| 60-89 Days | 13 | 0.3% | 8 | 0.2% |
| 90-119 Days | 10 | 0.2% | 3 | 0.1% |
| 120+ Days | 85 | 1.8% | 55 | 1.1% |
| Total Count | 4,831 | | 4,872 | |
| Total Past Due | 108 | 2.2% | 66 | 1.4% |

**Home Improvement Loan Portfolio Delinquency (In Forbearance)**
Actual Loan Count

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| Current | 0 | 0.0% | 23 | 95.8% |
| 60-89 Days | 0 | 0.0% | 0 | 0.0% |
| 90-119 Days | 0 | 0.0% | 0 | 0.0% |
| 120+ Days | 0 | 0.0% | 1 | 4.2% |
| Total Count | 0 | | 24 | |
| Total Past Due | 0 | 0.0% | 1 | 4.2% |

## General Reserve and Bond Funds – Statement of Net Position (continued)

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that delinquency data from other available sources is not directly comparable. The table above excludes inactive home improvement loans defined as delinquent loans for which the Agency has a valid lien but active collection efforts have been exhausted.

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 48.8% to $0.1 million at June 30, 2022 as a result of a decrease in the amount of loans with outstanding claims.

Over 60% of the principal amount of multifamily first mortgage loans receivable held in Rental Housing, and 61% of the principal amount of multifamily first mortgage loans receivable held in Residential Housing Finance, are insured by the HUD pursuant to a risk sharing agreement whereby HUD agrees to assume 50% or greater of the loss upon a default of the mortgage loan.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. There was a net increase in real estate owned of 23.0% to $0.8 million at June 30, 2022.

While the delinquency rates and foreclosures in the Agency’s loan portfolio remained above historical norms during fiscal year 2022, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2022, being 1.0% of total net loans receivable.

Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

No loans reside in General Reserve.

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 remained stable at $13.1 million at June 30, 2022.

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 3.4% to $3,476.3 million at June 30, 2022 because new bonding issuance did not outpace scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 7.2% to $28.1 million at June 30, 2022, largely due to a decrease in the amount of outstanding debt.

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, Pool 2 and HOMES℠ decreased 0.6% in fiscal year 2022 to $70.4 million at June 30, 2022.

On the Statement of Net Position there are three accounts that report the overall pension and other post employment benefits (OPEB) picture. As of June 30, 2022, the Net Pension Liability and OPEB decreased to $2.4 million, the Deferred Pension Expense increased by $9.9 million to $12.4 million, and the Deferred Pension Credit increased by $3.5 million to $22.8 million. This increase was due to Minnesota State Retirement System (MSRS) making changes to the assumptions that were used for the plans actuarial reports. GASB 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, prescribes how these accounts are recorded and how income and expense are recognized. GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, prescribes that OPEB are now included in these numbers. The net result of the pension entries is an overall increase of $14.3 million to the net position.

Accounts payable and other liabilities decreased to $80.9 million at June 30, 2022.

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.

## General Reserve and Bond Funds Revenues over Expenses

Revenues over expenses of General Reserve and bond funds decreased 530.4% to a loss of $241.8 million. Revenues over expenses excluding unrealized gains and losses increased 688.1% to $52.8 million for fiscal year 2022. Unrealized gains and losses are the result of mark to market increases and decreases, and due to the market swing in fiscal year 2022 revenues over expenses in the General Reserve and bond funds decreased.

Total revenues decreased 178.7% to a loss of $116.9 million. Revenue excluding unrealized gains and losses on investments decreased 8.3% to $177.8 million. The largest impact on the decrease in revenues was due to the mark to market swing in unrealized gains and losses.

Total expenses decreased 33.2% to $124.8 million. The majority of the decrease is the result of pension adjustments and hedging gains.

The largest revenue component, interest earned on MBS and investments decreased 4.7% to $91.1 million. This is primarily due to interest rate decreases and prepayments in fiscal year 2022. Loan interest revenue decreased 11.2% to $35.6 million 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 during fiscal year 2010. Administrative reimbursements to General Reserve from bond funds were $31.2 million in fiscal year 2022 compared to $33.1 million during the prior fiscal year. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $2.6 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2022 compared to $1.6 million during the prior fiscal year.

Other fee income to General Reserve and bond funds of $17.9 million decreased by $3.1 million compared to the prior fiscal year. The primary components are service acquisition fees earned from the sale of mortgage servicing rights, fees earned from the federal low-income housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments (HAP) administration, and various loan programs.

The net gain on the sale of mortgage-backed securities held for sale was $2.0 million a decrease of $10.4 million over prior fiscal year. Components of the net gain, in addition to the gain or loss on the security itself, include the cost of minimizing interest rate risk through forward sale contracts, certain trustee fees, and service release premiums.

Unrealized loss on investment securities for fiscal year 2022 are $294.8 million compared to $45.1 million of unrealized losses for fiscal year 2021. The unrealized gains or losses arise due to the changes in fair value and mark-to-market in accordance with GASB. The fair value adjustments are booked quarterly and fluctuate based on market conditions. Of these unrealized gains or losses, $182.9 million of unrealized losses are related to the program MBS portfolio pledged to bond holders for payments of debt service and $12.5 million of unrealized gains are related to the investment securities portfolio. The Agency will hold these MBS until all requirements of the Residential Housing Finance and Homeownership Finance Bond resolution are satisfied. The Agency is not permitted by the bond resolution to sell the MBS at this time. This value fluctuation is booked as required by GASB; however analysis performed on income normally excludes the unrealized gains or losses.

Interest expense decreased 13.5% to $75.0 million compared to the prior fiscal year as a result of lower interest rates on new bond issues.

Financing costs decreased 195.1% to a credit of $10.4 million.

Expenses for loan administration and trustee fees in the bond funds was stable at $3.1 million for current fiscal year. Of the total administrative reimbursement revenue in General Reserve of $30.9 million, the interfund charge to the bond funds and State Appropriated fund of $29.1 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $17.7 million decreased 45.6% from the prior year. A main component of the Salaries and Benefits change is due to the valuation of pension expense.

## General Reserve and Bond Funds Revenues over Expenses (continued)

Other general operating expense in General Reserve and bond funds of $8.6 million recognized a 25.3% decrease compared to prior fiscal year at $11.6 million.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased from $8.7 million to $1.0 million.

The provision for loan loss expense in the bond funds increased from $1.1 million to $1.4 million, overall delinquencies remained stable compared to prior fiscal year.

The provision for loan loss expense for the homeownership loan portfolio for current fiscal year is ($0.7) million and prior fiscal year was $0.4 million.

The provision for loan loss expense for the home improvement loan portfolio and MP 2nds was at $1.15 million compared to prior year of ($0.3) million.

The provision for loan loss expense for the multifamily loan portfolio was ($1.1) million.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Pool 1 requirement, periodic fiscal year end transfers to the Pool 3, if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2022, $21.2 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 Pool 1 requirement are transferred periodically to Pool 2 for use in housing programs. Pool 2 also recorded a $10.0 million transfer to Pool 3 to be used for highly subsidized housing programs. Per the Rental Housing Bond Resolution requirement, funds must be transferred to General Reserve when they are removed from the Rental Housing Bond Resolution. Revenues over expenses plus non-operating transfers in Pool 2 may be transferred periodically, with approval of the Board, to Pool 3 for use in more highly subsidized housing programs. Board investment guidelines establish required balances for Pool 1 and Pool 2. In addition, Pool 2 made $6.8 million in bond sale transfers to the Homeownership Finance and Rental Housing Funds.

Total combined net position of General Reserve and bond funds decreased 24.2% to $242.5 million as of June 30, 2022. The net position of General Reserve and bond funds is divided into two primary categories. Restricted by Bond Resolution is 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. Restricted by Covenant is 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.

## State and Federal Appropriated Funds – Statement of Net Position

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 typically 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 position restricted by law. In fiscal year 2018, the Agency added a new line called Unrestricted - State Appropriation-backed Bonds. This line shows the amount of outstanding Appropriation-backed Bonds issued by the Agency.

Investments, cash, and cash equivalents combined are the largest category of assets in the appropriated funds. The June 30, 2022 combined balance decreased 20.7% to $508.3 million as a result of the combined appropriations received and other revenues less than the combined disbursements for programs, loans and expenses during the fiscal year.

## State and Federal Appropriated Funds – Statement of Net Position (continued)

Certain state appropriations are expended as housing loans which are in a first lien position and with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2022 State Appropriated fund net loans receivable decreased 5.8% to $38.6 million.

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 increased from $0.10 million at June 30, 2021 to $0.20 million on June 30, 2022. Accounts payable and other liabilities represent amounts payable to program participants as of year-end. The balance of payables at June 30, 2022 was $13.8 million compared to $12.3 million at June 30, 2021. Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. Interfund payable occurs in the State Appropriated fund because of accrued overhead expense payable to General Reserve. At June 30, 2022 the combined net interfund receivable was $0.9 million.

At June 30, 2022 and June 30, 2021 the balance of funds held for others was $0 million.

The appropriated net position is broken into two categories. Restricted by law is for use with housing programs only and is not pledged or available to secure bonds issued under any of the Agency's bond funds or other obligations of the Agency or its general obligation pledge in respect thereof. Unrestricted - State Appropriation-backed shows the amount of state appropriation-backed bonds outstanding. These bonds are backed solely by the standing appropriation by the State of Minnesota and the Agency's resources are not pledged or available to secure the bondholders. Per GASB, as the issuer, the Agency is required to show these bonds as bonds payable and therefore the reduction in net position. The combined net position of the appropriated funds decreased from $351.7 million as June 30, 2021 to $137.2 million as of June 30, 2022.

This decrease is predominately due to COVID emergency rental assistance in the Federal Appropriated Fund and the state appropriation-backed bonds being recorded in the State Appropriated Fund. The balance in restricted by law at June 30, 2022 was $382.4 million. There was a decrease in restricted by law net position of $179.9 million for fiscal year 2022. As a result of emergency rental assistance disbursement the combined expenses exceeds receipts during fiscal year 2022. The principal amount outstanding of the state appropriation-backed bonds was $309.809 million restated as of June 30, 2021, and $389.562 million as of June 30, 2022. 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.

## State and Federal Appropriated Funds – Revenues over Expenses

Historically, 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 $816.1 million in fiscal year 2021 to $624.4 million in fiscal year 2022. In fiscal year 2022 COVID emergency assistance funds had a major impact on our ending balance. Federal appropriations received decreased by $208.4 million. State appropriations received increased by $16.7 million.

The combined interest income from investments increased 46.1% to $1.3 million for fiscal year 2022.

Loan interest income from state appropriations loan assets continues to be minimal at $1.1 million as relatively few loans bear interest.

Fees earned and other income, in the amount of $0.5 million were recorded in the State Appropriated Fund during fiscal year 2022.

Combined unrealized losses were zero for fiscal year 2022 and fiscal year 2021. The unrealized gains and losses arise due to the changes in fair value and mark-to-market in accordance with GASB. The fair value adjustments are booked quarterly and fluctuate based on market conditions.

## State and Federal Appropriated Funds – Revenues over Expenses (continued)

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated Fund programs decreased 22.5% to $0.9 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 funds to the extent of investment earnings on unexpended state appropriations. During fiscal year 2022 investment earnings in the state appropriated fund were insufficient to reimburse all of the overhead expenses incurred in General Reserve for state appropriated programs during this fiscal year.

Combined appropriations disbursed increased 94.3% to $769.1 million compared to the prior fiscal year, reflecting state appropriations disbursed of $38.0 million and federal appropriations disbursed of $731.1 million. The increase was predominately related to COVID emergency rental assistance disbursed from the Federal Appropriated Fund.

Increased expenditures of state appropriated funds for fully reserved below-market and zero-percent interest rate loans impacted expense from reductions in carrying value of certain loans. Net reductions of carrying value decreased 8.6% to $59.1 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 and disbursements of funds. Other general operating expenses in the State Appropriation Fund decreased 37.8% to $1.4 million at June 30, 2022.

Combined expenses were more than combined revenue of the appropriated funds by $213.1 million at June 30, 2022. Historically, the entire existing state restricted by law and federal appropriated funds' net position is likely to be expended for housing programs. In fiscal year 2022 the disbursement of federal appropriated funds for COVID Emergency Rental Assistance had a major impact on our net position.

## Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2022, not including state appropriation-backed bonds, long-term bonds totaling $3,476.3 million. Bond proceeds and related revenues are held by a trustee, who is 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, 2022, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date. In addition, at year-end the Agency had $389.6 million in state appropriation-backed bonds outstanding.

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 2022 fiscal year, Minnesota Housing issued fifteen series of bonds aggregating $853.6 million (excluding state appropriation-backed housing bonds, limited obligation drawdown index bank note, and short-term borrowing against a line of credit), compared to the issuance of sixteen series totaling $850.1 million the previous fiscal year. 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 may be 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 $77.0 million in state appropriation-backed bonds were issued in fiscal year 2022.

A total of $760.0 million (does not include state appropriation-backed bonds) in bond principal repayments and $74.4 million of bond-related interest expense occurred during fiscal year 2022. Of the total bond principal repayments, $385.5 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions. A total of $9.7 million in bond principal repayments for state appropriation-backed bonds were made in fiscal year 2022.

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 (IRC) and Treasury regulations governing either qualified mortgage bonds, bonds issued to provide qualified residential rental projects or

## Significant Long Term Debt Activities (continued)

bonds issued to finance certain types of loans to nonprofit entities for single family and multifamily housing. Minnesota Housing's ability to issue certain types of tax-exempt debt is limited by its share of the state's allocation of private activity bond 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 IRC (commonly known as the 10 year rule) that requires single family mortgage loan repayments and prepayments received more than ten years after the date of issuance of the bonds that financed those mortgage loans to be used to redeem bonds.

While most of the Agency's bonds are tax-exempt, taxable bonds have been issued to supplement limited tax-exempt private activity bond volume cap in order to meet demand for financing single family mortgage loans. Taxable bonds may also be issued to refund existing debt or to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate demand bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, and again in fiscal years 2016 through fiscal year 2020 and in fiscal year 2022. In fiscal years 2018 and 2019 SIFMA Floating Rate Term bonds with interest-rate swaps were also incorporated 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.

## State Legislative Actions that May Impact Financial Conditions and/or Operations

After a special legislative session at the end of fiscal year 2021, the Governor signed into law a $125.6 million two-year program budget for the Agency including $10 million per year in fiscal year 2022 and 2023 in one-time funding across several agency programs. The Agency's programs range from homelessness prevention assistance and rental assistance to deferred resources for multifamily development to down payment and closing cost assistance for first-time homebuyers. The bill included a new, one-time Local Housing Trust Fund matching program for $1 million. The legislation also included an ending to the Governor's eviction moratorium including eviction protections for renters with a pending application for emergency pandemic rental assistance. That protection ended on June 1, 2022. No new legislation with respect to the Agency's operations or programs was adopted by the legislature in fiscal year 2022.

In addition, the bill adopted and signed into law at the end of the fiscal year 2021 special legislative session included $100 million in new Housing Infrastructure Bond authority available beginning January 16, 2022. The availability of all or a portion of this Housing Infrastructure Bonds authority was contingent on the failure of Congress to pass a federal infrastructure bill in by December 31, 2021 that includes funding for the same purposes. Additionally, $33.3 million of the $100 million is set aside for single-family development ($18.3 million) and manufactured home community acquisition and infrastructure ($15.0 million) contingent on Congress not providing funds for those purposes. The set-asides are available until January 16, 2024. Congress did not pass such a federal infrastructure bill and all of these authorizations became available to the Agency on January 16, 2022. Current eligible uses of Housing Infrastructure Bond proceeds are:

- New construction or acquisition and rehabilitation of permanent supportive housing
- Preservation of federally-assisted housing
- Land acquisition for single family homes to be sold as part of a community land trust
- Acquisition, rehabilitation, adaptive reuse, or new construction of senior housing
- Acquisition, improvement and infrastructure of manufactured home parks
- Acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing

Loans to be funded with the proceeds of authorized Housing Infrastructure Bonds have been and will be selected for housing projects as part of Minnesota Housing's consolidated Request for Proposal (RFP) as well as other standalone RFP for manufactured home communities.

## Additional Information

Questions and inquiries may be directed to Ms. Debbi Larson at Minnesota Housing Finance Agency, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102 (651-296-8183 or 800-657-3769 or if T.T.Y. 651-297-2361)

# MINNESOTA HOUSING FINANCE AGENCY
## A Component Unit of the State of Minnesota
## Agency-wide Financial Statements
## Statement of Net Position (in thousands)
## As of June 30, 2022 (with comparative totals as of June 30, 2021)

| | Agency wide Total as of June 30, 2022 | Agency wide Total as of June 30, 2021 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $1,036,900 | $1,317,432 |
| Investments-program mortgage-backed securities | 60,291 | 38,003 |
| Investment securities-other | 9,287 | 7,310 |
| Loans receivable, net | 61,300 | 41,984 |
| Interest receivable on loans and program mortgage-backed securities | 11,962 | 12,312 |
| Interest receivable on investments | 1,370 | 841 |
| Federal Housing Administration/Veterans Affairs insurance claims, net | 109 | 213 |
| Real estate owned, net | 759 | 617 |
| Other assets | 4,538 | 4,478 |
| **Total current assets** | 1,186,516 | 1,423,190 |
| **Noncurrent Assets** | | |
| Investments-program mortgage-backed securities | 2,744,134 | 2,772,599 |
| Investment securities-other | 168,159 | 185,473 |
| Loans receivable, net | 893,433 | 887,441 |
| Interest rate swap agreements | 15,792 | - |
| Capital assets, net | 8,317 | 10,512 |
| Other assets | 630 | 630 |
| **Total noncurrent assets** | 3,830,465 | 3,856,655 |
| Deferred loss on refunding | 1 | 6 |
| Deferred loss on interest rate swap agreements | - | 13,932 |
| Deferred pension and other post-employment benefits (OPEB) expense | 12,397 | 2,434 |
| **Total deferred outflows of resources** | 12,398 | 16,372 |
| **Total assets and deferred outflows of resources** | $5,029,379 | $5,296,217 |
| **Current Liabilities** | | |
| Bonds payable, net, current | $ 284,960 | $ 325,863 |
| Interest payable | 34,074 | 30,951 |
| Accounts payable and other liabilities | 28,649 | 30,493 |
| Interfund payable (receivable) | - | - |
| Funds held for others | 15,376 | 22,730 |
| Lease Liability, net | 1,262 | 1,173 |
| **Total current liabilities** | 364,321 | 411,210 |
| **Noncurrent Liabilities** | | |
| Bonds payable, net, noncurrent | 3,580,892 | 3,344,329 |
| Interest rate swap agreements | - | 13,932 |
| Net pension liability and OPEB | 2,423 | 10,189 |
| Accounts payable and other liabilities | 66,101 | 69,302 |
| Funds held for others | 55,012 | 47,236 |
| Lease liability, net | 6,261 | 7,523 |
| **Total noncurrent liabilities** | 3,710,689 | 3,492,511 |
| Deferred gain on interest rate swap agreements | 15,792 | - |
| Deferred service release fee | 19,785 | 20,226 |
| Deferred pension and OPEB credit | 22,813 | 19,329 |
| **Total deferred inflows of resources** | 58,390 | 39,555 |
| **Total liabilities and deferred inflows of resources** | $4,133,400 | $3,943,276 |
| Restricted by bond resolution | 203,444 | 485,980 |
| Restricted by covenant | 554,495 | 513,428 |
| Restricted by law | 382,384 | 562,264 |
| Unrestricted - State Appropriation-backed Debt | (245,138) | (210,547) |
| Net Investment in capital assets | 794 | 1,816 |
| **Total net position** | 895,979 | 1,352,941 |
| **Total liabilities, deferred inflows of resources, and net position** | $5,029,379 | $5,296,217 |

See accompanying notes to financial statements

## Statement of Activities (in thousands)

## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | Agency-wide Total for Year Ended June 30, 2022 | Agency-wide Total for Year Ended June 30, 2021 |
|---|---|---|
| Interest earned on loans | $ 36,750 | $ 40,791 |
| Interest earned on investments-program mortgage-backed securities | 81,674 | 80,931 |
| Interest earned on investments-other | 10,761 | 7,000 |
| Net gain on Sale of MBS* held for sale/HOMES** Certificates | 2,016 | 12,376 |
| Appropriations received | 624,436 | 816,121 |
| Administrative reimbursement | 1,789 | 763 |
| Fees earned and other income | 18,404 | 22,127 |
| Unrealized loss on investments | (294,763) | (45,098) |
| **Total revenues** | 481,067 | 935,011 |
| Interest | 84,352 | 94,962 |
| Financing, net | (9,950) | 11,601 |
| Loan administration and trustee fees | 3,183 | 3,413 |
| Salaries and benefits | 17,676 | 32,501 |
| Other general operating | 10,041 | 13,495 |
| Appropriations disbursed | 769,089 | 395,726 |
| Reduction in carrying value of certain low interest rate deferred loans | 60,079 | 72,875 |
| Provision for loan losses | 1,521 | 866 |
| **Total expenses** | 935,991 | 625,439 |
| **Revenues over expenses** | (454,924) | 309,572 |
| Non-operating expenses | (2,038) | (1,012) |
| **Change in net position** | (456,962) | 308,560 |
| **Total net position, beginning of period, as restated** | 1,352,941 | 1,044,381 |
| **Total net position, end of year** | $ 895,979 | $1,352,941 |

See accompanying notes to financial statements

* Mortgage-backed securities

** Home Ownership mortgage-backed exempt securities

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# MINNESOTA HOUSING FINANCE AGENCY
## A Component Unit of the State of Minnesota
## Fund Financial Statements
## Statement of Net Position (in thousands)
## Proprietary Funds
## As of June 30, 2022 (with comparative totals as of June 30, 2021)

| | | Bond Funds | |
|---|---|---|---|
| | **General Reserve** | **Rental Housing** | **Residential Housing Finance** |
| **Current assets** | | | |
| Cash and cash equivalents | $108,873 | $ 37,822 | $332,022 |
| Investments-program mortgage-backed securities | - | - | 33,603 |
| Investment securities-other | - | 3,106 | 5,998 |
| Loans receivable, net | - | 23,615 | 35,870 |
| Interest receivable on loans and program mortgage-backed securities | - | 585 | 8,103 |
| Interest receivable on investments | 81 | 85 | 939 |
| Federal Housing Administration/Veterans Affairs insurance claims, net | - | - | 109 |
| Real estate owned, net | - | - | 759 |
| Other assets | 3,744 | 25 | 425 |
| **Total current assets** | 112,698 | 65,238 | 417,828 |
| **Noncurrent assets** | | | |
| Investments-program mortgage-backed securities | - | - | 1,726,907 |
| Investment securities-other | - | 16,453 | 146,459 |
| Loans receivable, net | - | 135,523 | 707,977 |
| Interest rate swap agreements | - | - | 15,792 |
| Capital assets, net | 8,317 | - | - |
| Other assets | - | - | 630 |
| **Total noncurrent assets** | 8,317 | 151,976 | 2,597,765 |
| **Total assets** | 121,015 | 217,214 | 3,015,593 |
| Deferred loss on refunding | - | - | 1 |
| Deferred loss on interest rate swap agreements | - | - | - |
| Deferred pension and OPEB expense | 12,397 | - | - |
| **Total deferred outflows of resources** | 12,397 | - | 1 |
| **Total assets and deferred outflows of resources** | 133,412 | 217,214 | 3,015,594 |
| **Current liabilities** | | | |
| Bonds payable, net | - | 22,765 | 231,363 |
| Interest payable | - | 217 | 25,457 |
| Accounts payable and other liabilities | 5,476 | 7,081 | 2,216 |
| Interfund payable (receivable) | 14,577 | - | (15,489) |
| Funds held for others | 15,376 | - | - |
| Lease liability, net | 1,262 | - | - |
| **Total current liabilities** | 36,691 | 30,063 | 243,547 |
| **Noncurrent liabilities** | | | |
| Bonds payable, net | - | 26,585 | 2,090,160 |
| Interest rate swap agreements | - | - | - |
| Net pension and OPEB liability | 2,423 | - | - |
| Accounts payable and other liabilities | 1,074 | 5,869 | 59,158 |
| Funds held for others | 55,259 | - | - |
| Lease liability, net | 6,261 | - | - |
| **Total noncurrent liabilities** | 65,017 | 32,454 | 2,149,318 |
| **Total liabilities** | 101,708 | 62,517 | 2,392,865 |
| Deferred gain on interest rate swap agreements | - | - | 15,792 |
| Deferred service release fee | - | - | 12,999 |
| Deferred pension and OPEB credit | 22,813 | - | - |
| Total deferred inflows of resources | 22,813 | - | 28,791 |
| **Total liabilities and deferred inflows of resources** | 124,521 | 62,517 | 2,421,656 |
| Restricted by bond resolution | - | 154,697 | 47,540 |
| Restricted by covenant | 8,097 | - | 546,398 |
| Restricted by law | - | - | - |
| Unrestricted - State Appropriation-backed Debt | - | - | - |
| Net Investment in capital assets | 794 | - | - |
| **Total net position** | $ 8,891 | $154,697 | $593,938 |

See accompanying notes to financial statements

| Bond Funds | | | Appropriated Funds | | | |
|---|---|---|---|---|---|---|
| **Homeownership Finance** | **Multifamily Housing** | **HOMES℠** | **State Appropriated** | **Federal Appropriated** | **Total as of June 30, 2022** | **Total as of June 30, 2021** |
| $ 48,051 | $1,790 | $ - | $291,198 | $217,144 | $1,036,900 | $1,317,432 |
| 26,688 | - | - | - | - | 60,291 | 38,003 |
| - | - | 183 | - | - | 9,287 | 7,310 |
| - | 229 | - | 1,586 | - | 61,300 | 41,984 |
| 3,216 | 48 | - | 10 | - | 11,962 | 12,312 |
| 26 | 1 | 15 | 220 | 3 | 1,370 | 841 |
| - | - | - | - | - | 109 | 213 |
| - | - | - | - | - | 759 | 617 |
| 24 | - | - | 33 | 287 | 4,538 | 4,478 |
| 78,005 | 2,068 | 198 | 293,047 | 217,434 | 1,186,516 | 1,423,190 |
| 1,017,227 | - | - | - | - | 2,744,134 | 2,772,599 |
| - | - | 5,247 | - | - | 168,159 | 185,473 |
| - | 12,893 | - | 37,040 | - | 893,433 | 887,441 |
| - | - | - | - | - | 15,792 | - |
| - | - | - | - | - | 8,317 | 10,512 |
| - | - | - | - | - | 630 | 630 |
| 1,017,227 | 12,893 | 5,247 | 37,040 | - | 3,830,465 | 3,856,655 |
| 1,095,232 | 14,961 | 5,445 | 330,087 | 217,434 | 5,016,981 | 5,279,845 |
| - | - | - | - | - | 1 | 6 |
| - | - | - | - | - | - | 13,932 |
| - | - | - | - | - | 12,397 | 2,434 |
| - | - | - | - | - | 12,398 | 16,372 |
| 1,095,232 | 14,961 | 5,445 | 330,087 | 217,434 | 5,029,379 | 5,296,217 |
| 16,375 | 240 | - | 14,217 | - | 284,960 | 325,863 |
| 2,374 | 32 | 15 | 5,979 | - | 34,074 | 30,951 |
| 59 | - | - | 3,506 | 10,311 | 28,649 | 30,493 |
| - | - | - | 494 | 418 | - | - |
| - | - | - | - | - | 15,376 | 22,730 |
| - | - | - | - | - | 1,262 | 1,173 |
| 18,808 | 272 | 15 | 24,196 | 10,729 | 364,321 | 411,210 |
| 1,070,600 | 12,520 | 5,682 | 375,345 | - | 3,580,892 | 3,344,329 |
| - | - | - | - | - | - | 13,932 |
| - | - | - | - | - | 2,423 | 10,189 |
| - | - | - | - | - | 66,101 | 69,302 |
| - | - | (252) | - | 5 | 55,012 | 47,236 |
| - | - | - | - | - | 6,261 | 7,523 |
| 1,070,600 | 12,520 | 5,430 | 375,345 | 5 | 3,710,689 | 3,492,511 |
| 1,089,408 | 12,792 | 5,445 | 399,541 | 10,734 | 4,075,010 | 3,903,721 |
| - | - | - | - | - | 15,792 | - |
| 6,786 | - | - | - | - | 19,785 | 20,226 |
| - | - | - | - | - | 22,813 | 19,329 |
| 6,786 | - | - | - | - | 58,390 | 39,555 |
| 1,096,194 | 12,792 | 5,445 | 399,541 | 10,734 | 4,133,400 | 3,943,276 |
| (962) | 2,169 | - | - | - | 203,444 | 485,980 |
| - | - | - | - | - | 554,495 | 513,428 |
| - | - | - | 175,684 | 206,700 | 382,384 | 562,264 |
| - | - | - | (245,138) | - | (245,138) | (210,547) |
| - | - | - | - | - | 794 | 1,816 |
| $ (962) | $2,169 | $ - | $ (69,454) | $206,700 | $ 895,979 | $1,352,941 |

# MINNESOTA HOUSING FINANCE AGENCY
## A Component Unit of the State of Minnesota
## Fund Financial Statements
## Statement of Revenues, Expenses and Changes in Net Position (in thousands)
## Proprietary Funds
## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | | Bond Funds | |
|---|---|---|---|
| | **General Reserve** | **Rental Housing** | **Residential Housing Finance** |
| Interest earned on loans | $ - | $ 7,041 | $ 28,013 |
| Interest earned on investments-program mortgage-backed securities | - | - | 45,423 |
| Interest earned on investments-other | 157 | 837 | 8,197 |
| Net gain on sale of MBS held for sale/HOMES certificates | - | - | 2,016 |
| Appropriations received | - | - | - |
| Administrative reimbursement | 31,161 | - | - |
| Fees earned and other income | 12,372 | 80 | 3,981 |
| Unrealized losses on investments | - | (2,442) | (179,603) |
| **Total revenues** | 43,690 | 5,516 | (91,973) |
| Interest | 423 | 594 | 41,760 |
| Financing, net | - | 2 | (11,781) |
| Loan administration and trustee fees | - | 65 | 2,562 |
| Administrative reimbursement | - | 1,295 | 19,160 |
| Salaries and benefits | 17,676 | - | - |
| Other general operating | 4,282 | 5 | 4,317 |
| Appropriations disbursed | - | - | - |
| Reduction in carrying value of certain low interest rate deferred loans | - | - | 1,003 |
| Provision for loan losses | - | (663) | 2,057 |
| **Total expenses** | 22,381 | 1,298 | 59,078 |
| **Revenues over expenses** | 21,309 | 4,218 | (151,051) |
| Non-operating transfer of assets between funds and other | (22,153) | 37 | 14,569 |
| **Change in net position** | (844) | 4,255 | (136,482) |
| **Total net position, beginning of year, as restated** | 9,735 | 150,442 | 730,420 |
| **Total net position, end of year** | $ 8,891 | $154,697 | $ 593,938 |

See accompanying notes to financial statements

| Bond Funds | | | Appropriated Funds | | | |
|---|---|---|---|---|---|---|
| Homeownership Finance | Multifamily Housing | HOMES℠ | State Appropriated | Federal Appropriated | Total for the Year Ended June 30, 2022 | Total for the Year Ended June 30, 2021 |
| $ - | $ 581 | $ - | $ 1,115 | $ - | $ 36,750 | $ 40,791 |
| 36,251 | - | - | - | - | 81,674 | 80,931 |
| 53 | 2 | 192 | 879 | 444 | 10,761 | 7,000 |
| - | - | - | - | - | 2,016 | 12,376 |
| - | - | - | 88,822 | 535,614 | 624,436 | 816,121 |
| - | - | - | - | - | 31,161 | 33,144 |
| 1,464 | - | - | 507 | - | 18,404 | 22,127 |
| (112,718) | - | - | - | - | (294,763) | (45,098) |
| (74,950) | 583 | 192 | 91,323 | 536,058 | 510,439 | 967,392 |
| 31,630 | 387 | 192 | 9,366 | - | 84,352 | 94,962 |
| 1,361 | - | - | 468 | - | (9,950) | 11,601 |
| 442 | 4 | - | 110 | - | 3,183 | 3,413 |
| 7,947 | 91 | - | 879 | - | 29,372 | 32,381 |
| - | - | - | - | - | 17,676 | 32,501 |
| 34 | - | - | 1,403 | - | 10,041 | 13,495 |
| - | - | - | 38,044 | 731,045 | 769,089 | 395,726 |
| - | - | - | 59,076 | - | 60,079 | 72,875 |
| - | (1) | - | 128 | - | 1,521 | 866 |
| 41,414 | 481 | 192 | 109,474 | 731,045 | 965,363 | 657,820 |
| (116,364) | 102 | - | (18,151) | (194,987) | (454,924) | 309,572 |
| 6,842 | - | - | (1,109) | (224) | (2,038) | (1,012) |
| (109,522) | 102 | - | (19,260) | (195,211) | (456,962) | 308,560 |
| 108,560 | 2,067 | - | (50,194) | 401,911 | 1,352,941 | 1,044,381 |
| $ (962) | $2,169 | $ - | $(69,454) | $206,700 | $ 895,979 | $1,352,941 |

# MINNESOTA HOUSING FINANCE AGENCY
## A Component Unit of the State of Minnesota
## Fund Financial Statements
## Statement of Cash Flows (in thousands)
## Proprietary Funds
## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | | Bond Funds | |
|---|---|---|---|
| | General Reserve | Rental Housing | Residential Housing Finance |
| **Cash flows from operating activities:** | | | |
| Principal repayments on loans and program mortgage-backed securities | $ - | $ 25,890 | $ 404,873 |
| Investment in loans/loan modifications and program mortgage-backed securities | - | (20,615) | (940,968) |
| Interest received on loans and program mortgage-backed securities | - | 6,920 | 78,648 |
| Fees and other income received | 12,566 | 47 | 8,517 |
| Salaries, benefits and other operating | (34,304) | (94) | (11,414) |
| Appropriations received | - | - | - |
| Appropriations disbursed | - | - | - |
| Administrative reimbursement from funds | 30,655 | (1,295) | (19,160) |
| Deposits into funds held for others | 36,489 | - | - |
| Disbursements made from funds held for others | (36,135) | - | - |
| Interfund transfers and other assets | 18 | (276) | (683) |
| **Net cash provided (used) by operating activities** | 9,289 | 10,577 | (480,187) |
| **Cash flows from noncapital financing activities:** | | | |
| Proceeds from sale of bonds and notes | - | 16,040 | 3,115,739 |
| Principal repayment on bonds and notes | - | (26,570) | (2,712,850) |
| Interest paid on bonds, notes and leases | (423) | (829) | (48,244) |
| Financing costs paid related to bonds issued | - | (2) | (7,429) |
| Interest paid/received between funds | - | - | (140) |
| Agency contribution to program funds | - | 37 | (5,366) |
| Transfer of cash between funds | (4,200) | - | 4,200 |
| **Net cash provided (used) by noncapital financing activities** | (4,623) | (11,324) | 345,910 |
| **Cash flows from capital financing activities:** | | | |
| Purchases of capital assets | (1,614) | - | - |
| **Net cash provided (used) by capital financing activities** | (1,614) | - | - |
| **Cash flows from investing activities:** | | | |
| Investment in real estate owned | - | - | (274) |
| Interest received on investments | 365 | 725 | 8,356 |
| Net gain on Sale of MBS Held for Sale and HOMES Certificates | - | - | 20,863 |
| Proceeds from sale of mortgage insurance claims/real estate owned | - | - | 1,168 |
| Proceeds from maturity, sale or transfer of investment securities | - | 998 | 1,411,647 |
| Purchase of investment securities | - | (681) | (1,399,211) |
| Purchase of loans between funds | - | (26,716) | 34,355 |
| **Net cash provided (used) by investing activities** | 365 | (25,674) | 76,904 |
| Net increase (decrease) in cash and cash equivalents | 3,417 | (26,421) | (57,373) |
| **Cash and cash equivalents:** | | | |
| **Beginning of period** | 105,456 | 64,243 | 389,395 |
| **End of period** | $108,873 | $ 37,822 | $ 332,022 |

See accompanying notes to financial statements

| | Bond Funds | | | Appropriated Funds | | | |
|---|---|---|---|---|---|---|---|
| | Homeownership Finance | Multifamily Housing | HOMES℠ | State Appropriated | Federal Appropriated | Total for the Year Ended June 30, 2022 | Total for the Year Ended June 30, 2021 |
| | $308,006 | $ 220 | $ - | $ 31,988 | $ - | $ 770,977 | $1,267,370 |
| | (116,876) | - | - | (83,502) | - | (1,161,961) | (992,061) |
| | 43,240 | 582 | - | 1,159 | - | 130,549 | 139,182 |
| | - | - | - | 507 | - | 21,637 | 24,456 |
| | (492) | (4) | - | (1,507) | 1 | (47,814) | (38,388) |
| | - | - | - | 89,022 | 535,293 | 624,315 | 814,514 |
| | - | - | - | (38,345) | (730,461) | (768,806) | (385,094) |
| | (7,947) | (91) | - | (568) | - | 1,594 | 698 |
| | - | - | - | - | - | 36,489 | 38,097 |
| | - | - | - | - | - | (36,135) | (38,155) |
| | - | - | - | - | - | (941) | (9,196) |
| | 225,931 | 707 | - | (1,246) | (195,167) | (430,096) | 821,423 |
| | | | | | | | |
| | 112,532 | - | - | 93,600 | - | 3,337,911 | 2,888,116 |
| | (376,892) | (240) | (1,532) | (9,690) | - | (3,127,774) | (2,849,662) |
| | (33,197) | (388) | (196) | (12,297) | - | (95,574) | (107,127) |
| | (1,101) | - | - | (468) | - | (9,000) | (9,459) |
| | - | - | - | - | - | (140) | - |
| | 5,329 | - | - | (1,109) | - | (1,109) | (663) |
| | - | - | - | - | - | - | - |
| | (293,329) | (628) | (1,728) | 70,036 | - | 104,314 | (78,795) |
| | | | | | | | |
| | - | - | - | - | - | (1,614) | - |
| | - | - | - | - | - | (1,614) | - |
| | | | | | | | |
| | - | - | - | - | - | (274) | (540) |
| | 28 | 1 | 196 | 711 | 440 | 10,822 | 7,556 |
| | - | - | - | - | - | 20,863 | 10,336 |
| | - | - | - | - | - | 1,168 | 1,907 |
| | - | - | 1,532 | - | - | 1,414,177 | 1,094,552 |
| | - | - | - | - | - | (1,399,892) | (1,107,052) |
| | - | - | - | (7,639) | - | - | - |
| | 28 | 1 | 1,728 | (6,928) | 440 | 46,864 | 6,759 |
| | (67,370) | 80 | - | 61,862 | (194,727) | (280,532) | 749,387 |
| | 115,421 | 1,710 | - | 229,336 | 411,871 | 1,317,432 | 568,045 |
| | $ 48,051 | $1,790 | $ - | $291,198 | $217,144 | $1,036,900 | $1,317,432 |

(Continued)

## Statement of Cash Flows (in thousands)

| | | Bond Funds | |
|---|---|---|---|
| | General Reserve | Rental Housing | Residential Housing Finance |
| **Reconciliation of revenue over (under) expenses to net cash by operating activities** | | | |
| **Revenues over (under) expenses** | $ 21,309 | $ 4,218 | $(151,051) |
| Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities: | | | |
| Amortization of premiums (discounts) and fees on program mortgage-backed securities | - | (76) | 6,404 |
| Amortization of proportionate share-Pension | 167 | - | - |
| Depreciation | 3,808 | - | - |
| Gain (loss) on sale of MBS held for sale and HOMES Certificates | - | - | (2,016) |
| Realized losses (gains) on sale of securities, net | - | (121) | (17) |
| Unrealized losses on securities, net | - | 2,442 | 179,603 |
| Salaries and Benefits-Pensions | (15,341) | - | - |
| Provision for loan losses | - | (663) | 2,057 |
| Reduction in carrying value of certain low interest rate and/or deferred loans | - | - | 1,003 |
| Capitalized interest on loans and real estate owned | - | - | (869) |
| Interest earned on investments | (157) | (716) | (8,180) |
| Interest expense on bonds and notes and leases | 423 | 594 | 41,760 |
| Financing expense on bonds | - | 2 | (11,756) |
| (Increase) in appropriated disbursed | - | - | - |
| Changes in assets and liabilities: | - | - | - |
| Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds | - | 5,275 | (536,095) |
| Decrease (increase) in interest receivable on loans | - | (45) | (323) |
| Increase (decrease) in accounts payable | (980) | (57) | (24) |
| Increase (decrease) in interfund payable, affecting operating activities only | (550) | (257) | (500) |
| Increase (decrease) in funds held for others | 354 | - | - |
| Other | 256 | (19) | (183) |
| **Total** | (12,020) | 6,359 | (329,136) |
| **Net cash provided (used) by operating activities** | $ 9,289 | $10,577 | $(480,187) |

See accompanying notes to financial statements

| | Bond Funds | | | Appropriated Funds | | | |
|---|---|---|---|---|---|---|---|
| | Homeownership Finance | Multifamily Housing | HOMES[SM] | State Appropriated | Federal Appropriated | Total for the Year Ended June 30, 2022 | Total for the Year Ended June 30, 2021 |
| | $(116,364) | $102 | $ - | $(18,151) | $(194,987) | $(454,924) | $309,572 |
| | 6,277 | - | - | - | - | 12,605 | 17,155 |
| | - | - | - | - | - | 167 | 64 |
| | - | - | - | - | - | 3,808 | 3,581 |
| | - | - | - | - | - | (2,016) | (12,376) |
| | - | - | - | - | - | (138) | (240) |
| | 112,718 | - | - | - | - | 294,763 | 45,098 |
| | - | - | - | - | - | (15,341) | 736 |
| | - | (1) | - | 128 | - | 1,521 | 866 |
| | - | - | - | 59,076 | - | 60,079 | 72,875 |
| | - | - | - | - | - | (869) | (222) |
| | (53) | (2) | (192) | (879) | (444) | (10,623) | (6,931) |
| | 31,630 | 387 | 192 | 9,366 | - | 84,352 | 94,962 |
| | 1,361 | - | - | 468 | - | (9,925) | 11,546 |
| | - | - | - | - | (224) | (224) | (1,587) |
| | - | - | - | - | - | | |
| | 191,130 | 220 | - | (51,514) | - | (390,984) | 275,309 |
| | 712 | 1 | - | 44 | - | 389 | 698 |
| | (1,480) | - | - | (295) | 390 | (2,446) | 20,528 |
| | - | - | - | 311 | 195 | (801) | 766 |
| | - | - | - | - | - | 354 | (58) |
| | - | - | - | 200 | (97) | 157 | (10,919) |
| | 342,295 | 605 | - | 16,905 | (180) | 24,828 | 511,851 |
| | $ 225,931 | $707 | $ - | $ (1,246) | $(195,167) | $(430,096) | $821,423 |

# MINNESOTA HOUSING FINANCE AGENCY
## Index of Notes to the Financial Statements

## Note 1 – 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 reflected on the State's annual comprehensive financial report as a discrete component unit of the State of Minnesota. The Agency receives appropriations from the state legislature annually, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government and other entities for similar program purposes.

A primary government that appoints a voting majority of the organization's governing Board, and either (1) is able to impose its will on the organization or (2) has the potential to receive specific financial benefits or burdens imposed on it by the organization, is financially accountable to that organization. Based on this criterion, the Agency is considered a discretely presented component unit of the State of Minnesota and is included in its basic financial statements. The Agency has no component units required to be included as part of the reporting entity.

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. All Agency funds are presented as a major fund for public interest purposes, and 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 position of General Reserve is available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Homeownership Finance and Multifamily Housing. Also described below is the Home Ownership Mortgage-backed Exempt Securities (HOMES)SM fund which carries limited obligations of the Agency and is therefore not supported by General Reserve.

### 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, the limited obligation drawdown index bonds and index bank note issued under a separate trust indentures, and the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3). All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance, along with the Homeownership Finance bond resolution, were the principal sources of financing for bond-financed homeownership programs (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 first mortgage loans, some related down payment and closing 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.

## Note 1 – Nature of Business and Fund Structure (continued)

Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets financed by the bonds issued and outstanding under the Residential Housing Finance bond resolution are pledged to the repayment of Residential Housing Finance bonds.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are two sub funds; Pool 2 and Pool 3. Funds deposited therein would otherwise be 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 debt obligation of the Agency but, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Pool 2 consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2022 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before these securities are permanently financed by issuing bonds, or sold into the to be announced (TBA) market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans. 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 to provide tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes, and to develop new affordable housing.

Assets of the 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 2022 funds from Pool 3 were used for down payment and closing cost assistance for first-time homebuyers for capital costs and rental assistance for permanent supportive housing, for advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, and to provide 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 index bank note trust indentures prescribes the application of debt proceeds and permitted investments.

### Homeownership Finance

This bond resolution was originally adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP). Non-NIBP mortgage revenue bonds, which also meet resolution requirements, have also been issued under this resolution. Bonds issued under this resolution fund mortgage-backed securities backed by single family first mortgage loans. These securities are guaranteed as to payment of principal and interest by either the GNMA or the FNMA or the Federal Home Loan Mortgage Corporation (FHLMC).

### 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 were issued during a prior fiscal year for one rental housing project.

### Home Ownership Mortgage-backed Exempt Securities (HOMES$^{SM}$)

This bond indenture implements a program developed by the investment banking division of a major bank whereby the Agency issues and sells to the investment bank limited obligations of the Agency (HOMES$^{SM}$ certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. The HOMES$^{SM}$ Certificates are not secured by the general obligation pledge of the Agency and are not protected by the moral obligation backing from the State of Minnesota.

## Note 1 – Nature of Business and Fund Structure (continued)

### 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-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs. The net position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds, nor available to creditors of the Agency. State appropriations received for debt service payments on State appropriation-backed bonds are restricted for that use only and are not pledged or available for any other purpose. The unrestricted – state appropriated-backed bonds will be retired through future appropriations from the State.

### 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. Beginning in fiscal year 2021 the fund was also for funds received from the federal government for COVID emergency rental assistance and beginning in fiscal year 2022 funds received were also used for COVID emergency homeowners assistance. The net position of the Federal Appropriated fund is not pledged or available to secure bondholders or creditors of the Agency.

## Note 2 – Summary of Significant Accounting and Reporting Policies

### Basis of Accounting

The Agency's financial statements presented both Agency-wide and Fund Financials have been prepared on the accrual basis utilizing 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.

### Accounting Principles Generally Accepted in the United States (GAAP)

The financial statements of the Agency have been prepared in conformity with GAAP as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

*The following are GASB statements adopted during 2022.*

In June 2017, GASB issued Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. See note 23 for the effect of adopting this standard.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The Statements defines conduit debt with the following characteristics:

- At least three parties involved (1) issuer (2) third-party obligor, and (3) debt holder or trustee.
- The issuer and third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt.
- The third-party obligor or its agent, not the issuers, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

This Statement requires the issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

In January 2020, the GASB issued Statement 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement address a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

In January 2020, the GASB issued Statement 93 *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan*, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

GASB issued Statement No. 98 *The Annual Comprehensive Financial Report* which is effective for all fiscal years beginning after December 15, 2021. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in U.S. GAAP for state and local governments.

This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

*Future Accounting Pronouncements*

In May 2020, GASB issued Statement 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The subscription term includes the period during which a government has a noncancellable right to use the underlying information technology assets. The subscription term also includes periods covered by an option to extend (if it is reasonably

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

*GASB issued Statement No. 99 – Omnibus 2022*. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

*GASB issued Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

*GASB Issued Statement 101 – Compensated Absences.* The requirements of this Statement are effective as follows:

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

### Notes to Financials:

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

### Cash and Cash Equivalents

Cash and Cash equivalents are short-term, highly liquid investments and are classified as current assets. 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 (or MBS) and Investment Securities- Other

The Agency generally carries investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are generally recorded as revenue. However, unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation, as well as unrealized gains and losses on MBS held in the HOMES℠ Fund, are recorded as adjustments to funds held for others. Mortgage-backed securities held for sale are carried at the lower of cost or market. Investments- program mortgage-backed securities, as previously described, are shown separately on the Statement of Net Position and based on maturity date are classified as current and noncurrent.

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 and Board policy.

### Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses. Loans scheduled to mature or paid off in the coming fiscal year are considered current, the remaining loans are noncurrent.

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

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

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, monthly payment seconds (MP2nds) 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, 2022.

### Interest Receivable on Loans and Program Mortgage-Backed Securities

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.

### FHA/VA Insurance Claims, 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. The intent for holding real estate owned is to convert them to cash within a year, therefore are classified as a current asset.

### Interest Rate Swap Agreements

Agency interest rate swap agreements with a positive fair value as of the end of fiscal year 2022 are recorded here as a noncurrent asset.

### Capital Assets

Capital assets are recorded at cost and estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). The Agency defines capital assets as assets with an initial cost of more than $2,000 and useful life of more than one year. Donated capital assets are recorded at their acquisition value at the date of donation. Estimated useful life is management’s estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives: furniture and equipment five years and software two to five years. Statement No. GASB 87, right to use lease asset for our long-term building lease with a term of 10 years is included as a capital asset.

### Other Assets

Other Assets include prepaid fees and fees receivable expected to be transacted within one year and Federal Financing Board (FFB) Mortgage Reserve expected to be held more than one year.

### Deferred Loss on Refunding

The deferred loss on refunding results from the difference in the carrying amount of the refunded debt and its reacquisition price. The deferred loss on refunding is recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

### Deferred Gain on Interest Rate Swap Agreements

The Agency's interest rate swap agreements all have a positive fair value as of the end of fiscal year 2022. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the positive fair value is recorded as a deferred gain.

### Deferred Pension and OPEB Expense

The deferred inflows and outflows of pension resources are amounts used under applicable accounting guidance in developing the annual pension expense. They arise with differences between expected and actual experience, investment differences, changes of assumptions and changes in proportions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

### Bonds Payable

Bonds payable are carried at their unpaid principal balances. Principal balances scheduled to be paid within one year subsequent to year-end, mandatory pass-through redemptions and optional redemptions of bonds exercised before June 30, 2022, are reported as current liabilities. Because the Agency is the issuer of the state appropriation-backed bonds they are included in this category, but amounts held in funds securing those bonds are not pledged or available to secure other bondholders or creditors of Minnesota Housing.

### Interest Payable

The interest payable represents interest payable on bonds, notes and swaps as of end of fiscal year 2022 and are recorded as a current liability.

### Net Pension and OPEB Liability

The net pension and OPEB noncurrent liability is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS), a multi-employer defined benefit plan in which Agency employees participate, and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the benefits plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, MSRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Accounts Payable and Other Liabilities

Accounts payable is comprised of short-term debt owed to suppliers. Other liabilities includes the current and noncurrent portion of compensated absences, payroll accrual, Federal Financing Bank (FFB) loan liability and outstanding bridge loan liability.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

### Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects current 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 Pool 1, the Pool 2, and the 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. Escrows are classified between current and noncurrent based on the scheduled pay out dates.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow fund investments, unrealized gains and losses on the mortgage-backed securities supporting HOMES℠ certificates, 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 the Federal Appropriated Fund.

### Lease Liability

On September 1, 2017, the Agency entered in a lease for 61,000 square feet of office space. The term of the lease is September 1, 2017 – August 31, 2027, with total lease payments over the life of the lease of $15,432,390.00, payable monthly, with incremental increases on September 1st of each year during the term of the lease. The lease liability was initially recorded at the present value of the future lease payments using an incremental borrowing rate of 5.11 percent and is being amortized using the effective interest method over the life of the lease.

### Deferred 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 and retained by the Agency. These fees are initially recorded as deferred inflows of resources and then amortized to fees earned and other income using the effective interest method over the expected life of the loans.

### Deferred Pension and OPEB

The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

### Fair Value Reporting

To the extent available, the Minnesota Housing investments are recorded at fair value as of June 30, 2022. GASB No. 72 *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

Level 2: Investments with inputs–other than quoted prices included within Level 1 that are observable for an asset (liabilities), either directly or indirectly.

Level 3: Investments classified as Level 3 have unobservable inputs for an asset (liabilities) and may require a degree of professional judgement.

### Restricted by Bond Resolution

The Restricted by bond resolution portion of net position represents the amount restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

### Restricted by Covenant

The Restricted by covenant portion of net position 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.

### Unrestricted - State Appropriation-backed Bonds

The deficit position of unrestricted by state appropriation-backed bond net position represents outstanding non-profit housing and housing infrastructure bonds that are not a general obligation of the Agency. Amounts held in funds securing those bonds are not pledged or available to secure other bondholders or creditors of Minnesota Housing.

### Net Investment in Capital Assets

This represents the balance of capital assets, net of depreciation and lease liability.

### Agency-wide Total

The Agency-wide total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, 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 financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

### Appropriations Received

Revenue from grants and housing infrastructure bonds is recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied.

### 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, proceeds of limited obligation debt and unrealized appreciation and depreciation on investments including all mortgage-backed securities. Additional funding for the Agency's administrative operations is provided by a monthly transfer from Pool 2 based on a portion of the net gain on the sale of mortgage-backed securities held for sale.

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 but only to the extent that funds are available. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $1.8 million are reflected as administrative reimbursement revenues in the General Reserve. Administrative reimbursements in the amount of $29.1 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, acquisition fees earned from the sale of mortgage servicing rights, 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 Classification 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, fees received for reimbursement for the cost of issuance for certain bonds, and fees for issuing and monitoring conduit bonds. 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 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 and Non-operating Transfer of Assets Between Funds and Other Adjustments

The Agency utilizes the other changes section of the Statement of revenues, Expenses and Changes in Net Position to describe various non-operating transfers of assets between funds.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers between the Pool 1, the Pool 2, and the 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 2022 were $0.8 million in Residential Housing Finance.

## Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

### Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, 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 a component unit of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

### Rebatable 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.

### Agency Investments

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 and Board policy.

## Note 3 – Cash, Cash Equivalents and Investment Securities

### Cash and Cash Equivalents

Cash and cash equivalents are generally stated at cost, which approximates fair value. The balances were composed of the following at June 30, 2022 (in thousands):

| Funds | Deposits[1] | Money Market Funds | State Investment Pool (ITC) | Investment Agreements | Combined Totals |
|---|---|---|---|---|---|
| General Reserve Account | $ - | $ - | $108,873 | $ - | $ 108,873 |
| Rental Housing | - | 37,822 | - | - | 37,822 |
| Residential Housing Finance | 882 | 330,873 | - | 267 | 332,022 |
| Homeownership Finance Bonds | - | 48,051 | - | - | 48,051 |
| Multifamily Housing Bonds | - | 1,790 | - | - | 1,790 |
| State Appropriated Accounts | 179 | 143,882 | 147,137 | - | 291,198 |
| Federal Appropriated Accounts | 138,179 | 4,093 | 74,872 | - | 217,144 |
| Combined Totals | $139,240 | $566,511 | $330,882 | $267 | $1,036,900 |

[1] Deposits may be in Cash or Cash Equivalents.

Included in deposits was cash awaiting investment, consisting of interest earned on investments accrued at year end and certain federal emergency funds.

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

## Note 3 – Cash, Cash Equivalents and Investment Securities (continued)

commercial paper. The investment objectives for investing state cash accounts are to preserve capital and to provide a level of current income consistent with the goal of preserving capital. 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.

### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates of debt investments will adversely affect the fair value of an investment. The Agency's Board Policy – *Investments and Cash Management* requires interest rate risk of variable rate debt to be hedged with interest rate swaps. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

### Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer's debt or otherwise lack of diversification. The Agency does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes 11A.24 established investment parameters.

### Investment Securities

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, mortgage-backed securities and municipal bonds) are recorded at fair market value and were allocated to the following funds at June 30, 2022 (in thousands):

| Funds | Investment Securities-Other at Amortized Cost | Program Mortgage-backed Securities | Unrealized Appreciation (Depreciation) | Estimated Market Value |
|---|---|---|---|---|
| Rental Housing | $ 19,738 | $ - | $ (179) | $ 19,559 |
| Residential Housing Finance | 139,488 | 1,890,620 | (117,141) | 1,912,967 |
| Homeownership Finance Bonds | - | 1,096,693 | (52,778) | 1,043,915 |
| Homeownership Mortgage-backed Securities | 5,682 | - | (252) | 5,430 |
| Combined Totals | $164,908 | $2,987,313 | $(170,350) | $2,981,871 |

U.S. Treasury securities, U.S. Agency securities, and municipal bonds in General Reserve, State Appropriated and Federal Appropriated are held by the State of Minnesota on behalf of the Agency. 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 and bond indentures in the Agency's name.

## Note 3 – Cash, Cash Equivalents and Investment Securities (continued)

Investment securities are subject to credit risk. The following table classifies investment securities, except U.S. Treasuries, by their lowest Standard & Poor's/Moody's rating. Investment securities' credit rating categories (without qualifiers) at June 30, 2022 were (in thousands):

**Credit Ratings of Investment Securities**

| Type | Par Value | AA+/Aaa | AA+/not rated |
|---|---|---|---|
| U.S. Agencies | $3,142,510 | $3,142,510 | $ - |
| Municipal Bonds | 7,375 | - | 7,375 |
| Agency-wide Totals | 3,149,885 | $3,142,510 | $7,375 |
| U.S. Treasuries | 3,560 | 3,560 | |
| Agency-wide Totals | $3,153,445 | $3,146,070 | |

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 depreciation of $170.350 million and net discount of $1.224 million, along with the weighted average maturities (in years) as of June 30, 2022, consisted of the following (in thousands):

**Cash, Cash Equivalents and Investment Securities**

| | | Weighted Average Maturity, in Years | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Type | Par Value | General Reserve | Rental Housing | Residential Housing Finance | Home-ownership Finance Bonds | Multifamily Housing Bonds | HOMES^SM | State Appropriated | Federal Appropriated |
| Deposits | $ 1,061 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Money market fund | 566,511 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ITC | 469,061 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investment agreements | 267 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| US Agencies | 3,142,510 | 0.0 | 5.6 | 27.8 | 25.8 | 0.0 | 21.1 | 0.0 | 0.0 |
| US Treasuries | 3,560 | 0.0 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Municipals | 7,375 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Agency-wide Totals | $4,190,345 | | | | | | | | |
| Weighted Average Maturity | | 0.0 | 1.7 | 23.8 | 24.7 | 0.0 | 21.1 | 0.0 | 0.0 |

Investments in any one issuer, excluding $1,610 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, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, of June 30, 2021 were as follows (in thousands):

| Investment Issuer | Amount |
|---|---|
| Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, U.S. Agencies | $1,514,182 |

The Agency maintained certain deposits and investments throughout fiscal year 2022 that were subject to custodial credit risk. As of June 30, 2022, the amounts subject to this risk consisted of the following (in thousands):

| | Amount |
|---|---|
| Deposits not covered by depository insurance and uncollateralized (including $566,511 in a money market fund and $330,882 in the ITC) | $1,036,633 |
| Investment securities uninsured, uncollateralized. | 3,153,712 |
| Agency-wide Total | $4,190,345 |

## Note 3 – Cash, Cash Equivalents and Investment Securities (continued)

Net realized gain on sale of investment securities of $0.138 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, 2022 were as follows (in thousands):

| Program Funds | Amount |
|---|---|
| Multifamily Housing Bonds | $ 479 |
| Rental Housing | 616 |
| Residential Housing Finance | 8,038 |
| Combined Totals | $9,133 |

The following table summarizes Minnesota Housing's investments within the fair value hierarchy at June 30, 2022:

| Investments (at par) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| U.S. Agencies | $ 230 | $3,142,280 | $ - | $3,142,510 |
| U.S. Treasuries | 3,560 | - | - | 3,560 |
| Municipals | - | 7,375 | - | 7,375 |
| | $3,790 | $3,149,655 | $ - | 3,153,445 |
| Premium/discount and unrealized appreciation/depreciation | | | | (171,574) |
| Fair market value | | | | $2,981,871 |

## Note 4 – Loans Receivable, Net

Loans receivable, net at June 30, 2022 consisted of (in thousands):

| Funds | Outstanding Principal | Allowance for Loan Losses | Loans Receivable, Net |
|---|---|---|---|
| Rental Housing | $161,338 | $ (2,200) | $159,138 |
| Residential Housing Finance | 755,466 | (11,619) | 743,847 |
| Multifamily Housing | 13,188 | (66) | 13,122 |
| State Appropriated | 39,835 | (1,209) | 38,626 |
| Agency-wide Totals | $969,827 | $(15,094) | $954,733 |

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. 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.

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. The principal amount of loans with such characteristics originated during fiscal year 2022 aggregated $5.697 million in the Pool 3, $0 in Rental Housing and $31.228 million in State Appropriated. Loans with net carrying values of $0 are excluded from the tables above and below. The Agency also has deferred and/or forgivable loans with net carrying values of $0 in the Federal Appropriated, HOMES$^{SM}$, National Housing Trust Fund (NHTF) and Housing Opportunities for Persons with Aids (HOPWA) programs. These loans are tracked for affordability by staff. The balance of these loans at June 30, 2022 was $64.700 million compared to $58.100 million on June 30, 2021.

## Note 4 – Loans Receivable, Net (continued)

Loans receivable, net and gross in Residential Housing Finance at June 30, 2022 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 | $208,376 | $209,061 |
| Other homeownership loans, generally secured by a second mortgage | 19,833 | 20,552 |
| **Alternative Loan Fund, Housing Investment Fund (Pool 2):** | | |
| Home Improvement loans, generally secured by a second mortgage | 86,139 | 87,563 |
| Homeownership, first mortgage loans | 40,531 | 40,963 |
| Other homeownership loans, generally secured by a second mortgage | 65,565 | 67,593 |
| Multifamily, first mortgage loans | 208,612 | 210,703 |
| **Alternative Loan Fund, Housing Affordability Fund (Pool 3):** | | |
| Other homeownership loans, generally secured by a second mortgage | 112,828 | 117,059 |
| Multifamily, first mortgage loans | 1,963 | 1,972 |
| Residential Housing Finance Totals | $743,847 | $755,466 |

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.

## Note 5 – Capital Asset Rollforward, Right to Use – Lease and Other Assets

### Capital Assets Rollforward

A summary of capital asset activity for the year ended June 30, 2022 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Furniture and equipment | $ 3,366 | $ 293 | $ - | $ 3,659 |
| Software | 11,007 | 1,321 | (3,728) | 8,600 |
| Right to use - lease | 9,626 | | | 9,626 |
| Total capital assets, being depreciated | 23,999 | 1,614 | (3,728) | 21,885 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (2,660) | (506) | - | (3,166) |
| Software | (9,581) | (1,944) | 3,728 | (7,797) |
| Right to use - lease | (1,246) | (1,359) | | (2,605) |
| Total accumulated depreciation | (13,487) | (3,809) | 3,728 | (13,568) |
| Capital assets, net | $ 10,512 | $(2,195) | $ - | $ 8,317 |

## Note 5 – Capital Asset Rollforward, Right to Use – Lease and Other Assets (continued)

### Other Assets

Other assets, including receivables, at June 30, 2022 consisted of the following (in thousands):

| Funds | Receivables Due from the Federal Government | Other Assets and Receivables | Total |
|---|---|---|---|
| General Reserve Account | $3,743 | $ 1 | $3,744 |
| Rental Housing | - | 25 | 25 |
| Residential Housing Finance | 121 | 934 | 1,055 |
| Homeownership Finance | - | 24 | 24 |
| State Appropriated | - | 33 | 33 |
| Federal Appropriated | 287 | - | 287 |
| Combined Totals | $4,151 | $1,017 | $5,168 |

## Note 6 – Bonds Payable

Summary of bonds payable activity, at June 30, 2022 is as follows (in thousands):

| Funds | June 30, 2021 Bonds Outstanding | Bonds Issued | Bonds Repaid | Premium/ Discount/ VRD Fees Amortization | June 30, 2022 Bonds Outstanding |
|---|---|---|---|---|---|
| Rental Housing | $ 59,880 | $ 16,040 | $ 26,570 | $ - | $ 49,350 |
| Residential Housing Finance | 1,790,980 | 724,990 | 354,725 | - | 2,161,245 |
| Homeownership Finance Bonds | 1,351,335 | 112,532 | 376,892 | - | 1,086,975 |
| Multifamily Housing Bonds | 13,000 | - | 240 | - | 12,760 |
| HOMES[SM] | 7,214 | - | 1,532 | - | 5,682 |
| 2018 Index Bank Note | 18,330 | 237,930 | 208,125 | - | 48,135 |
| Total | $3,240,739 | $1,091,492 | $ 968,084 | $ - | $3,364,147 |
| Bond premium/discount-Residential Housing Finance | 34,644 | 12,819 | - | 10,320 | 37,143 |
| State Appropriation-backed Bonds | 280,760 | 76,970 | 9,690 | - | 348,040 |
| State Appropriated Premium | 29,049 | 16,630 | - | 4,157 | 41,522 |
| Notes Payable | 85,000 | 2,140,000 | 2,150,000 | - | 75,000 |
| Bonds Payable, net | $3,670,192 | $3,337,911 | $3,127,774 | $14,477 | $3,865,852 |

HFB 2021B bond series, issued on May 26, 2021 refunded $6.890 million of HFB 2009A-5 bond series in FY2021, and also refunded $5.985 million of HFB 2011CD bond series and $7.630 million of HFB 2011FG bond series in FY2022. All outstanding bonds of bond series HFB 2009 A-5 were redeemed on June 1, 2021 and all outstanding bonds of bond series HFB 2011CD and HFB 2011FG were paid or redeemed on July 1, 2021.

RHFB 2021CD bonds, which were issued on June 17, 2021 in FY2021, refunded $10.845 million of HFB 2011AB bond series, $9.390 million of HFB 2009 A-4 bond series, and $10.475 million of HFB 2011E bond series. All outstanding bonds of bond series HFB 2011AB, HFB 2009A-4 and HFB 2011E were paid or redeemed on July 1, 2021.

The drawdown Index Bank Note is part of the Residential Housing Finance Fund. State appropriation-backed bonds are included in the State Appropriated fund.

## Note 6 – Bonds Payable (continued)

Bonds payable at June 30, 2022 were as follows (in thousands):

| Series | Interest Rate | Final Maturity | Original Amount | Outstanding Amount |
|---|---|---|---|---|
| **Rental Housing Bonds** | | | | |
| 2012 Series A-1 | 3.75% | 2048 | $ 4,175 | $ 3,630 |
| 2013 Series A-1 | 3.50% to 5.30% | 2049 | 3,710 | 3,375 |
| 2013 Series B-1 | 3.65% to 5.30% | 2044 | 2,040 | 1,780 |
| 2020 Series A | 0.35% | 2022 | 4,610 | 4,610 |
| 2020 Series B | 0.35% | 2023 | 5,665 | 5,665 |
| 2021 Series A | 0.40% | 2023 | 5,485 | 5,485 |
| 2021 Series B | 0.30% | 2023 | 8,765 | 8,765 |
| 2021 Series C | 0.30% | 2024 | 7,840 | 7,840 |
| 2022 Series B | 2.85% | 2024 | 8,200 | 8,200 |
| | | | $ 50,490 | $49,350 |
| **Residential Housing Finance Bonds** | | | | |
| 2007 Series M | 6.345% | 2038 | $ 70,000 | $ 9,955 |
| 2012 Series A | 3.75% to 3.90% | 2023 | 50,945 | 265 |
| 2012 Series B | 3.30% to 3.45% | 2024 | 8,830 | 435 |
| 2012 Series C | 3.625% to 3.85% | 2029 | 30,975 | 1,525 |
| 2012 Series D | 3.90% | 2030 | 60,000 | 810 |
| 2013 Series A | 3.00% | 2031 | 33,305 | 965 |
| 2013 Series C | 2.55% to 3.90% | 2043 | 42,310 | 16,650 |
| 2014 Series A | 4.00% | 2038 | 50,000 | 2,810 |
| 2014 Series B | 4.00% | 2038 | 50,000 | 3,830 |
| 2014 Series C | 2.90% to 4.00% | 2045 | 143,145 | 26,105 |
| 2014 Series D | 3.00% to 3.10% | 2026 | 6,585 | 2,375 |
| 2014 Series E | 3.10% to 3.50% | 2032 | 76,000 | 22,320 |
| 2015 Series A | 4.00% | 2041 | 43,070 | 7,635 |
| 2015 Series C | 2.40% to 3.60% | 2031 | 61,780 | 1,045 |
| 2015 Series D | Variable | 2046 | 18,225 | 18,225 |
| 2015 Series E | 3.50% | 2046 | 96,930 | 15,815 |
| 2015 Series G | Variable | 2034 | 35,000 | 30,815 |
| 2016 Series A | 2.00% to 3.20% | 2033 | 63,135 | 11,600 |
| 2016 Series B | 3.10% to 3.50% | 2046 | 74,985 | 19,600 |
| 2016 Series C | 2.90% to 4.20% | 2037 | 15,590 | 2,780 |
| 2016 Series E | 2.40% to 4.00% | 2047 | 75,005 | 11,380 |
| 2016 Series F | Variable | 2041 | 50,000 | 42,420 |
| 2017 Series B | 3.40% to 4.00% | 2047 | 37,390 | 12,225 |
| 2017 Series C | Variable | 2038 | 40,000 | 38,380 |
| 2017 Series E | 4.00% | 2048 | 63,075 | 21,085 |
| 2017 Series F | Variable | 2041 | 40,000 | 40,000 |
| 2018 Series B | 4.00% | 2048 | 43,680 | 17,610 |
| 2018 Series D | Variable | 2045 | 35,000 | 34,465 |
| 2018 Series E | 4.25% | 2049 | 65,200 | 30,090 |
| 2018 Series G | 3.44% to 4.73% | 2049 | 35,000 | 1,090 |
| 2018 Series H | Variable | 2041 | 35,000 | 35,000 |
| 2019 Series B | 4.25% | 2049 | 98,195 | 38,940 |

## Note 6 – Bonds Payable (continued)

| Series | Interest Rate | Final Maturity | Original Amount | Outstanding Amount |
|---|---|---|---|---|
| **Residential Housing Finance Bonds (continued)** | | | | |
| 2019 Series C | 2.897% to 4.204% | 2042 | $ 37,500 | $ 880 |
| 2019 Series D | Variable | 2042 | 45,000 | 40,160 |
| 2019 Series E | 1.45% to 1.75% | 2025 | 13,225 | 3,730 |
| 2019 Series F | 1.50% to 3.75% | 2050 | 96,775 | 54,145 |
| 2019 Series G | 1.896% to 3.164% | 2040 | 46,015 | 3,895 |
| 2019 Series H | Variable | 2050 | 43,985 | 43,985 |
| 2020 Series A | 1.30% to 1.70% | 2026 | 20,850 | 10,195 |
| 2020 Series B | 1.45% to 3.50% | 2050 | 149,150 | 103,910 |
| 2020 Series C | 1.77% to 3.337% | 2050 | 60,000 | 39,155 |
| 2020 Series D | .65% to 1.80% | 2027 | 19,300 | 11,400 |
| 2020 Series E | 1.20% to 3.50% | 2050 | 130,700 | 104,395 |
| 2020 Series F | .50% to 1.70% | 2028 | 15,630 | 11,150 |
| 2020 Series G | .45% to 3.00% | 2051 | 109,370 | 95,700 |
| 2020 Series H | .375% to 1.50% | 2028 | 16,525 | 13,690 |
| 2020 Series I | 1.15% to 3.00% | 2051 | 108,475 | 99,340 |
| 2021 Series A | .30% to 1.95% | 2030 | 23,060 | 21,160 |
| 2021 Series B | .60% to 3.00% | 2051 | 101,940 | 97,135 |
| 2021 Series C | .25% to 1.45% | 2028 | 24,020 | 22,370 |
| 2021 Series D | .20% to 3.00% | 2052 | 154,145 | 146,225 |
| 2021 Series E | .15% to 1.25% | 2027 | 15,695 | 15,190 |
| 2021 Series F | .125% to 3.00% | 2052 | 134,305 | 131,370 |
| 2021 Series G | .25% to 2.40% | 2033 | 22,690 | 22,495 |
| 2021 Series H | .25% to 3.00% | 2052 | 127,310 | 126,590 |
| 2021 Series I | .67% to 2.77% | 2035 | 25,000 | 25,000 |
| 2022 Series A | .70% to 3.00% | 2052 | 75,000 | 74,745 |
| 2022 Series B | 1.05% to 2.57% | 2031 | 24,990 | 24,990 |
| 2022 Series C | .95% to 3.50% | 2052 | 100,000 | 100,000 |
| 2022 Series D | Variable | 2052 | 50,000 | 50,000 |
| 2022 Series E | 2.498% to 4.707% | 2041 | 100,000 | 100,000 |
| 2022 Series F | Variable | 2052 | 50,000 | 50,000 |
| | | | $3,589,010 | $2,161,245 |
| **Homeownership Finance Bonds** | | | | |
| 2012 Series A | 2.60% | 2042 | $ 50,000 | $ 8,403 |
| 2012 Series B | 2.25% | 2042 | 75,000 | 16,196 |
| 2013 Series A | 2.35% | 2043 | 75,000 | 18,338 |
| 2013 Series B | 2.70% | 2041 | 85,149 | 14,390 |
| 2013 Series C | 3.00% | 2043 | 37,000 | 8,573 |
| 2014 Series A | 3.00% | 2044 | 38,527 | 3,683 |
| 2014 Series B | 2.95% | 2044 | 18,868 | 3,524 |
| 2014 Series C | 3.25% | 2044 | 13,663 | 2,552 |
| 2014 Series D | 2.875% | 2044 | 39,934 | 6,683 |
| 2015 Series A | 2.80% | 2045 | 60,013 | 15,422 |
| 2015 Series B | 3.00% | 2045 | 54,530 | 11,395 |
| 2015 Series C | 3.05% | 2045 | 40,226 | 8,205 |
| 2015 Series D | 2.90% | 2045 | 52,365 | 12,922 |

## Note 6 – Bonds Payable (continued)

| Series | Interest Rate | Final Maturity | Original Amount | Outstanding Amount |
|---|---|---|---|---|
| **Homeownership Finance Bonds (continued)** | | | | |
| 2016 Series A | 2.95% | 2046 | $ 97,274 | $ 26,299 |
| 2016 Series B | 2.70% | 2046 | 50,971 | 15,746 |
| 2016 Series C | 2.33% | 2046 | 35,390 | 10,820 |
| 2016 Series D | 2.73% | 2046 | 35,390 | 10,781 |
| 2016 Series E | 2.35% | 2046 | 35,495 | 11,803 |
| 2016 Series F | 2.68% | 2046 | 65,918 | 22,513 |
| 2016 Series G | 2.30% | 2046 | 20,445 | 7,379 |
| 2016 Series H | 2.65% | 2046 | 30,668 | 11,255 |
| 2017 Series A | 2.93% | 2047 | 24,966 | 8,358 |
| 2017 Series B | 3.25% | 2047 | 24,966 | 9,116 |
| 2017 Series C | 3.08% | 2047 | 23,904 | 9,563 |
| 2017 Series D | 3.43% | 2047 | 23,904 | 9,531 |
| 2017 Series E | 2.85% | 2047 | 39,283 | 11,693 |
| 2017 Series F | 3.20% | 2047 | 19,348 | 5,896 |
| 2017 Series G | 2.65% | 2047 | 84,998 | 29,097 |
| 2017 Series H | 3.00% | 2047 | 64,998 | 22,250 |
| 2017 Series I | 2.80% | 2047 | 69,238 | 25,494 |
| 2017 Series J | 3.10% | 2047 | 46,159 | 16,991 |
| 2018 Series A | 3.30% | 2048 | 38,247 | 15,179 |
| 2018 Series B | 3.65% | 2048 | 38,247 | 16,297 |
| 2018 Series C | 3.30% | 2048 | 30,326 | 11,816 |
| 2018 Series D | 3.65% | 2048 | 20,218 | 7,915 |
| 2018 Series E | 3.45% | 2048 | 47,757 | 15,519 |
| 2018 Series F | 3.80% | 2048 | 52,573 | 17,040 |
| 2018 Series G | 3.75% | 2048 | 31,784 | 11,431 |
| 2018 Series H | 4.10% | 2048 | 31,784 | 11,597 |
| 2018 Series I | 3.60% | 2049 | 22,971 | 6,913 |
| 2018 Series J | 4.00% | 2049 | 37,500 | 11,285 |
| 2019 Series A | 3.45% | 2049 | 35,630 | 12,072 |
| 2019 Series B | 3.80% | 2049 | 30,351 | 10,284 |
| 2019 Series C | 3.15% | 2049 | 13,728 | 5,889 |
| 2019 Series D | 3.55% | 2049 | 30,555 | 13,107 |
| 2019 Series E | 3.25% | 2049 | 45,949 | 16,241 |
| 2019 Series F | 3.23% | 2049 | 59,851 | 24,885 |
| 2019 Series G | 3.02% | 2049 | 90,295 | 46,992 |
| 2019 Series H | 2.47% | 2050 | 48,324 | 23,186 |
| 2020 Series A | 2.50% | 2050 | 43,964 | 31,826 |
| 2020 Series B | 2.35% | 2050 | 18,000 | 12,518 |
| 2020 Series C | 2.45% | 2050 | 37,979 | 26,482 |
| 2020 Series D | 1.92% | 2050 | 100,000 | 81,230 |
| 2020 Series E | 1.68% | 2050 | 40,067 | 35,937 |
| 2021 Series A | 1.58% | 2051 | 83,328 | 74,703 |
| 2021 Series B | 1.93% | 2051 | 49,022 | 42,778 |
| 2021 Series C | 2.05% | 2051 | 61,764 | 59,367 |
| 2021 Series D | 2.05% | 2051 | 50,768 | 49,615 |
| | | | $2,624,572 | $1,086,975 |

## Note 6 – Bonds Payable (continued)

| Series | Interest Rate | Final Maturity | Original Amount | Outstanding Amount |
|---|---|---|---|---|
| **Multifamily Housing Bonds** | | | | |
| 2009 | 3.01% | 2051 | $ 15,000 | $ 12,760 |
| | | | $ 15,000 | $ 12,760 |
| **HOMES℠** | | | | |
| 2013 Series A-1 | 3.50% | 2043 | $ 3,359 | $550 |
| 2013 Series B-1 | 3.00% | 2043 | 24,471 | 4,126 |
| 2013 Series C-1 | 3.50% | 2043 | 4,713 | 1,006 |
| | | | $ 32,543 | $ 5,682 |
| **Drawdown Index Bonds** | | | | |
| 2018 Index Bank Note | Variable | 2021 | $ - | $ 48,135 |
| | | | $ - | $ 48,135 |
| Combined totals (Bonds only) No State Appropriated | | | $6,311,615 | $3,364,147 |
| Premium on bonds | | | | 37,143 |
| Notes payable | | | | 75,000 |
| | | | | $3,476,290 |

The Agency uses special redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds, if any, 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% of the unpaid principal and accrued interest as set forth in the applicable series resolution.

The following table summarizes the annual debt service requirements to maturity for bonds outstanding as of June 30, 2022, excluding optional calls known at June 30, 2022 (in thousands). The current portion of bonds payable reported in the statement of net position includes known optional calls as of June 30, 2022.

## Note 6 – Bonds Payable (continued)

| | Rental Housing | | Residential Housing Finance | |
|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Principal | Interest |
| 2023 | $19,215 | $ 640 | $ 33,955 | $ 49,865 |
| 2024 | 13,520 | 661 | 41,805 | 53,095 |
| 2025 | 8,400 | 501 | 43,960 | 52,503 |
| 2026 | 200 | 375 | 45,825 | 51,758 |
| 2027 | 215 | 367 | 47,020 | 50,882 |
| 2028-2032 | 1,200 | 1,683 | 280,415 | 237,724 |
| 2033-2037 | 1,545 | 1,382 | 389,195 | 199,853 |
| 2038-2042 | 1,995 | 977 | 429,835 | 150,722 |
| 2043-2047 | 2,195 | 471 | 462,665 | 94,626 |
| 2048-2052 | 865 | 56 | 379,370 | 27,228 |
| 2053-2057 | - | - | 7,200 | 93 |
| Total | $49,350 | $7,113 | $2,161,245 | $968,349 |

| | Multifamily Housing | | Homeownership Finance | |
|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Principal | Interest |
| 2023 | $ 240 | $ 381 | $ - | $ 28,493 |
| 2024 | 240 | 373 | - | 28,493 |
| 2025 | 240 | 366 | - | 28,493 |
| 2026 | 240 | 359 | - | 28,493 |
| 2027 | 240 | 352 | - | 28,493 |
| 2028-2032 | 1,760 | 1,612 | - | 142,465 |
| 2033-2037 | 1,840 | 1,342 | - | 142,465 |
| 2038-2042 | 2,390 | 1,022 | 14,390 | 142,173 |
| 2043-2047 | 2,790 | 642 | 286,646 | 127,789 |
| 2048-2052 | 2,780 | 189 | 785,939 | 46,640 |
| Total | $12,760 | $6,638 | $1,086,975 | $743,997 |

| | HOMES℠ | | DDIB/IBN | |
|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Principal | Interest |
| 2023 | $ - | $ 178 | $ 48,135 | $ 276 |
| 2024 | - | 178 | - | - |
| 2025 | - | 179 | - | - |
| 2026 | - | 178 | - | - |
| 2027 | - | 178 | - | - |
| 2028-2032 | - | 891 | - | - |
| 2033-2037 | - | 891 | - | - |
| 2038-2042 | - | 892 | - | - |
| 2043-2047 | 5,682 | 208 | - | - |
| Total | $ 5,682 | $3,773 | $ 48,135 | $ 276 |

## Note 6 – Bonds Payable (continued)

| | Combined Totals | |
|---|---|---|
| Fiscal Year | Principal | Interest |
| 2023 | $ 101,545 | $ 79,833 |
| 2024 | 55,565 | 82,800 |
| 2025 | 52,600 | 82,042 |
| 2026 | 46,265 | 81,163 |
| 2027 | 47,475 | 80,272 |
| 2028-2032 | 283,375 | 384,375 |
| 2033-2037 | 392,580 | 345,933 |
| 2038-2042 | 448,610 | 295,786 |
| 2043-2047 | 759,978 | 223,736 |
| 2048-2052 | 1,168,954 | 74,113 |
| 2053-2057 | 7,200 | 93 |
| Total | $3,364,147 | $1,730,146 |

Residential Housing Finance Bonds Series 2015 Series D and 2015 Series G; 2016 Series F; 2017 Series C and 2017 Series F, 2019 Series D and 2019 Series H and 2022 Series C and 2022 Series F (the Demand Bonds) accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Residential Housing Finance Bonds 2018 Series D and 2018 Series H accrue interest at a rate equal to the SIFMA (Securities Industry and Financial Markets Association) Index plus 0.43% and 0.55%, respectively. The 2018 Index Bank Note accrues interest at a rate equal to forward looking Term Secured Overnight Financing Rate (SOFR) Reference Rate for the following one month interest period plus 0.35%. 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, 2022 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.

The income and assets of each of the bond funds, except for the HOMES[SM] fund, 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 contains covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2022, 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, 2022 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2022 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $75.0 million. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2.

## Note 7 – Demand Bonds

The Demand bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with seven days' notice and delivery to the Agency's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the bonds at a price equal to 100 percent of the principal amount. In the event the remarketing agent does not sell the bonds, the liquidity provider has agreed to purchase the bonds at a price equal to principal plus accrued interest. While held by the liquidity provider the bonds bear interest at a bank rate.

## Note 7 – Demand Bonds (continued)

If the remarketing agent is unable to resell bonds purchased by the liquidity provider within one year of the purchase date the principal amount of these bonds together with interest at a bank rate will be payable to the liquidity provider in quarterly or semiannual installments payable over a five-year period that begins on the purchase date.

The Agency is required to pay each liquidity provider a fee ranging from 0.23 to 0.34 percent per annum of the liquidity provider's available commitment (the outstanding principal amount of the bonds and approximately six months interest on the bonds at the rate of 12% per annum).

The Agency has paid $0.992 million to the liquidity providers for fiscal year 2022.

In addition, each remarketing agent receives a fee ranging from .060 to 0.1 percent of the outstanding principal amount of the bonds. The Agency has paid a fee of $0.250 million to the remarketing agents for fiscal year 2022.

As of June 30, 2022, the following demand bonds were outstanding (in thousands):

**Demand Bonds**

| Variable Rate Series | Principal Amount Outstanding at par | Liquidity Facility Maturity-SBPA[1] | Liquidity Fee | Remarketing Agent Fee |
|---|---|---|---|---|
| Residential Housing Finance Series 2015D | $ 18,225,000 | 8/11/2027 | 0.230% | 0.100% |
| Residential Housing Finance Series 2015G | 30,815,000 | 1/2/2023 | 0.300% | 0.100% |
| Residential Housing Finance Series 2016F | 42,420,000 | 1/2/2024 | 0.250% | 0.100% |
| Residential Housing Finance Series 2017C | 38,380,000 | 7/19/2024 | 0.290% | 0.100% |
| Residential Housing Finance Series 2017F | 40,000,000 | 1/2/2023 | 0.300% | 0.100% |
| Residential Housing Finance Series 2019D | 40,160,000 | 7/1/2024 | 0.340% | 0.100% |
| Residential Housing Finance Series 2019H | 43,985,000 | 9/10/2024 | 0.330% | 0.060% |
| Residential Housing Finance Series 2022D | 50,000,000 | 3/16/2027 | 0.230% | 0.070% |
| Residential Housing Finance Series 2022F | 50,000,000 | 5/12/2027 | 0.230% | 0.070% |
| Combined Totals | $353,985,000 | | | |

[1] SBPA-Standby Purchase Agreement

## Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps

### Floating Rate Term Bonds

The Agency has issued the Residential Housing Finance Bonds 2018 Series D and 2018 Series H as floating rate term bonds each in the principal amounts of $35.0 million. The interest rate on the bonds is reset weekly based on the SIFMA Index plus 0.43% and 0.55%, respectively. The bonds are subject to mandatory purchase on July 3, 2023 and December 12, 2023, respectively, at a price equal to principal plus accrued interest. On or after January 1, 2023, the Agency may redeem the 2018 Series D bonds, and on or after July 1, 2023, the Agency may redeem the 2018 Series H bonds or may remarket the bonds with new terms.

### Derivative Instruments – Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* 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, 2022. The fair values approximate the termination payments that would have been due from the Agency, or payable to the

## Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

Agency, had the swaps been terminated as of June 30, 2022. Under GASB 53, instruments, in whole or in part, such as interest rate swaps and similar transactions that fall under the definition of derivative instruments must be reported on the statement of net position, the classification of which depends on whether they represent assets or liabilities, and derivative instruments generally should be measured at "fair value." Fair values were determined pursuant to GASB 72. The fair value hierarchy of interest rate swap agreements is determined to be level 2. The fair values exclude accrued interest. As of June 30, 2022, 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 position as a liability named "interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2022 is included under deferred outflows of resources as "deferred loss on interest rate swap agreements," or under deferred inflows of resources as "deferred gain 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 calendar year 2003 through 2009, and 2015 through 2022. 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, 2022, 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 |
|---|---|---|---|---|
| 2023 | $ 30,620 | $ 3,267 | $ 5,179 | $ 39,066 |
| 2024 | - | 4,364 | 3,314 | 7,678 |
| 2025 | - | 4,364 | 3,317 | 7,681 |
| 2026 | - | 4,364 | 3,315 | 7,679 |
| 2027 | - | 4,364 | 3,315 | 7,679 |
| 2028-2032 | 43,570 | 21,253 | 16,191 | 81,014 |
| 2033-2037 | 123,055 | 17,186 | 12,873 | 153,114 |
| 2038-2042 | 121,340 | 11,079 | 6,914 | 139,333 |
| 2043-2047 | 69,280 | 5,419 | 2,197 | 76,896 |
| 2048-2052 | 26,510 | 1,536 | 499 | 28,545 |
| 2053-2057 | 9,075 | 137 | 48 | 9,260 |
| Totals | $423,450 | $77,333 | $57,162 | $557,945 |

### 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, 2022, 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 except 2022D and 2022F. 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 the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment

## Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

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 the right to terminate the swaps at par at approximately the 7-year anniversary date for the 2015D, 2015G, 2016F and 2017C swaps and the 5-year anniversary date for the 2017F, 2018D, 2018H, 2019D and 2019H swaps and the 9-year anniversary date for the 2022D and 2022F swaps. 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: The Bank of New York Mellon**

Moody's* Aa2 (Stable outlook) / Standard & Poor's** AA- (Stable outlook)[2]

| Associated Bond Series | Notional Amount as of June 30, 2022 (in thousands) | Effective Date | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable | Fair Value[1] as of June 30, 2022 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2021 (in thousands) |
|---|---|---|---|---|---|---|---|
| RHFB 2018D | $ 35,000 | June 28, 2018 | January 1, 2045 | 3.1875% | 70% of 1 month LIBOR + 43 basis points | $ 523 | $ 2,479 |
| RHFB 2019H | 43,985 | September 11, 2019 | January 1, 2047 | 2.1500% | 100% of 1 month LIBOR | 5,911 | 7,338 |
| RHFB 2022D | 25,000 | March 16, 2022 | January 1, 2044 | 2.2050% | 100% SOFR | 2,594 | 2,594 |
| RHFB 2022F | 10,000 | May 12, 2022 | July 1, 2030 | 2.5100% | 100% SOFR | 177 | 177 |
| RHFB 2022F | 25,000 | May 12, 2022 | July 1, 2052 | 3.2375% | 100% SOFR | 474 | 474 |
| Counterparty Total | $138,985 | | | | | $9,679 | $13,062 |

**Counterparty: Royal Bank of Canada**

Moody's* Aa2 (Stable outlook) / Standard & Poor's** AA- (Stable outlook)

| Associated Bond Series | Notional Amount as of June 30, 2022 (in thousands) | Effective Date | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable | Fair Value[1] as of June 30, 2022 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2021 (in thousands) |
|---|---|---|---|---|---|---|---|
| RHFB 2015D | $ 18,225 | August 11, 2015 | January 1, 2046 | 2.343% | 67% of 1 month LIBOR | $ 333 | $ 927 |
| RHFB 2015G | 30,815 | December 8, 2015 | January 1, 2034 | 1.953% | 67% of 1 month LIBOR | 505 | 1,614 |
| RHFB 2016F | 42,420 | December 22, 2016 | January 1, 2041 | 2.175% | 67% of 1 month LIBOR | 875 | 3,253 |
| RHFB 2018H | 35,000 | December 12, 2018 | July 1, 2041 | 2.8035% | 70% of 1 month LIBOR | 115 | 2,628 |
| RHFB 2019D | 45,000 | April 11, 2019 | January 1, 2042 | 2.409% | 70% of 1 month LIBOR | 728 | 3,955 |
| Counterparty Total | $171,460 | | | | | $2,556 | $12,377 |

## Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

**Counterparty: Wells Fargo Bank**

Moody's* Aa2 (Stable outlook) / Standard & Poor's** A+ (Stable outlook)

| Associated Bond Series | Notional Amount as of June 30, 2022 (in thousands) | Effective Date | Swap Maturity Date | Fixed Rate Payable | Variable Rate Receivable | Fair Value[1] as of June 30, 2022 (in thousands) | Increase (Decrease) in Fair Value since June 30, 2021 (in thousands) |
|---|---|---|---|---|---|---|---|
| RHFB 2017C | $ 38,380 | January 1, 2019 | January 1, 2038 | 2.180% | 67% of 1 month LIBOR | $ 400 | $ 2,521 |
| RHFB 2017F | 40,000 | December 27, 2017 | January 1, 2041 | 2.261% | 67% of 1 month LIBOR | 878 | 2,104 |
| Counterparty Total | $ 78,380 | | | | | $ 1,278 | $ 4,625 |
| Accrued Interest Total[2] | $ - | | | | | $ 2,279 | |
| Combined Totals | $388,825 | | | | | $15,792 | $30,064 |

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.
2 Accrued interest is included in the Statement of Net Position under Swap Interest Payable.
* Moody's Investor Service Inc.
** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies
*** London Inter-Bank Offered Rate

### 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 June 30, 2022, the Agency did not have a net credit risk exposure to any of its three counterparties because the Agency's respective combined swap positions had a positive 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", $5 million if the ratings are not less than "A" and "A2", and zero, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2022, neither the Agency nor any counterparty had been required to post collateral.

## Note 8 – Floating Rate Term Bonds and Derivative Instruments – Interest Rate Swaps (continued)

### 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, or the Secured Overnight Financing Rate (SOFR), plus, in some cases, a specified spread. Basis risk will vary over time due to inter-market conditions. As of June 30, 2022, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.90% to 1.60% per annum while the variable interest rate on the associated swaps ranged from 1.51% to 1.71314% 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.

## Note 9 – Derivative Instruments – Forward Sales Contracts

The Agency has entered into forward sales contracts for the future delivery of GNMA, FNMA and FHLMC securities. The contracts offset the financial impact to the Agency of changes in interest rates between the time of loan reservations and the securitization and sale of such loans as GNMA, FNMA and FHLMC securities. These contracts are considered investment derivative instruments and, accordingly, are recorded as a component of instruments in the Statement of Net Position. Therefore, the change in value is reported as unrealized gains (losses) on investments. Outstanding forward sales contracts, summarized by counterparty as of June 30, 2022, are as follows: (in thousands):

| | Counter Party Short-term Rating | Number of Contracts | Notional Amount | Original Price | Market Price | Fair Value |
|---|---|---|---|---|---|---|
| Bank of Oklahoma | A-2*/F1** | 2 | $ 6,000 | $ 5,851 | $ 5,797 | $ 54 |
| Daiwa | A-2*/F1** | 2 | 13,000 | 12,665 | 12,532 | 133 |
| ED&F Man Capital Markets | A-1*/F1+** | 4 | 14,000 | 13,975 | 14,020 | (45) |
| Fannie Mae | Not rated*/F1+* | 4 | 25,500 | 24,178 | 23,929 | 249 |
| Huntington Securities | Not rated*/F1+** | 6 | 31,000 | 31,399 | 31,274 | 125 |
| Janney Montgomery Scott | Not Rated*/Not Rated** | 6 | 24,500 | 24,813 | 24,791 | 22 |
| South Street Securities | A-1*/F1+** | 8 | 45,000 | 45,610 | 45,369 | 240 |
| | | 32 | $159,000 | $158,491 | $157,712 | $778 |

* Standard and Poor's Rating Services Inc.

** Fitch Ratings, Ltd

## Note 10 – State Appropriation-Backed Debt Obligation

The Agency has outstanding bonds under two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing and other purposes. As of June 30, 2022, $348.040 million of bonds were outstanding. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency including any loan repayments. These bonds are payable solely from the appropriations the Agency receives from the State of Minnesota General Fund pursuant to standing appropriations made by the Legislature as authorized by state laws adopted in 2008, 2012, 2014, 2015, 2017, 2018, 2019, 2020 and 2021.

State Appropriation-backed Bonds at June 30, 2022 consisted of the following (in thousands):

| Series | Interest Rate | Final Maturity | Original Amount | Outstanding Amount |
|---|---|---|---|---|
| **State Appropriated** | | | | |
| 2009 Series | 3.375% to 4.00% | 2029 | $ 13,270 | $ 5,640 |
| 2011 Series | 4.125% to 5.25% | 2031 | 21,750 | 13,420 |
| 2013 Series AB | 3.00% to 5.00% | 2033 | 15,460 | 9,790 |
| 2014 Series AB | 2.90% to 5.00% | 2035 | 14,540 | 11,395 |
| 2015 Series A | 2.15% to 5.00% | 2035 | 37,570 | 25,485 |
| 2015 Series C | 3.25% to 5.00% | 2037 | 31,095 | 26,350 |
| 2016 Series AC | 2.00% to 4.00% | 2038 | 18,625 | 15,275 |
| 2017 Series A | 3.00% to 5.00% | 2037 | 12,690 | 10,930 |
| 2018 Series ABCD | 2.375% to 5.00% | 2040 | 25,295 | 21,575 |
| 2019 Series ABCD | 1.75% to 5.00% | 2041 | 26,775 | 24,975 |
| 2019 Series ABCD | 2.00% to 4.00% | 2043 | 108,280 | 106,235 |
| 2019 Series ABCD | 3.00% to 5.00% | 2043 | 76,970 | 76,970 |
| Bonds payable | | | $402,320 | $348,040 |

State appropriation-backed bond debt service requirements at June 30, 2022 consisted of the following:

| | State Appropriated | |
|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** |
| 2023 | $ 13,425 | $ 14,109 |
| 2024 | 13,910 | 13,628 |
| 2025 | 14,415 | 13,115 |
| 2026 | 15,005 | 12,519 |
| 2027 | 15,685 | 11,856 |
| 2028-2032 | 89,225 | 48,453 |
| 2033-2037 | 95,490 | 28,209 |
| 2038-2042 | 75,480 | 9,810 |
| 2043-2047 | 15,405 | 601 |
| Total | $348,040 | $152,300 |

## Note 10 – State Appropriation-Backed Debt Obligation (continued)

As the issuer of the state appropriation-backed debt, the Agency is required to record these bonds as bonds payable with the correlating reduction in net position.

As of fiscal 2022, the Agency recorded the Housing Infrastructure Bonds (HIB) as bonds payable in State Appropriated. These are bonds that are backed solely by appropriations from the State of Minnesota. The premium income and finance costs associated with the HIB bonds are now recorded when incurred and amortized. The proceeds that have not yet been disbursed and investment income on the proceeds will be recorded in cash equivalents and other program expense when disbursed. Debt service appropriated by the state is recorded in the appropriations received account. Before this, the undisbursed proceeds, investment income, and debt service appropriated were recorded in the funds held for others account, and no premiums or finance costs were recorded. Due to the change in the recording of the HIB bonds and certain HIB bonds related activity in fiscal 2022, the fiscal 2021 financial statements were restated to reflect the impacts of fiscal 2021 ending net position in fiscal 2022 which is described in more detail in Note 23.

## Note 11 – 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, 2022, $21.604 million of the bonds were outstanding.

On March 1, 2016, the Agency issued a long-term tax-exempt multifamily revenue note on a conduit basis that was purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sale were lent to the owner to pay for a portion of the costs of the acquisition, construction, and equipping of a multifamily senior rental housing development. As of June 30, 2022, $20.151 million of the bonds were outstanding.

On April 20, 2016 and May 11, 2016, the Agency issued long-term tax-exempt multifamily revenue notes on a conduit basis that was purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sales were lent to the owner to pay for a portion of the costs of the acquisition and rehabilitation of three HUD Section 8 multifamily housing developments. As of June 30, 2022, $30.246 million of the bonds were outstanding.

On December 28, 2017, the Agency issued long-term conduit tax-exempt revenue bonds and a short-term conduit tax exempt revenue note. The proceeds of the sales were used to finance the acquisition, rehabilitation and equipping of two multi-family rental housing development projects that will preserve units with federal rental assistance. As of June 30, 2022, $5.039 million of bonds were outstanding.

The total outstanding conduit debt as of June 30, 2022, was $77.039 million.

Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of these conduit bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

## Note 12 – Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2022 consisted of the following (in thousands):

| Funds | Accrued Salaries, Compensated Absences and Employee Benefits | Other Liabilities and Accounts Payable | Total |
|---|---|---|---|
| General Reserve Account | $ 5,957 | $ 593 | $ 6,550 |
| Rental Housing | - | 12,950 | 12,950 |
| Residential Housing Finance | - | 61,374 | 61,374 |
| Homeownership Finance | - | 59 | 59 |
| State Appropriated | - | 3,506 | 3,506 |
| Federal Appropriated | 10,311 | - | 10,311 |
| Combined Totals | $16,268 | $78,482 | $94,750 |

## Note 13 – Lease Liability and Rollforward

Principal and interest payments due for the remaining lease arrangement as of June 30, 2022 consisted of the following:

| Year Ending June 30 | Principal Payments | Interest Payments | Total |
|---|---|---|---|
| 2023 | $1,261,796 | $ 360,325 | $1,622,121 |
| 2024 | 1,334,768 | 293,960 | 1,628,728 |
| 2025 | 1,436,657 | 221,748 | 1,658,405 |
| 2026 | 1,549,513 | 144,668 | 1,694,181 |
| 2027 | 1,655,617 | 61,840 | 1,717,457 |
| 2028 | 284,937 | 1,882 | 286,819 |
| | $7,523,288 | $1,084,423 | $8,607,711 |

Summary of Long-Term Liability Rollforward Schedule for the year ended June 30, 2022 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Lease Liability | $8,696 | $ - | $1,173 | $7,523 |
| Total liabilities | $8,696 | $ - | $1,173 | $7,523 |

## Note 14 – Interfund Balances and Transfers

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2022 consisted of the following (in thousands):

| | | Due from | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Funds** | **General Reserve** | **Rental Housing** | **Residential Housing Finance** | **Homeownership Finance** | **Multifamily Housing** | **HOMES$^{SM}$** | **State Appropriated** | **Federal Appropriated** | **Total** |
| Due to | General Reserve | $ - | $ - | $ - | $ - | $ - | $ - | $494 | $418 | $ 912 |
| | Residential Housing Finance | 15,489 | - | - | - | - | - | - | - | 15,489 |
| | Agency-wide Totals | $15,489 | $ - | $ - | $ - | $ - | $ - | $494 | $418 | $16,401 |

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 recorded in interfund payable (receivable) for the year ended June 30, 2022 consisted of the following (in thousands):

| | | Transfer from | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Funds** | **General Reserve** | **Rental Housing** | **Residential Housing Finance** | **Homeownership Finance** | **Multifamily Housing** | **State Appropriated** | **Federal Appropriated** | **Total** |
| Transfer to | General Reserve | $ - | $ 1,295 | $19,160 | $7,947 | $91 | $ 568 | $1,594 | $30,655 |
| | Rental Housing | 142 | - | - | - | - | - | - | 142 |
| | Residential Housing Finance | 379 | 26,973 | - | - | - | 7,639 | - | 34,991 |
| | State Appropriated | 44 | - | 756 | - | - | - | - | 800 |
| | Federal Appropriated | - | - | 224 | - | - | - | - | 224 |
| | Agency-wide Totals | $565 | $28,268 | $20,140 | $7,947 | $91 | $8,207 | $1,594 | $66,812 |

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 $7.639 million of down payment and closing cost assistance loans transferred from Residential Housing Finance to State Appropriated.

Interfund transfers recorded in non-operating transfer of assets between funds for the year ended June 30, 2022, consisted of the following (in thousands):

| | | Transfer from | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Funds** | **General Reserve** | **Rental Housing** | **Residential Housing Finance** | **Homeownership Finance** | **Multifamily Housing** | **HOMES$^{SM}$** | **State Appropriated** | **Federal Appropriated** | **Total** |
| Transfer to | Rental Housing | $ - | $ - | $ 37 | $ - | $ - | $ - | $ - | $ - | $ 37 |
| | Residential Housing Finance | 21,224 | - | - | - | - | - | - | 224 | 21,448 |
| | Homeownership Finance | - | - | 6,842 | - | - | - | - | - | 6,842 |
| | Agency-wide Totals | $21,224 | $ - | $6,879 | $ - | $ - | $ - | $ - | $224 | $28,327 |

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 Pool 1 requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

## Note 15 – Net Position

### Restricted by Bond Resolution

The restricted by bond resolution portion of net position 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 investment guidelines. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $554.495 million restricted by covenant portion of net position is restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

Pool 1 is maintained in the restricted by covenant portion of net position of the General Reserve. Pool 2 and the Pool 3 are maintained in the restricted by covenant portion of net position of the Residential Housing Finance fund.

The combined net position of the General Reserve and bond funds (exclusive of Pool 3, accumulated unrealized gains/losses on investments, and realized gains/losses in sale of investments between Agency funds) is required by Board investment guidelines to be not less than the combined net position of the same funds (exclusive of cumulative unrealized gains/losses on investments) as of the immediately preceding fiscal year end. That combined net position was $619.865 million as of June 30, 2022.

The following table describes the restricted by covenant portion of net position, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2022 (in thousands):

## Note 15 – Net Position (continued)

| Net Position — Restricted By Covenant | Certain Balances Maintained According to Agency's Board Guidelines | Unrealized Appreciation (Depreciation) in Fair Market Value of Investments | Total Net Position 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 appropriation-funded loans) and must be invested in short-term, investment-grade securities at market interest rates | $ 8,097 | $ - | $ 8,097 |
| Subtotal, Housing Endowment Fund (Pool 1), General Reserve | 8,097 | - | 8,097 |
| **Housing Investment Fund (Pool 2), Residential Housing Finance** | | | |
| An amount that causes the combined net position in the General Reserve and bond funds (exclusive of: Pool 3, unrealized gains/losses on investments, and realized gains/losses from the sale of investments between Agency funds) to be at least equal to the combined net position of the same funds for the immediately preceding audited fiscal year end (after restatements, if any, required by generally accepted accounting principles). During fiscal year 2022, $10.0 million was transferred from Pool 2 to Pool 3 in compliance with these Board guidelines. Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities. | 394,585 | - | 394,585 |
| Unrealized appreciation in fair market value of investments | - | 12,945 | 12,945 |
| Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance | 394,585 | 12,945 | 407,530 |
| **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. | 138,803 | - | 138,803 |
| Unrealized appreciation in fair market value of investments | - | 65 | 65 |
| Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance | 138,803 | 65 | 138,868 |
| Agency-wide Total | $541,485 | $13,010 | $554,495 |

### Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law under net position. The $206.7 million balance of restricted by law in the Federal Appropriated fund as of June 30, 2022 is restricted by federal requirements that control the use of the funds. The $175.7 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2022 is restricted by the state laws appropriating such funds.

### Unrestricted - State Appropriation-Backed Bonds

The $245.1 million balance of unrestricted - State Appropriation-backed Bonds as of June 30, 2022 does not represent a general obligation of the Agency and is not payable from any funds or assets of the Agency.

## Note 16 – Defined Benefit Pension Plan

The Agency contributes to the MSRS, a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

The State Employees Retirement Fund (SERF) is administered by the MSRS, and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal's Division are eligible to be members of those plans, but all state of Minnesota employees who are not members of another plan are covered by the General Plan.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

### Benefits Provided

MSRS provides retirement, disability, and death benefits through the SERF. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases or decreases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0% each year through December 31, 2018, 1% January 1, 2019 – December 31, 2023, and 1.5% January 1, 2024 and thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase.

Prior to 2002, members who retired under the laws in effect before July 1, 1973, received an additional lump sum payment each year. In 1989, this lump sum payment was the greater of $25 times each full year of Allowable Service or $400 per full year of service less any Social Security benefits received or annuity from a Minnesota public employee pension plan. In each following year, the lump sum payment was increased by the same percentage increase that was applied to regular annuities paid from the Minnesota Post Retirement Investment Fund. Effective January 1, 2002, the annual lump sum payment was divided by 12 and paid as a monthly life annuity in the annuity form elected.

### Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members contribute 6.00% and participating employers are required to contribute 6.25% of their annual covered salary in fiscal year 2022. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2022 was $1.405 million. These contributions were equal to the contractually required contributions for each year as set by state statute.

### Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% per year |
| Active member payroll growth | 3.00% per year |
| Investment rate of return | 7.50% |

Salary increases were based on a service-related table.

## Note 16 – Defined Benefit Pension Plan (continued)

Mortality rates for healthy pre-retirement on Pub 2010 General Employee Mortality Table adjusted for mortality improvements using projection scale MP-2018. Rates are multiplied by a factor of 0.97 for males and 1.06 for females. Mortality rates for healthy post-retirement on Pub-2010 Healthy General Mortality Table, adjusted for mortality improvements using projection scale MP-2018. Rates are multiplied by a factor of 1.04 for males and 1.10 for females. Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience study, dated June 27, 2019, and a review of inflation and investment return assumptions dated June 24, 2021.

The long-term expected rate of return on pension plan investments is 7.5%. The rate assumption was selected as the result of a review of inflation and investment return assumptions dated June 24, 2021 and a recent liability study. The review combined the asset class target allocations and long-term rate of return expectations from the SBI.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

| Asset Class | Target Allocation | SBI's Long-Term Expected Real Rate of Return (Geometric Mean) |
|---|---|---|
| Domestic Stocks | 33.5% | 5.10% |
| International Stocks | 16.5% | 5.30% |
| Fixed Income | 25.0% | 0.75% |
| Private Markets | 25.0% | 5.90% |

### Changes in Actuarial Assumptions

The Combined Service Annuity (CSA) loads were 1.20% for active member liability and 40% for vested and non-vested deferred member liability. The revised CSA loads are now zero percent for active member liability, 4.00% for vested deferred member liability, and 5.00% for non-vested deferred member liability. The Single Discount Rate was changed from 7.50% per annum to 6.50% per annum.

### Single Discount Rate

A Single Discount Rate of 6.50% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.50%. The projection of cash flows used to determine this Single Discount Rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Net Pension Liability

At June 30, 2022, the Agency reported a liability of $0.544 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2021 the Agency's proportionate share of the entire plan was 0.66726% an increase of 0.035% over prior reporting period.

## Note 16 – Defined Benefit Pension Plan (continued)

### Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

| | 1% Decrease in Discount Rate (5.5%) | Discount Rate (6.5%) | 1% Increase in Discount Rate (7.5%) |
|---|---|---|---|
| Agency proportionate share of the net pension liability: | $21,377 | $544 | ($819) |

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Agency recognized pension expense credit of $13.774 million. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 135 | $ 63 |
| Changes of assumptions | 10,002 | 7,489 |
| Net difference between projected and actual earnings on investments | - | 15,033 |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | 565 | - |
| Contributions paid to OPEB subsequent to the measurement date | 1,405 | - |
| Total | $12,107 | $22,585 |

Amounts reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

| Year Ended June 30: | Pension Expense Amount |
|---|---|
| 2023 | ($7,433) |
| 2024 | (1,429) |
| 2025 | (1,536) |
| 2026 | (1,485) |

## Note 17 – Post – Employment Benefits Other Than Pensions

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 obtains an actuarial valuation from an independent firm of its postretirement medical benefits and to determine its OPEB liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The net other postemployment benefit obligation (NOO) for the Agency is $1.879 million for fiscal year 2022.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

### Net OPEB Liability

The total OPEB liability, net OPEB liability (total OPEB liability minus fiduciary net position), OPEB expense, and certain sensitivity information shown are based on actuarial valuations performed as of July 1, 2020. The total OPEB liability was rolled-forward from the valuation date to the measurement date of June 30, 2021 using generally accepted actuarial principles.

As of July 1, 2020 the following assumptions were used for the actuarial valuation. The actuarial cost method was updated from Entry Age Normal as a level dollar amount to Entry Age Normal as a level percentage of pay.

| | |
|---|---|
| Inflation | 2.25% per year |
| Initial Medical Trend Rate | 7.5% per year |
| Ultimate Medical Trend Rate | 3.8% |
| Salary Increases | 13.9% with one year of service to 3.0% with 30 or more years of service |
| Mortality Rate | Refer Pub-2010 General Employee Mortality Headcount-Weighted Table, adjusted for mortality improvements using projection scale MP-2020. |

The majority of the State of Minnesota employees are participants in the MSRS, Minnesota Teacher's Retirement Association (TRA), or the Minnesota Public Employees' Retirement System (PERA). For this reason, the aggregate payroll growth, individual salary increase, mortality, withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the respective plans' Actuarial Valuation Reports as of July 1, 2021.

### OPEB Sensitivity Based on Trend Rate

The following presents the Agency's share of total OPEB, calculated using a discount rate disclosed above, as well as what the total OPEB calculated using 1 percentage point higher and 1 percentage point lower than the current trend rate.

| | 1% Decrease in Trend Rate (2.8%) | Trend Rate (3.8%) | 1% Increase in Trend Rate (4.8%) |
|---|---|---|---|
| Agency proportionate share of the total OPEB liability: | $1,682 | $1,879 | $2,112 |

### Single Discount Rate

The State of Minnesota elected to change its discount rate methodology to be consistent with the requirements of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which will be in effect for the fiscal year ending June 30, 2021. Since the State's retiree health benefits are not funded by assets in a separate trust the

## Note 17 – Post – Employment Benefits Other Than Pensions (continued)

discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date, as prescribed by GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State of Minnesota elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 2.21% as of June 30, 2021.

### OPEB Sensitivity Based on Discount Rate

The following presents the Agency's share of total OPEB, calculated using a discount rate disclosed above, as well as what the total OPEB calculated using 1 percentage point higher and 1 percentage point lower than the current discount rate.

| | 1% Decrease in Discount Rate (2.5%) | Discount Rate (3.5%) | 1% Increase in Discount Rate (4.5%) |
|---|---|---|---|
| Agency proportionate share of the OPEB liability: | $2,021 | $1,879 | $1,744 |

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Agency recognized OPEB expense of $0.116 million. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $193 |
| Changes of assumptions | 184 | 35 |
| Contributions paid to OPEB subsequent to the measurement date | 106 | - |
| Total | $290 | $228 |

Amounts reported as deferred outflows of resources related to OPEB resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

| Year Ended June 30: | OPEB Expense Amount |
|---|---|
| 2023 | $ 7 |
| 2024 | 7 |
| 2025 | 7 |
| 2026 | 7 |
| 2027 | 7 |
| Thereafter | 9 |

## Note 18 – 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 $2,500 deductible per claim for the following coverage limits (in thousands):

| Type of Coverage | Coverage Limits |
|---|---|
| Real and personal property loss | $4,342 |
| Business interruption/loss of use/extra expense | 500 |
| Bodily injury and property damage per person | 500 |
| Bodily injury and property damage per occurrence | 1,500 |
| Faithful performance/commercial crime | 9,000 |
| Employee dishonesty | 250 |

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.

## Note 19 - Commitments

As of June 30, 2022, the Agency had approved, either finally or preliminarily, the purchase or origination of future loans or other housing assistance in the following amounts (in thousands):

| Funds | Amount |
|---|---|
| Rental Housing | $96,004 |
| Residential Housing Finance | 501,781 |
| State Appropriated | 144,434 |
| Federal Appropriated | 46,803 |
| Agency Wide Totals | $789,022 |

Board-approved selections of future loans or other housing assistance for housing projects are included in the above table although the approvals may only be preliminary. However, a preliminary approval is not a commitment but an expectation that the Agency will be able to make the loan to, or provide the other assistance for the project if all underwriting or other criteria are met. The Agency may decline to proceed with a final approval of any loan or assistance that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through August 2028 and for parking through August 2028, totaling $10.435 million. Combined office facilities and parking lease expense for fiscal year 2022 was $1.630 million.

## Note 20 – Line of Credit Federal Home Loan Bank

On June 30, 2022 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2. As of June 30, 2022, $96.474 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2022 were used to purchase and warehouse mortgage-backed securities in Pool 2.

The line of credit activity for the year ended June 30, 2022, is summarized as follows (in thousands):

| Beginning Balance | Cumulative Draws | Cumulative Repayments | Ending Balance |
|---|---|---|---|
| $85,000 | $2,140,000 | $2,150,000 | $75,000 |

## Note 21 - Litigation

The Agency is a party to various litigations 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.

## Note 22 – Subsequent Events

The Agency called for redemption or repayment subsequent to June 30, 2022 for the following bonds (in thousands):

| Program | Retirement Date | Par |
|---|---|---|
| Homeownership Finance | July 1, 2022 | $ 2,062 |
| Residential Housing Finance | July 1, 2022 | 51,080 |
| Residential Housing Finance | August 1, 2022 | 8,470 |
| Rental Housing | August 1, 2022 | 3,590 |
| Residential Housing Finance | September 1, 2021 | 9,245 |
| Residential Housing Finance | October 1, 2022 | 9,835 |

On February 24, 2022 and May 26, 2022, the Board of the Agency adopted series resolutions authorizing the issuance of bonds for the purpose of providing funds for certain of the Agency's multifamily programs. The Rental Housing Bonds, 2022 Series A, in the principal amount of $7.190 million were delivered pursuant to the February 24, 2022 authorization on August 11, 2022, and the Rental Housing Bonds, 2022 Series C, in the principal amount of $10.495 million, are anticipated to be delivered pursuant to the May 26, 2022 authorization in early October 2022.

On July 21, 2022, the Board of the Agency adopted a resolution authorizing the issuance of additional State Appropriation Bonds (Housing Infrastructure) up to the aggregate principal amount of $100 million for the purpose of providing funds to make loans for certain statutory-authorized purposes. The State Appropriation Bonds (Housing Infrastructure), 2022 Series ABC, in the aggregate principal amount of $104.195 million were delivered September 14, 2022, pursuant to that authorization as well as a previous authorization in July 2021.

On September 21, 2022, the Agency delivered its Homeownership Finance Bonds, 2022 Series A (Taxable) (Mortgage-Backed Securities Pass-Through Program) in the aggregate principal amount of $50 million pursuant to a series resolution adopted by the Board of the Agency on April 22, 2021 authorizing the issuance of bonds in the aggregate principal amount of $300 million for the purpose of providing funds for certain of the Agency's homeownership programs.

On July 7, 2022, the Agency delivered its Residential Housing Finance Bonds, 2022 Series GH in the aggregate principal amount of $150 million, and on September 29, 2022, the Agency delivered its Residential Housing Finance Bonds, 2022 Series IJK in the aggregate principal amount of $99.99 million, in each case pursuant to series resolutions adopted by the Board of the Agency on February 24, 2022 and May 26, 2022 authorizing the issuance of fixed interest rate bonds in the aggregate principal of $300 million and variable interest rate bonds in the aggregate principal of $75 million, respectively,

## Note 22 – Subsequent Events (continued)

for the purpose of providing funds for certain of the Agency's homeownership programs. Per Board resolution 18-004 dated April 26, 2018, extension per Board resolution 20-055 on October 22, 2020, Board resolution 21-007 on February 2, 2021, and extension per Board resolution 21-070 on December 16, 2021, the Agency made, or has committed to make, draws from the Index Bank notes subsequent to June 30, 2022 as shown in the table below (in thousands).

| Program | Series | Advance Date | Par |
|---|---|---|---|
| Index Bank Note | 2018 AMT | July 1, 2022 | $14,142 |
| Index Bank Note | 2018 Non-AMT | July 1, 2022 | 34,080 |
| Index Bank Note | 2018 AMT | August 1, 2022 | 536 |
| Index Bank Note | 2018 Non-AMT | August 1, 2022 | 8,824 |
| Index Bank Note | 2018 AMT | September 1, 2022 | 641 |
| Index Bank Note | 2018 Non-AMT | September 1, 2022 | 8,682 |
| Index Bank Note | 2018 AMT | October 3, 2022 | 551 |
| Index Bank Note | 2018 Non-AMT | October 3, 2022 | 8,598 |

The Agency repaid $41.571 million of the Non-AMT Portion of the Index Bank Note, on September 29, 2022.

The Agency has evaluated subsequent events through October 11, 2022, the date on which the financial statements were available to be issued.

## Note 23 – Restatement

During fiscal year 2022, an incorrect classification in accounting for HIB projects was identified. The Agency recognized an additional liability titled "Funds Held for Others" at the same time the state appropriation-backed debt was issued, and misclassified various items such as bond premiums and appropriations received. This recognition is not in accordance with generally accepted accounting principles (GAAP) as the legal obligations to respective third-party beneficiaries of the appropriation-backed debt occur at a point subsequent to the issuance of the related debt. The Agency retroactively changed its method of accounting to comply with GAAP.

During the year ended September 30, 2022, the Agency adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for identifying and reporting certain lease assets and liabilities.

The summarized comparative financial statements for the year ended June 30, 2021, have been retroactively restated for these changes. The impact of these changes on the 2021 summarized comparative totals is outlined in the table below.

## Note 23 – Restatement (continued)

| | Increase/(decrease) in thousands | | |
|---|---|---|---|
| | **Business-Type Activities** | **General Reserve** | **State Appropriated** |
| Net position, beginning | $ 17,799 | $ - | $ 17,799 |
| Assets: | | | |
| Loans receivable, net | 313 | - | 313 |
| Capital assets | 8,380 | 8,380 | - |
| Liabilities: | | | |
| Bonds payable, net | 29,049 | - | 29,049 |
| Interest payable | 4,753 | - | 4,753 |
| Interfund payable (receivable) | - | | - |
| Funds held for others | (103,702) | - | (103,702) |
| Lease liability, net | 8,696 | 8,696 | - |
| Revenues: | | | |
| Interest earned on loans | 47 | - | 47 |
| Interest earned on investments | 17 | - | 17 |
| Appropriations received | 14,687 | - | 14,687 |
| Expenses: | | | |
| Interest | 8,270 | 479 | 7,791 |
| Financing, net | 641 | - | 641 |
| Other general operating | 31 | (163) | 194 |
| Reduction in carrying value of certain low interest rate deferred loans | 54,311 | - | 54,311 |
| Provision for loan losses | (348) | - | (348) |
| Non-operating transfer of assets between funds and other | (100,252) | | (100,252) |
| Change in net position | 52,098 | (316) | 52,414 |
| Unrestricted | $ 70,213 | $ - | $ 70,213 |
| Net investment in capital assets | $ (316) | $ (316) | $ - |

**Schedule of Employer's Share of Net Pension Liability**
**State Employees Retirement Fund**
**Last 10 Fiscal Years***
(dollars in thousands)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Employer unit's proportion of the net pension liability | 0.781% | 0.822% | 0.830% | 0.836% | 0.820% | 0.632% | 0.667% |
| Employer unit's proportionate share of the net pension liability | $ 8,979 | $76,077 | $46,137 | $ 8,725 | $ 8,740 | $ 8,396 | $ 544 |
| Employer unit's covered-employee payroll | 22,438 | 23,836 | 19,693 | 20,931 | 21,408 | 22,555 | 23,750 |
| Employer unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 40.017% | 319.168% | 234.281% | 41.685% | 40.826% | 37.225% | 2.291% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.320% | 47.51% | 62.73% | 90.56% | 90.73% | 91.25% | 99.53% |

The measurement date is June 30 preceeding each fiscal year.

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of Employer's Contributions**
**State Employees Retirement Fund**
**Last 10 Fiscal Years***
(dollars in thousands)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 874 | $ 968 | $ 1,018 | $ 1,151 | $ 1,264 | $ 1,317 | $ 1,405 |
| Contributions in relation to the contractually required contribution | 874 | 968 | 1,018 | 1,151 | 1,264 | 1,317 | 1,405 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| Employer unit's covered-employee payroll | 22,438 | 23,836 | 19,693 | 20,931 | 21,408 | 22,555 | 23,750 |
| Contributions as a percentage of covered-employee payroll | 3.895% | 4.061% | 5.169% | 5.499% | 5.904% | 5.839% | 5.916% |

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# MINNESOTA HOUSING FINANCE AGENCY
## Required Supplementary Information
## General Reserve and Bond Funds
## Schedule of Selected OPEB Information-Unaudited (in thousands)
## Fiscal Year 2022

### Schedule of Changes in the Employer's Share of Total OPEB Liability and Related Ratios
### Last 10 Fiscal Years*
(dollars in thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | |
| Service cost | $ 144 | $ 135 | $ 124 | $ 119 | $ 121 |
| Interest | 52 | 66 | 65 | 59 | 41 |
| Change in benefit term | - | - | - | - | - |
| Difference between expected and actual experience | - | - | (40) | | - |
| Change in assumptions - discount rate | (94) | (84) | - | 165 | 7 |
| Change in assumptions - other | - | (42) | (102) | (128) | - |
| Benefit payments | | | | | |
| Explicit subsidy | (43) | (48) | (45) | (47) | (55) |
| Implicit subsidy | (45) | (51) | (46) | (48) | (28) |
| **Net change in total OPEB liability** | 15 | (25) | (43) | 121 | 86 |
| **Total OPEB liability-beginning** | 1,727 | 1,742 | 1,716 | 1,672 | 1,793 |
| **Total OPEB liability-ending (a)** | $ 1,742 | $ 1,716 | $ 1,672 | $ 1,793 | $ 1,879 |
| **Plan Fiduciary Net Potition** | | | | | |
| Contribution employer | | | | | |
| Explicit subsidy | $ 43 | $ 48 | $ 45 | $ 47 | $ 55 |
| Implicit subsidy | 45 | 51 | 46 | 48 | 28 |
| Net investment income | | | | | |
| Expected investment earnings | - | 0 | - | - | - |
| Difference between projected and actual investment earnings | - | 0 | - | - | - |
| Benefit payments | | | | | |
| Explicit subsidy | (43) | (48) | (45) | (47) | (55) |
| Implicit subsidy | (45) | (51) | (46) | (48) | (28) |
| Administrative expense | - | - | - | - | - |
| **Net change in fiducuary net position** | - | - | - | - | - |
| **Plan fiduciary net position-beginning** | - | - | - | - | - |
| **Plan fiduciary net position-ending(b)** | - | - | - | - | - |
| Employer's total OPEB liability-ending(a-b) | $ 1,742 | $ 1,716 | $ 1,672 | $ 1,793 | $ 1,879 |
| Plan fiduciary total position as a percentage of the total OPEB Liability | | | - | - | |
| Covered employee payroll | $19,963 | $20,931 | $21,408 | $22,555 | $23,750 |
| Employer's net OPEB liability as a percentage of covered employee payroll | 8.72% | 8.20% | 7.81% | 7.95% | 7.91% |

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

### Schedule of Employer's Contributions-OPEB
### Last 10 Fiscal Years*
(dollars in thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Actuarially required contribution | | | | | |
| Explicit subsidy | $ 43 | $ 48 | $ 45 | $ 47 | $ 55 |
| Implicit subsidy | 45 | 51 | 46 | 48 | 28 |
| Contributions in relation to the actuarially required contribution | | | | | |
| Explicit subsidy | 43 | 48 | 45 | 47 | 55 |
| Implicit subsidy | 45 | 51 | 46 | 48 | 28 |
| Employer unit's covered-employee payroll | $19,963 | $20,931 | $21,408 | $22,555 | $23,750 |
| Contributions as a percentage of covered-employee payroll | | | | | |
| Explicit subsidy | 0.215% | 0.229% | 0.210% | 0.208% | 0.232% |
| Implicit subsidy | 0.225% | 0.244% | 0.215% | 0.213% | 0.118% |

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# MINNESOTA HOUSING FINANCE AGENCY
## Supplementary Information
## Statement of Net Position (in thousands)
## General Reserve and Bond Funds
## As of June 30, 2022 (with comparative totals as of June 30, 2021)

| | | Bond Funds | | |
|---|---|---|---|---|
| | | | Residential Housing Finance | |
| | General Reserve | Rental Housing | Bonds | Pool 2 |
| Cash and cash equivalents | $108,873 | $ 37,822 | $ 253,587 | $ 73,186 |
| Investments-program mortgage-backed securities | - | - | 1,760,510 | - |
| Investment securities-other | - | 19,559 | 7,099 | 136,338 |
| Loans receivable, net | - | 159,138 | 228,209 | 400,847 |
| Interest receivable on loans and program mortgage-backed securities | - | 585 | 6,477 | 1,585 |
| Interest receivable on investments | 81 | 85 | 324 | 575 |
| Interest Rate Swap Agreements | - | - | 15,792 | - |
| FHA/VA insurance claims, net | - | - | 109 | - |
| Real estate owned, net | - | - | 250 | 484 |
| Capital assets, net | 8,317 | - | - | - |
| Other assets | 3,744 | 25 | 290 | 763 |
| **Total assets** | 121,015 | 217,214 | 2,272,647 | 613,778 |
| Deferred loss on refunding | - | - | 1 | - |
| Deferred loss on interest rate swap agreements | - | - | - | - |
| Deferred pension and OPEB expense | 12,397 | - | - | - |
| **Total deferred outflows of resources** | 12,397 | - | 1 | - |
| **Total assets and deferred outflows of resources** | $133,412 | $217,214 | $2,272,648 | $613,778 |
| Bonds payable, net | $ - | $ 49,350 | $2,198,388 | $123,135 |
| Interest payable | - | 217 | 25,377 | 80 |
| Interest rate swap agreements | - | - | - | - |
| Net pension and OPEB liability | 2,423 | - | - | - |
| Accounts payable and other liabilities | 6,550 | 12,950 | 597 | 60,477 |
| Interfund payable (receivable) | 14,577 | - | (25,005) | 19,516 |
| Funds held for others | 70,635 | - | - | - |
| Lease liability | 7,523 | - | - | - |
| **Total liabilities** | 101,708 | 62,517 | 2,199,357 | 203,208 |
| Deferred gain on interest rate swap agreements | - | - | 15,792 | - |
| Deferred service release fees | - | - | 9,959 | 3,040 |
| Deferred pension and OPEB credit | 22,813 | - | - | - |
| **Total deferred inflows of resources** | 22,813 | - | 25,751 | 3,040 |
| **Total liabilities and deferred inflows of resources** | $124,521 | $ 62,517 | $2,225,108 | $206,248 |
| Restricted by bond resolution | $ - | $154,697 | $ 47,540 | $ - |
| Restricted by covenant | 8,097 | - | - | 407,530 |
| Invested in capital assets | 794 | - | - | - |
| **Total net position** | 8,891 | 154,697 | 47,540 | 407,530 |
| **Total liabilities, deferred inflows, and net position** | $133,412 | $217,214 | $2,272,648 | $613,778 |

| Bond Funds | | | General Reserve & Bond Funds Excluding Pool 3 | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3 | General Reserve & Bond Funds | General Reserve & Bond Funds |
|---|---|---|---|---|---|---|---|
| Home-ownership Finance | Multifamily Housing | HOMES℠ | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2021 | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2021 |
| $ 48,051 | $ 1,790 | $ - | $ 523,309 | $ 668,613 | $ 5,249 | $ 528,558 | $ 676,225 |
| 1,043,915 | - | - | 2,804,425 | 2,810,602 | - | 2,804,425 | 2,810,602 |
| - | - | 5,430 | 168,426 | 183,304 | 9,020 | 177,446 | 192,783 |
| - | 13,122 | - | 801,316 | 785,032 | 114,791 | 916,107 | 892,886 |
| 3,216 | 48 | - | 11,911 | 12,266 | 41 | 11,952 | 12,297 |
| 26 | 1 | 15 | 1,107 | 757 | 40 | 1,147 | 789 |
| - | - | - | 15,792 | - | - | 15,792 | - |
| - | - | - | 109 | 213 | - | 109 | 213 |
| - | - | - | 734 | 617 | 25 | 759 | 617 |
| - | - | - | 8,317 | 10,512 | - | 8,317 | 10,512 |
| 24 | - | - | 4,846 | 4,683 | 2 | 4,848 | 4,685 |
| 1,095,232 | 14,961 | 5,445 | 4,340,292 | 4,476,599 | 129,168 | 4,469,460 | 4,601,609 |
| - | - | - | 1 | 6 | - | 1 | 6 |
| - | - | - | - | 13,932 | - | - | 13,932 |
| - | - | - | 12,397 | 2,434 | - | 12,397 | 2,434 |
| - | - | - | 12,398 | 16,372 | - | 12,398 | 16,372 |
| $1,095,232 | $14,961 | $5,445 | $4,352,690 | $4,492,971 | $129,168 | $4,481,858 | $4,617,981 |
| $1,086,975 | $12,760 | $5,682 | $3,476,290 | $3,360,383 | $ - | $3,476,290 | $3,360,383 |
| 2,374 | 32 | 15 | 28,095 | 26,198 | - | 28,095 | 26,198 |
| - | - | - | - | 13,932 | - | - | 13,932 |
| - | - | - | 2,423 | 10,189 | - | 2,423 | 10,189 |
| 59 | - | - | 80,633 | 86,249 | 300 | 80,933 | 87,449 |
| - | - | - | 9,088 | 9,395 | (10,000) | (912) | 395 |
| - | - | (252) | 70,383 | 69,960 | - | 70,383 | 69,960 |
| - | - | - | 7,523 | 8,696 | - | 7,523 | 8,696 |
| 1,089,408 | 12,792 | 5,445 | 3,674,435 | 3,585,002 | (9,700) | 3,664,735 | 3,577,202 |
| - | - | - | 15,792 | - | - | 15,792 | - |
| 6,786 | - | - | 19,785 | 20,226 | - | 19,785 | 20,226 |
| - | - | - | 22,813 | 19,329 | - | 22,813 | 19,329 |
| 6,786 | - | - | 58,390 | 39,555 | - | 58,390 | 39,555 |
| $1,096,194 | $12,792 | $5,445 | $3,732,825 | $3,624,557 | $ (9,700) | $3,723,125 | $3,616,757 |
| $ (962) | $ 2,169 | $ - | $ 203,444 | $ 485,980 | $ - | $ 203,444 | $ 485,980 |
| - | - | - | 415,627 | 380,618 | 138,868 | 554,495 | 513,428 |
| - | - | - | 794 | 1,816 | - | 794 | 1,816 |
| (962) | 2,169 | - | 619,865 | 868,414 | 138,868 | 758,733 | 1,001,224 |
| $1,095,232 | $14,961 | $5,445 | $4,352,690 | $4,492,971 | $129,168 | $4,481,858 | $4,617,981 |

## MINNESOTA HOUSING FINANCE AGENCY
## Supplementary Information
## Statement of Revenues, Expenses and Changes in Net Position (in thousands)
## General Reserve and Bond Funds
## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | | Bond Funds | | |
|---|---|---|---|---|
| | | | Residential Housing Finance | |
| | General Reserve | Rental Housing | Bonds | Pool 2 |
| Interest earned on loans | $ - | $ 7,041 | $ 11,735 | $ 15,758 |
| Interest earned on investments-program mortgage-backed securities | - | - | 45,423 | - |
| Interest earned on investments-other | 157 | 837 | 845 | 7,261 |
| Net G/L on Sale of MBS Held for Sale/HOMES Certificate | - | - | - | 2,016 |
| Administrative reimbursement | 31,161 | - | - | - |
| Fees earned and other income | 12,372 | 80 | 1,816 | 2,144 |
| Unrealized gains (losses) on Investments | - | (2,442) | (188,220) | 8,845 |
| **Total revenues** | $43,690 | $ 5,516 | $(128,401) | $ 36,024 |
| Interest | $ 423 | $ 594 | $ 40,733 | $ 1,027 |
| Financing, net | - | 2 | (11,828) | 47 |
| Loan administration and trustee fees | - | 65 | 1,376 | 1,157 |
| Administrative reimbursement | - | 1,295 | 12,161 | 5,442 |
| Salaries and benefits | 17,676 | - | - | - |
| Other general operating | 4,282 | 5 | 50 | 2,584 |
| Reduction in carrying value of certain low interest rate deferred loans | - | - | 719 | (458) |
| Provision for loan losses | - | (663) | (215) | 1,937 |
| **Total expenses** | $22,381 | $ 1,298 | $ 42,996 | $ 11,736 |
| **Revenue over(Under) expenses** | $21,309 | $ 4,218 | $(171,397) | $ 24,288 |
| Non-operating transfer of assets between funds | (22,153) | 37 | (5,974) | 10,543 |
| **Change in net position** | (844) | 4,255 | (177,371) | 34,831 |
| **Total net position, beginning of Year, as restated** | 9,735 | 150,442 | 224,911 | 372,699 |
| **Total net position, end of Year** | $ 8,891 | $154,697 | $ 47,540 | $407,530 |

| Bond Funds | | | General Reserve & Bond Funds Excluding Pool 3 | General Reserve & Bond Funds Excluding Pool 3 | Residential Housing Finance Pool 3 | General Reserve & Bond Funds | General Reserve & Bond Funds |
|---|---|---|---|---|---|---|---|
| Home-ownership Finance | Multifamily Housing | HOMES℠ | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2021 | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2022 | Total For The Year Ended June 30, 2021 |
| $ - | $ 581 | $ - | $ 35,115 | $ 39,499 | $ 520 | $ 35,635 | $ 40,117 |
| 36,251 | - | - | 81,674 | 80,931 | - | 81,674 | 80,931 |
| 53 | 2 | 192 | 9,347 | 5,923 | 91 | 9,438 | 6,097 |
| - | - | - | 2,016 | 12,376 | - | 2,016 | 12,376 |
| - | - | - | 31,161 | 33,144 | - | 31,161 | 33,144 |
| 1,464 | - | - | 17,876 | 19,206 | 21 | 17,897 | 20,985 |
| (112,718) | - | - | (294,535) | (44,909) | (228) | (294,763) | (45,098) |
| $ (74,950) | $ 583 | $192 | $(117,346) | $146,170 | $ 404 | $ (116,942) | $ 148,552 |
| $ 31,630 | $ 387 | $192 | $ 74,986 | $ 87,171 | $ - | $ 74,986 | $ 87,171 |
| 1,361 | - | - | (10,418) | 10,960 | - | (10,418) | 10,960 |
| 442 | 4 | - | 3,044 | 3,281 | 29 | 3,073 | 3,304 |
| 7,947 | 91 | - | 26,936 | 30,004 | 1,557 | 28,493 | 31,537 |
| - | - | - | 17,676 | 32,501 | - | 17,676 | 32,501 |
| 34 | - | - | 6,955 | 8,977 | 1,683 | 8,638 | 11,562 |
| - | - | - | 261 | 137 | 742 | 1,003 | 8,746 |
| - | (1) | - | 1,058 | 712 | 335 | 1,393 | 1,127 |
| $ 41,414 | $ 481 | $192 | $ 120,498 | $173,743 | $ 4,346 | $ 124,844 | $ 186,908 |
| $(116,364) | $ 102 | $ - | $(237,844) | $ (27,573) | $ (3,942) | $ (241,786) | $ (38,356) |
| 6,842 | - | - | (10,705) | (17,349) | 10,000 | (705) | 1,238 |
| (109,522) | 102 | - | (248,549) | (44,922) | 6,058 | (242,491) | (37,118) |
| 108,560 | 2,067 | - | 868,414 | 913,336 | 132,810 | 1,001,224 | 1,038,342 |
| $ (962) | $2,169 | $ - | $ 619,865 | $868,414 | $138,868 | $ 758,733 | $1,001,224 |

# MINNESOTA HOUSING FINANCE AGENCY
## Supplementary Information
## Statement of Cash Flows (in thousands)
## General Reserve and Bond Funds
## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | | Bond Funds | | |
|---|---|---|---|---|
| | | | Residential Housing Finance | |
| | General Reserve | Rental Housing | Bonds | Pool 2 |
| **Cash flows from operating activities:** | | | | |
| Principal repayments on loans and program mortgage-backed securities | $ - | $ 25,890 | $ 331,317 | $ 56,090 |
| Investment in loans and program mortgage-backed securities | - | (20,615) | (776,999) | (116,543) |
| Interest received on loans and program mortgage-backed securities | - | 6,920 | 63,346 | 14,792 |
| Fees and other income received | 12,566 | 47 | 11 | 8,485 |
| Salaries, benefits and other operating | (34,304) | (94) | (1,420) | (7,382) |
| Administrative reimbursement from funds | 30,655 | (1,295) | (12,161) | (5,442) |
| Deposits into funds held for others | 36,489 | - | - | - |
| Disbursements made from funds held for others | (36,135) | - | - | - |
| Interfund transfers and other assets | 18 | (276) | (25,073) | 24,390 |
| Net cash provided (used) by operating activities | 9,289 | 10,577 | (420,979) | (25,610) |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from sale of bonds and notes | - | 16,040 | 737,809 | 2,377,930 |
| Principal repayment on bonds and notes | - | (26,570) | (354,725) | (2,358,125) |
| Interest paid on bonds, notes and leases | (423) | (829) | (47,424) | (820) |
| Financing costs paid related to bonds issued | - | (2) | (7,374) | (55) |
| Interest paid/received between funds | - | - | - | (140) |
| Principal paid/received between funds | - | - | - | - |
| Agency contribution to program funds | - | 37 | 12,148 | (17,514) |
| Transfer of cash between funds | (4,200) | - | - | (4,800) |
| Net cash provided (used) by noncapital financing activities | (4,623) | (11,324) | 340,434 | (3,524) |
| **Cash flows from capital financing activities:** | | | | |
| Purchases of capital assets | (1,614) | - | - | - |
| Net cash provided (used) by capital financing activities | (1,614) | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Investment in real estate owned | - | - | (274) | - |
| Interest received on investments | 365 | 725 | 747 | 7,495 |
| Net gain (loss) on Sale of MBS Held for Sale and HOME Certificates | - | - | - | 20,863 |
| Proceeds from sale of mortgage insurance claims/real estate owned | - | - | 1,168 | - |
| Proceeds from maturity, sale or transfer of investment securities | - | 998 | 2,191 | 1,409,256 |
| Purchase of investment securities | - | (681) | (250) | (1,398,961) |
| Purchase of loans between funds | - | (26,716) | (14,282) | 26,716 |
| Net cash provided (used) by investing activities | 365 | (25,674) | (10,700) | 65,369 |
| Net increase (decrease) in cash and cash equivalents | 3,417 | (26,421) | (91,245) | 36,235 |
| Beginning of year | 105,456 | 64,243 | 344,832 | 36,951 |
| End of year | $108,873 | $ 37,822 | $ 253,587 | $ 73,186 |

| Bond Funds | | | General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2022 | Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2022 | General Reserve & Bond Funds Total For The Year Ended June 30, 2022 | General Reserve & Bond Funds Total For The Year Ended June 30, 2021 |
|---|---|---|---|---|---|---|
| Homeownership Finance | Multifamily Housing | HOMES℠ | | | | |
| $308,006 | $ 220 | $ - | $ 721,523 | $ 17,466 | $ 738,989 | $ 1,243,472 |
| (116,876) | - | - | (1,031,033) | (47,426) | (1,078,459) | (910,310) |
| 43,240 | 582 | - | 128,880 | 510 | 129,390 | 138,548 |
| - | - | - | 21,109 | 21 | 21,130 | 23,314 |
| (492) | (4) | - | (43,696) | (2,612) | (46,308) | (36,341) |
| (7,947) | (91) | - | 3,719 | (1,557) | 2,162 | 1,784 |
| - | - | - | 36,489 | - | 36,489 | 38,097 |
| - | - | - | (36,135) | - | (36,135) | (38,155) |
| - | - | - | (941) | - | (941) | (8,962) |
| 225,931 | 707 | - | (200,085) | (33,598) | (233,683) | 451,447 |
| | | | | | | |
| 112,532 | - | - | 3,244,311 | - | 3,244,311 | 2,756,747 |
| (376,892) | (240) | (1,532) | (3,118,084) | - | (3,118,084) | (2,842,297) |
| (33,197) | (388) | (196) | (83,277) | - | (83,277) | (98,056) |
| (1,101) | - | - | (8,532) | - | (8,532) | (8,818) |
| - | - | - | (140) | - | (140) | - |
| - | - | - | - | - | - | - |
| 5,329 | - | - | - | - | - | - |
| - | - | - | (9,000) | 9,000 | - | - |
| (293,329) | (628) | (1,728) | 25,278 | 9,000 | 34,278 | (192,424) |
| | | | | | | |
| - | - | - | (1,614) | - | (1,614) | - |
| - | - | - | (1,614) | - | (1,614) | - |
| | | | | | | |
| - | - | - | (274) | - | (274) | (540) |
| 28 | 1 | 196 | 9,557 | 114 | 9,671 | 6,653 |
| - | - | - | 20,863 | - | 20,863 | 10,336 |
| - | - | - | 1,168 | - | 1,168 | 1,907 |
| - | - | 1,532 | 1,413,977 | 200 | 1,414,177 | 1,094,552 |
| - | - | - | (1,399,892) | - | (1,399,892) | (1,107,052) |
| - | - | - | (14,282) | 21,921 | 7,639 | 4,544 |
| 28 | 1 | 1,728 | 31,117 | 22,235 | 53,352 | 10,400 |
| | | | | | | |
| (67,370) | 80 | - | (143,690) | (2,363) | (147,667) | 269,423 |
| | | | | | | |
| 115,421 | 1,710 | - | 668,613 | 7,612 | 676,225 | 406,802 |
| $ 48,051 | $1,790 | $ - | $ 524,923 | $ 5,249 | $ 528,558 | $ 676,225 |

(Continued)

# MINNESOTA HOUSING FINANCE AGENCY
## Supplementary Information
## Statement of Cash Flows (in thousands)
## General Reserve and Bond Funds (continued)
## Year ended June 30, 2022 (with comparative totals for year ended June 30, 2021)

| | | Bond Funds | | |
|---|---|---|---|---|
| | | | Residential Housing Finance | |
| | General Reserve | Rental Housing | Bonds | Pool 2 |
| **Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:** | | | | |
| Revenues over (under) expenses | $ 21,309 | $ 4,218 | $(171,397) | $ 24,288 |
| Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities: | | | | |
| Amortization of premiums (discounts) and fees on program mortgage-backed securities | - | (76) | 7,295 | (891) |
| Amortization of premium (discounts) and fees on sale of HOMES Certificates | - | - | - | - |
| Amortization of proportionate share-Pension | 167 | - | - | - |
| Depreciation | 3,808 | - | - | - |
| Gain (loss) on sale of MBS held for sale and HOMES Certificates | - | - | - | (2,016) |
| Realized losses (gains) on sale of securities, net | - | (121) | (17) | - |
| Unrealized losses (gains) on securities, net | - | 2,442 | 188,220 | (8,845) |
| Salaries and Benefits-Pensions | (15,341) | - | - | - |
| Provision for loan losses | - | (663) | (215) | 1,937 |
| Reduction in carrying value of certain low interest rate and/or deferred loans | - | - | 719 | (458) |
| Capitalized interest on loans and real estate owned | - | - | (789) | (80) |
| Interest earned on investments | (157) | (716) | (828) | (7,261) |
| Interest expense on bonds and notes | 423 | 594 | 40,733 | 1,027 |
| Financing expense in bonds | - | 2 | (11,800) | 44 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds | - | 5,275 | (445,682) | (60,453) |
| Decrease (increase) in interest receivable on loans | - | (45) | (318) | 5 |
| Increase (decrease) in accounts payable | (980) | (57) | (1,827) | 2,703 |
| Increase (decrease) in interfund payable, affecting operating activities only | (550) | (257) | (25,000) | 24,500 |
| Increase (decrease) in funds held for others | 354 | - | - | - |
| Other | 256 | (19) | (73) | (110) |
| Total | (12,020) | 6,359 | (249,582) | (49,898) |
| Net cash provided (used) by operating activities | $ 9,289 | $10,577 | $(420,979) | $(25,610) |

| Bond Funds | | | General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2022 | Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2022 | General Reserve & Bond Funds Total For The Year Ended June 30, 2022 | General Reserve & Bond Funds Total For The Year Ended June 30, 2021 |
|---|---|---|---|---|---|---|
| Homeownership Finance | Multifamily Housing | HOMES SM | | | | |
| $(116,364) | $102 | $ - | $(237,844) | $ (3,942) | $(241,786) | $ (38,356) |
| 6,277 | - | - | 12,605 | - | 12,605 | 17,155 |
| - | - | - | - | - | - | - |
| - | - | - | 167 | - | 167 | 64 |
| - | - | - | 3,808 | - | 3,808 | 3,581 |
| - | - | - | (2,016) | - | (2,016) | (12,376) |
| - | - | - | (138) | - | (138) | (240) |
| 112,718 | - | - | 294,535 | 228 | 294,763 | 45,098 |
| - | - | - | (15,341) | - | (15,341) | 736 |
| - | (1) | - | 1,058 | 335 | 1,393 | 1,127 |
| - | - | - | 261 | 742 | 1,003 | 8,746 |
| - | - | - | (869) | - | (869) | (222) |
| (53) | (2) | (192) | (9,209) | (91) | (9,300) | (6,028) |
| 31,630 | 387 | 192 | 74,986 | - | 74,986 | 87,171 |
| 1,361 | - | - | (10,393) | - | (10,393) | 10,905 |
| 191,130 | 220 | - | (309,510) | (29,960) | (339,470) | 333,162 |
| 712 | 1 | - | 355 | (10) | 345 | 738 |
| (1,480) | - | - | (1,641) | (900) | (2,541) | 9,952 |
| - | - | - | (1,307) | - | (1,307) | 977 |
| - | - | - | 354 | - | 354 | (58) |
| - | - | - | 54 | - | 54 | (10,685) |
| 342,295 | 605 | - | 37,759 | (29,656) | 8,103 | 489,803 |
| $ 225,931 | $707 | $ - | $(200,085) | $(33,598) | $(233,683) | $451,447 |

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Loans Receivable, net (as of June 30)** | | | | | |
| Multifamily programs | $ 297,982 | $ 299,276 | $ 314,588 | $ 363,128 | $ 382,833 |
| Homeownership programs | 586,498 | 548,869 | 510,358 | 447,542 | 447,134 |
| Home Improvement programs | 66,414 | 67,453 | 70,678 | 82,216 | 86,139 |
| Total | $ 950,894 | $ 915,598 | $ 895,624 | $ 892,886 | $ 916,106 |
| | | | | | |
| **Mortgage-backed securities (MBS), net at par (as of June 30)** | | | | | |
| Program mortgage-backed securities | $2,176,052 | $2,624,763 | $3,021,369 | $2,698,923 | $2,987,314 |
| Warehoused mortgaged-backed securities | 61,853 | 68,718 | 73,516 | 121,849 | 99,768 |
| Total | $2,237,905 | $2,693,481 | $3,094,885 | $2,820,772 | $3,087,082 |
| | | | | | |
| **Bonds Payable, net (as of June 30)** | | | | | |
| Multifamily programs | $ 53,250 | $ 59,755 | $ 63,295 | $ 72,880 | $ 62,110 |
| Homeownership programs | 2,634,542 | 3,044,251 | 3,390,509 | 3,287,503 | 3,414,180 |
| Home Improvement programs | - | - | - | - | - |
| Total | $2,687,792 | $3,104,006 | $3,453,804 | $3,360,383 | $3,476,290 |
| | | | | | |
| **MBS purchased at par and loans purchased or originated during year** | | | | | |
| Multifamily programs | $ 35,849 | $ 52,893 | $ 45,307 | $ 89,947 | $ 65,696 |
| Homeownership programs | 42,807 | 47,119 | 61,738 | 58,696 | 91,309 |
| Program and warehoused mortgage-backed securities | 648,062 | 696,597 | 837,103 | 791,619 | 913,030 |
| Home Improvement programs | 11,366 | 16,085 | 21,925 | 36,198 | 28,316 |
| Total | $ 738,084 | $ 812,694 | $ 966,073 | $ 976,460 | $1,098,351 |
| | | | | | |
| **Net Position (as of June 30)** | | | | | |
| Total Net Position* | $ 678,651 | $ 807,271 | $ 913,336 | $ 868,414 | $ 619,865 |
| Percent of total assets and deferred outflows of resources | 18.9% | 19.6% | 19.8% | 19.3% | 14.2% |
| | | | | | |
| **Revenues over expenses for the fiscal year** | $ (39,857) | $ 133,948 | $ 121,545 | $ (27,573) | $ (237,844) |

* Does not include State Appropriated

**Board of Directors**



**Legal and Financial Services**

*Bond Trustee and Bond Paying Agent*
Computershare Trust Company, National Association

*Bond Counsel*
Kutak Rock LLP, Atlanta

*Financial Advisor*
CSG Advisors Incorporated

*Underwriters*
RBC Capital Markets, J.P. Morgan Securities LLC, Piper Sandler & Co, Wells Fargo Bank, National Association

*Certified Public Accountants*
RSM US LLP

**Location**

Minnesota Housing is located at 400 Wabasha Street North, Suite 400, Saint Paul, Minnesota 55102.

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.mnhousing.gov

If you use a text telephone or Telecommunications Device for the Deaf, you may call (651) 297-2361.

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# APPENDIX A-2

## FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY

## (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)

## AS OF MARCH 31, 2023

## AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)

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# DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance (“RHFB”) excluding Pool 3, and RHFB Pool 3 (the “Funds”) as of March 31, 2023 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, 2023 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 position balance in that fund. This fund is not pledged to the payment of any debt obligations of the Agency but, to the extent net position 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 A-2 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 Position**
**as of**
**March 31, 2023**
**(unaudited)**
**(with comparative totals as of March 31, 2022)**
**(in thousands)**

| | | Bond Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Residential Housing Finance | | | | | | | | |
| | General Reserve | Rental Housing | Bonds | Pool 2 | Homeownership Finance Bonds | Multifamily Housing Bonds | HOMES SM | General Reserve and Bond Funds Excluding Pool 3 | RHFB Pool 3 | Fiscal 2023 General Reserve and Bond Funds as of March 31, 2023 | Fiscal 2022 General Reserve and Bond Funds as of March 31, 2022 |
| Assets | | | | | | | | | | | |
| Cash and cash equivalents | $ 101,841 | $ 46,689 | $ 152,095 | $ 36,804 | $ 30,389 | $ 1,891 | $ - | $ 369,709 | $ 3,738 | $ 373,447 | $ 402,975 |
| Investments-program mortgage-backed securities | - | - | 2,127,094 | - | 988,360 | - | - | 3,115,454 | - | 3,115,454 | 2,958,102 |
| Investment securities-other | - | 18,687 | 3,149 | 70,303 | 8,979 | - | 4,885 | 106,003 | 8,607 | 114,610 | 217,179 |
| Loans receivable, net | - | 165,263 | 209,240 | 463,857 | - | 12,952 | - | 851,312 | 130,098 | 981,410 | 901,104 |
| Interest receivable on loans and program mortgage-backed securites | - | 611 | 8,080 | 1,654 | 3,213 | 47 | - | 13,605 | 34 | 13,639 | 12,035 |
| Interest receivable on investments | 248 | 242 | 549 | 553 | 113 | 7 | 14 | 1,726 | 48 | 1,774 | 728 |
| Interest rate swap agreements | | - | 24,883 | | | | | 24,883 | | 24,883 | 6,786 |
| FHA/VA insurance claims, net | - | - | 130 | (17) | - | - | - | 113 | - | 113 | 47 |
| Real estate owned, net | - | - | 632 | 663 | - | - | - | 1,295 | (11) | 1,284 | 903 |
| Capital assets, net | 7,072 | - | - | - | - | - | - | 7,072 | - | 7,072 | 1,341 |
| Other assets | 3,955 | 2 | 13 | 748 | 7 | - | - | 4,725 | - | 4,725 | 4,574 |
| Total assets | 113,116 | 231,494 | 2,525,865 | 574,565 | 1,031,061 | 14,897 | 4,899 | 4,495,897 | 142,514 | 4,638,411 | 4,505,774 |
| Deferred Outflows of Resources | | | | | | | | | | | |
| Deferred loss on refunding | - | - | - | - | - | - | - | - | - | - | 2 |
| Deferred loss on interest rate swap agreements | | | 454 | - | - | - | - | 454 | | 454 | 525 |
| Deferred pension expense | 12,397 | - | - | - | | | | 12,397 | - | 12,397 | 2,434 |
| Total deferred outflows of resources | 12,397 | - | 454 | - | - | - | - | 12,851 | - | 12,851 | 2,961 |
| Total assets and deferred outflows of resources | $ 125,513 | $ 231,494 | $ 2,526,319 | $ 574,565 | $ 1,031,061 | $ 14,897 | $ 4,899 | $ 4,508,748 | $ 142,514 | $ 4,651,262 | $ 4,508,735 |
| Liabilities | | | | | | | | | | | |
| Bonds payable, net | $ - | $ 60,060 | $ 2,507,904 | $ 49,856 | $ 1,048,136 | $ 12,580 | $ 5,294 | $ 3,683,830 | $ - | $ 3,683,830 | $ 3,429,480 |
| Interest payable | - | 204 | 18,880 | 179 | 2,354 | 32 | 14 | 21,663 | - | 21,663 | 15,099 |
| Interest rate swap agreements | - | - | 454 | - | - | - | - | 454 | - | 454 | 525 |
| Net pension liability | 2,423 | - | | - | - | - | - | 2,423 | - | 2,423 | 10,189 |
| Accounts payable and other liabilities | 8,386 | 31,946 | 489 | 59,625 | 49 | - | - | 100,495 | 2 | 100,497 | 76,692 |
| Interfund payable (receivable) | (85) | (20,013) | (44,002) | 59,862 | (4) | - | - | (4,242) | 42 | (4,200) | (376) |
| Funds held for others | 76,304 | - | - | - | - | - | (409) | 75,895 | - | 75,895 | 72,900 |
| Lease Liability | 6,584 | - | - | - | - | - | - | 6,584 | - | 6,584 | - |
| Total liabilities | 93,612 | 72,197 | 2,483,725 | 169,522 | 1,050,535 | 12,612 | 4,899 | 3,887,102 | 44 | 3,887,146 | 3,604,509 |
| Deferred Inflows of Resources | | | | | | | | | | | |
| Deferred gain on interest rate swap agreementss | - | - | 24,883 | | | - | - | 24,883 | - | 24,883 | 6,786 |
| Deferred revenue-service release fees | | | 11,118 | 2,491 | 5,931 | - | - | 19,540 | - | 19,540 | 20,542 |
| Deferred pension credit | 22,813 | - | - | - | - | - | - | 22,813 | - | 22,813 | 19,329 |
| Total deferred inflows of resources | 22,813 | - | 36,001 | 2,491 | 5,931 | - | - | 67,236 | - | 67,236 | 46,657 |
| Total liabilities and deferred inflows of resources | 116,425 | 72,197 | 2,519,726 | 172,013 | 1,056,466 | 12,612 | 4,899 | 3,954,338 | 44 | 3,954,382 | 3,651,166 |
| Commitments and Contingencies | | | | | | | | | | | |
| Net Position | | | | | | | | | | | |
| Restricted by bond resolution | - | 159,297 | 6,593 | - | (25,405) | 2,285 | - | 142,770 | - | 142,770 | 314,397 |
| Restricted by covenant | 8,600 | - | - | 402,552 | - | - | - | 411,152 | 142,470 | 553,622 | 541,831 |
| Invested in capital assets | 488 | - | - | - | - | - | - | 488 | - | 488 | 1,341 |
| Total net position | 9,088 | 159,297 | 6,593 | 402,552 | (25,405) | 2,285 | - | 554,410 | 142,470 | 696,880 | 857,569 |
| Total liabilities, deferred inflows, and net position | $ 125,513 | $ 231,494 | $ 2,526,319 | $ 574,565 | $ 1,031,061 | $ 14,897 | $ 4,899 | $ 4,508,748 | $ 142,514 | $ 4,651,262 | $ 4,508,735 |

**General Reserve & Bond Funds**
**Statement of Revenues, Expenses and Changes in Net Position**
**for the nine months ended**
**March 31, 2023**
**(unaudited)**
**(with comparative totals for the nine months ended March 31, 2022)**
**(in thousands)**

| | | Bond Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Residential Housing Finance | | | | | | | Fiscal 2023 General Reserve and Bond Funds | Fiscal 2022 General Reserve and Bond Funds |
| | General Reserve | Rental Housing | Bonds | Pool 2 | Homeownership Finance Bonds | Multifamily Housing Bonds | HOMES[SM] | General Reserve and Bond Funds Excluding Pool 3 | RHFB Pool 3 | Nine Months Ended March 31, 2023 | Nine Months Ended March 31, 2022 |
| **Revenues** | | | | | | | | | | | |
| Interest earned on loans | $ - | $ 5,725 | $ 7,560 | $ 13,530 | $ - | $ 430 | $ - | $ 27,245 | $ 280 | $ 27,525 | $ 27,053 |
| Interest earned on investments-program mortgage-backed securities | - | - | 50,354 | - | 27,464 | - | - | 77,818 | - | 77,818 | 59,853 |
| Interest earned on investments-other | 537 | 1,210 | 5,109 | 7,021 | 800 | 43 | 127 | 14,847 | 293 | 15,140 | 7,246 |
| Net G/L on Sale of MBS Held for Sale/HM | - | - | - | 1,704 | - | - | - | 1,704 | - | 1,704 | 6,606 |
| Administrative reimbursement | 30,539 | - | - | - | - | - | - | 30,539 | - | 30,539 | 23,384 |
| Fees earned and other income | 11,860 | 43 | 1,785 | 1,816 | 1,080 | - | - | 16,584 | 40 | 16,624 | 13,496 |
| Unrealized (losses)gains on investments | - | (595) | (51,985) | (20,356) | (28,990) | - | - | (101,926) | (45) | (101,971) | (173,271) |
| Total revenues | 42,936 | 6,383 | 12,823 | 3,715 | 354 | 473 | 127 | 66,811 | 568 | 67,379 | (35,633) |
| **Expenses** | | | | | | | | | | | |
| Interest | 276 | 758 | 43,424 | 4,153 | 21,342 | 286 | 127 | 70,366 | - | 70,366 | 55,368 |
| Financing, net | | 8 | 1,858 | 20 | (320) | - | - | 1,566 | | 1,566 | (1,368) |
| Loan administration and trustee fees | - | 39 | 1,120 | 976 | 299 | 4 | - | 2,438 | 25 | 2,463 | 2,329 |
| Administrative reimbursement | - | 983 | 11,098 | 1,811 | 5,162 | 68 | - | 19,122 | 1,198 | 20,320 | 21,872 |
| Salaries and benefits | 25,912 | - | - | - | - | - | - | 25,912 | - | 25,912 | 24,063 |
| Other general operating | 8,013 | 6 | 60 | 686 | 29 | - | - | 8,794 | 1,216 | 10,010 | 6,029 |
| Reduction in carrying value of certain low interest rate deferred loans | - | - | 62 | (248) | - | - | - | (186) | (1,974) | (2,160) | 17 |
| Provision for loan losses | - | 130 | (386) | 796 | - | (1) | - | 539 | 1,065 | 1,604 | 28 |
| Total expenses | 34,201 | 1,924 | 57,236 | 8,194 | 26,512 | 357 | 127 | 128,551 | 1,530 | 130,081 | 108,338 |
| Revenues over (under) expenses | 8,735 | 4,459 | (44,413) | (4,479) | (26,158) | 116 | - | (61,740) | (962) | (62,702) | (143,971) |
| **Other changes** | | | | | | | | | | | |
| Non-operating transfer of assets between funds | (8,538) | 141 | 3,466 | (499) | 1,715 | - | - | (3,715) | 4,564 | 849 | - |
| Change in net position | 197 | 4,600 | (40,947) | (4,978) | (24,443) | 116 | - | (65,455) | 3,602 | (61,853) | (143,971) |
| **Net Position** | | | | | | | | | | | |
| Total net position, beginning of period | 8,891 | 154,697 | 47,540 | 407,530 | (962) | 2,169 | - | 619,865 | 138,868 | 758,733 | 1,001,540 |
| Total net position, end of period | $ 9,088 | $ 159,297 | $ 6,593 | $ 402,552 | $ (25,405) | $ 2,285 | $ - | $ 554,410 | $ 142,470 | $ 696,880 | $ 857,569 |

**General Reserve & Bond Funds**
**Statement of Cash Flows**
**for the nine months ended**
**March 31, 2023**
**(unaudited)**
**(with comparative totals for the nine months ended March 31, 2022)**
**(in thousands)**

| | | Bond Funds | | | | | | | | Fiscal 2023 General Reserve and Bond Funds | Fiscal 2022 General Reserve and Bond Funds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Residential Housing Finance | | | | | | | | |
| | General Reserve | Rental Housing | Bonds | Pool 2 | Homeownership Finance Bonds | Multifamily Housing Bonds | HOMES℠ | Bond Funds Excluding Pool 3 | RHFB Pool 3 | Nine Months Ended March 31, 2023 | Nine Months Ended March 31, 2022 |
| Cash flows from operating activities: | | | | | | | | | | | |
| Principal repayments on loans and program mortgage-backed securities | $ - | $ 27,220 | $ 117,285 | $ 30,192 | $ 76,882 | $ 171 | $ - | $ 251,750 | $ 8,599 | $ 260,349 | $ 607,998 |
| Investment in loans and program mortgage-backed securities | - | (14,353) | (524,630) | (93,956) | (51,476) | - | - | (684,415) | (27,925) | (712,340) | (967,599) |
| Interest received on loans and program mortgage-backed securities | - | 5,537 | 59,289 | 12,136 | 29,149 | 431 | - | 106,542 | 287 | 106,829 | 96,984 |
| Fees and other income received | 11,648 | 43 | 79 | 7,308 | - | - | - | 19,078 | 40 | 19,118 | 17,762 |
| Salaries, benefits and vendor payments | (30,404) | (4) | (1,145) | (4,758) | (269) | (4) | - | (36,584) | (1,537) | (38,121) | (36,897) |
| Administrative reimbursement from funds | 27,331 | (983) | (11,098) | (1,811) | (5,162) | (68) | - | 8,209 | (1,198) | 7,011 | 1,542 |
| Deposits into funds held for others | 28,424 | - | - | - | - | - | - | 28,424 | - | 28,424 | 27,518 |
| Disbursements made from funds held for others | (24,470) | - | - | - | - | - | - | (24,470) | - | (24,470) | (24,756) |
| Interfund transfers and other assets | (1,458) | (19,982) | (18,927) | 39,006 | (1) | - | - | (1,362) | 42 | (1,320) | (2,244) |
| Net cash provided (used) by operating activities | 11,071 | (2,522) | (379,147) | (11,883) | 49,123 | 530 | - | (332,828) | (21,692) | (354,520) | (279,692) |
| Cash flows from noncapital financing activities: | | | | | | | | | | | |
| Proceeds from sale of bonds and notes | (276) | 33,475 | 507,282 | 1,448,000 | 50,000 | - | - | 2,038,481 | - | 2,038,481 | 2,625,254 |
| Principal repayment on bonds and notes | - | (22,765) | (189,895) | (1,521,279) | (88,839) | (180) | (388) | (1,823,346) | - | (1,823,346) | (2,548,618) |
| Interest paid on bonds and notes | - | (771) | (57,792) | (3,300) | (21,362) | (286) | (128) | (83,639) | - | (83,639) | (73,906) |
| Financing costs paid related to bonds issued | - | (8) | (3,841) | (23) | (451) | - | - | (4,323) | - | (4,323) | (7,016) |
| Interest paid/received between funds | - | 108 | 603 | (740) | - | - | - | (29) | - | (29) | (91) |
| Principal paid/received between funds | - | - | - | - | - | - | - | - | - | - | |
| Agency contribution to progam funds | - | 141 | 11,252 | (13,446) | 2,053 | - | - | - | - | - | - |
| Transfer of cash between funds | (19,912) | - | - | 5,912 | - | - | - | (14,000) | 14,000 | - | - |
| | | | | | | | | - | | | |
| Net cash provided (used) by noncapital financing activities | (20,188) | 10,180 | 267,609 | (84,876) | (58,599) | (466) | (516) | 113,144 | 14,000 | 127,144 | (4,377) |
| Cash flows from investing activities: | | | | | | | | | | | |
| Investment in real estate owned | - | - | (71) | (68) | - | - | - | (139) | - | (139) | (53) |
| Interest received on investments | 1,598 | 960 | 4,327 | 7,026 | 654 | 37 | 128 | 14,730 | 308 | 15,038 | 7,633 |
| Net gain(loss) on Sale of MBS Held for Sale and HOME℠ Certificates | - | - | - | 4,457 | - | - | - | 4,457 | - | 4,457 | 14,801 |
| Proceeds from sale of mortgage insurance claims/real estate owned | - | - | 2,023 | 937 | - | - | - | 2,960 | 13 | 2,973 | 833 |
| Proceeds from maturity, sale or transfer of investment securities | 25,485 | 321 | 3,767 | 788,100 | 6 | - | 388 | 818,067 | 345 | 818,412 | 1,087,542 |
| Purchase of investment securities | (24,998) | (72) | - | (740,075) | (8,846) | - | - | (773,991) | - | (773,991) | (1,107,576) |
| Purchase of loans between funds | - | - | - | - | - | - | - | - | 5,515 | 5,515 | 7,639 |
| Net cash provided (used) by investing activities | 2,085 | 1,209 | 10,046 | 60,377 | (8,186) | 37 | 516 | 66,084 | 6,181 | 72,265 | 10,819 |
| Net increase (decrease) in cash and cash equivalents | (7,032) | 8,867 | (101,492) | (36,382) | (17,662) | 101 | - | (153,600) | (1,511) | (155,111) | (273,250) |
| Cash and cash equivalents: | | | | | | | | | | | |
| Beginning of period | 108,873 | 37,822 | 253,587 | 73,186 | 48,051 | 1,790 | - | 523,309 | 5,249 | 528,558 | 676,225 |
| End of period | $ 101,841 | $ 46,689 | $ 152,095 | $ 36,804 | $ 30,389 | $ 1,891 | $ - | $ 369,709 | $ 3,738 | $ 373,447 | $ 402,975 |

Refer to disclaimer on page A-2-1.

**General Reserve & Bond Funds**
**Statement of Cash Flows, continued**
**for the nine months ended**
**March 31, 2023**
**(unaudited)**
**(with comparative totals for the nine months ended March 31, 2022)**
**(in thousands)**

| | General Reserve | Bond Funds: Rental Housing | Bond Funds: Residential Housing Finance: Bonds | Bond Funds: Residential Housing Finance: Pool 2 | Bond Funds: Homeownership Finance Bonds | Bond Funds: Multifamily Housing Bonds | Bond Funds: HOMES[SM] | General Reserve and Bond Funds Excluding Pool 3 | RHFB Pool 3 | Fiscal 2023 General Reserve and Bond Funds Nine Months Ended March 31, 2023 | Fiscal 2022 General Reserve and Bond Funds Nine Months Ended March 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities: | | | | | | | | | | | |
| Revenues over (under) expenses | $ 8,735 | $ 4,459 | $ (44,413) | $ (4,479) | $ (26,158) | $ 116 | $ - | $ (61,740) | $ (962) | $ (62,702) | $ (143,971) |
| Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities: | | | | | | | | | | | |
| Amortization of premiums (discounts) and fees on program mortgage-backed securities | - | (162) | 3,373 | (1,102) | 1,684 | - | - | 3,793 | - | 3,793 | 10,627 |
| Amortization of premium and fees on sale of HOMES[SM] certificates | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 2,535 | - | - | - | - | - | - | 2,535 | - | 2,535 | 1,814 |
| (Loss) on sale of MBS held for sale and HOMES[SM] certificates | - | - | - | (1,704) | - | - | - | (1,704) | - | (1,704) | (6,606) |
| Realized losses (gains) on securities, net | - | 5 | - | 4 | - | - | - | 9 | - | 9 | (138) |
| Unrealized losses(gains) on securities, net | - | 595 | 51,985 | 20,356 | 28,990 | - | - | 101,926 | 45 | 101,971 | 173,271 |
| Provision for loan losses | - | 130 | (386) | 796 | - | (1) | - | 539 | 1,065 | 1,604 | 28 |
| Reduction in carrying value of certain low interest rate and/or deferred loans | - | - | 62 | (248) | - | - | - | (186) | (1,974) | (2,160) | 17 |
| Capitalized interest on loans and real estate owned | - | - | (397) | (223) | - | - | - | (620) | - | (620) | (811) |
| Interest earned on investments | (537) | (1,215) | (5,109) | (7,025) | (800) | (43) | (127) | (14,856) | (293) | (15,149) | (7,108) |
| Interest expense on bonds and notes | 276 | 758 | 43,424 | 4,153 | 21,342 | 286 | 127 | 70,366 | - | 70,366 | 55,368 |
| Financing expense on bonds | - | 8 | 1,858 | 20 | (320) | - | - | 1,566 | - | 1,566 | (1,368) |
| Changes in assets and liabilities: | | | | | | | | | | | |
| Decrease (increase) in loans receivable and program mortgage backed secuirities, excluding loans transferred between funds | - | 12,867 | (407,345) | (63,764) | 25,406 | 171 | - | (432,665) | (19,326) | (451,991) | (359,601) |
| (Increase) decrease in interest receivable on loans | - | (26) | (1,601) | (69) | 1 | 1 | - | (1,694) | 7 | (1,687) | 262 |
| (Decrease ) increase in arbitrage rebate liability | - | - | - | - | - | - | - | - | - | - | - |
| (Decrease) increase in accounts payable | 986 | 41 | (1,671) | 2,438 | (1,021) | - | - | 773 | (296) | 477 | (2,461) |
| (Decrease) increase in interfund payable, affecting | | | | | - | | | | | | |
| operating activities only | (3,288) | (20,000) | (19,000) | 38,958 | - | - | - | (3,330) | 42 | (3,288) | (770) |
| Increase in funds held for others | 3,954 | - | - | - | - | - | - | 3,954 | - | 3,954 | 2,762 |
| Other | (1,590) | 18 | 73 | 6 | (1) | - | - | (1,494) | - | (1,494) | (1,007) |
| Total | 2,336 | (6,981) | (334,734) | (7,404) | 75,281 | 414 | - | (271,088) | (20,730) | (291,818) | (135,721) |
| Net cash provided (used) by operating activities | $ 11,071 | $ (2,522) | $ (379,147) | $ (11,883) | $ 49,123 | $ 530 | $ - | $ (332,828) | $ (21,692) | $ (354,520) | $ (279,692) |

**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, 2023 (in thousands):

| Funds | Deposits | Money Market Funds | State Investment Pool | Investment Agreements | Combined Totals |
|---|---|---|---|---|---|
| General Reserve | $ - | $ - | $ 101,841 | $ - | $ 101,841 |
| Rental Housing | - | 46,689 | | - | 46,689 |
| Residential Housing Finance: | | | | | |
| Bonds | 325 | 151,513 | - | 257 | 152,095 |
| Pool 2 | 321 | 36,483 | - | - | 36,804 |
| Homeownership Finance | - | 30,389 | - | - | 30,389 |
| Multifamily Housing | - | 1,891 | - | - | 1,891 |
| HOMES℠ | - | - | - | - | - |
| Subtotal | 646 | 266,965 | 101,841 | 257 | 369,709 |
| Residential Housing Finance: | | | | | |
| Pool 3 | 39 | 3,699 | - | - | 3,738 |
| Total | $ 685 | $ 270,664 | $ 101,841 | $ 257 | $ 373,447 |

**General Reserve & Bond Funds**
**Investment Securities**
**(unaudited)**

Investment Securities

Investment securities (comprising US Treasuries, US Agencies, municipals, and mortgage-backed securities*) are recorded at fair market value and were allocated to the following funds at March 31, 2023 (in thousands):

| Funds | Amortized Cost | | Unrealized Appreciation in Fair Market Value | Estimated Fair Market Value |
|---|---|---|---|---|
| General Reserve | $ - | | $ - | $ - |
| Rental Housing | 19,460 | | (773) | 18,687 |
| Residential Housing Finance: | | | | |
| Bonds | 2,315,312 | 0 | (185,069) | 2,130,243 |
| Pool 2 | 75,394 | | (5,091) | 70,303 |
| Homeownership Finance | 1,078,493 | | (81,154) | 997,339 |
| Multifamily Housing | - | | - | - |
| HOMES SM | 5,294 | | (409) | 4,885 |
| Subtotal | 3,493,953 | | (272,496) | 3,221,457 |
| Residential Housing Finance: | | | | |
| Pool 3 | 8,587 | | 20 | 8,607 |
| Total | $ 3,502,540 | | $ (272,476) | $ 3,230,064 |

*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 position. 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 position.

**General Reserve & Bond Funds**
**Loans Receivable, net**
**(unaudited)**

Loans Receivable, net

Loans receivable, net at March 31, 2023 consist of the following (in thousands):

| Funds | Gross Loans Receivable | Allowance for Loan Losses | Loans Receivable, net |
|---|---|---|---|
| General Reserve | $ - | $ - | $ - |
| Rental Housing | 167,593 | (2,330) | 165,263 |
| Residential Housing Finance: | | | |
| Bonds | 211,297 | (2,057) | 209,240 |
| Pool 2 | 470,281 | (6,424) | 463,857 |
| Homeownership Finance | - | - | - |
| Multifamily Housing | 13,017 | (65) | 12,952 |
| HOMES$^{SM}$ | - | - | - |
| Subtotal | 862,188 | (10,876) | 851,312 |
| Residential Housing Finance: | | | |
| Pool 3 | 263,497 | (133,399) | 130,098 |
| Total | $ 1,125,685 | $ (144,275) | $ 981,410 |

Included in the table above are certain loans residing in RHFB Pool 3 that are originated at interest rates ranging from 0% to 5% and repayment of which 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 most are fully reserved resulting in a net carrying value of zero.

**General Reserve & Bond Funds**
**Bonds Payable, net**
**(unaudited)**

Bonds Payable, net

Bonds payable, net at March 31, 2023 consist of the following (in thousands):

| Funds | Par Bonds Outstanding | Premiums on Bonds | Bonds Payable, Net |
|---|---|---|---|
| General Reserve | $ - | $ - | $ - |
| Rental Housing | 60,060 | | 60,060 |
| Residential Housing Finance: | | | |
| Bonds | 2,471,330 | 36,574 | 2,507,904 |
| Pool 2 | 4,856 | | 4,856 |
| Homeownership Finance | 1,048,136 | | 1,048,136 |
| Multifamily Housing | 12,580 | | 12,580 |
| Homes$^{SM}$ | 5,294 | | 5,294 |
| Subtotal | 3,602,256 | 36,574 | 3,638,830 |
| Residential Housing Finance: | | | |
| Pool 3 | - | | - |
| Total | $ 3,602,256 | $ 36,574 | $ 3,638,830 |

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# APPENDIX B

## SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

**Purpose**

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondowners" or "Owners") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

**Definitions**

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the outstanding principal amounts and types of Program Securities pledged to the payment of Bonds outstanding under the Bond Resolution as the end of that fiscal year of a type substantially similar to that under the heading "The Residential Housing Finance Program—Mortgage Loan Portfolio and Acquired Program Securities" in the Official Statement; information of the type set forth in Appendix G to the Official Statement relating to mortgage insurance and delinquency and foreclosure statistics; information of the type set forth in Appendix H to the Official Statement relating to liquidity facilities for outstanding Bonds; and information under the heading "Security for the Bonds – Investment Obligations" in the Official Statement concerning funds held in respect of Bonds under the Bond Resolution in investment agreements.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, that 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 that person or entity provides to the Trustee evidence of that 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.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix B.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or another address or addresses as the MSRB may from time to time specify), the electronic format, accompanied by the identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of that information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix B.

**Annual Financial Information Disclosure**

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2023, by one of the following methods: (i) the Agency may deliver that Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent that Official Statement includes that Annual Financial Information and Audited Financial Statements.

The Agency shall deliver the information in Prescribed Form and by the time so that those entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to that effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents that have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of that change in Prescribed Form.

**Listed Events Disclosure**

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of that redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolutions. In addition, notice of the mandatory sinking fund redemption of certain of the Series Bonds is not required to be given as a Listed Event.

**Consequences of Failure of the Agency To Provide Information**

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolutions or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

**Amendment; Waiver**

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolutions at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

**Termination of Undertaking**

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

**Additional Information**

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update that information or include it in any future disclosure or notice of the occurrence of a Listed Event.

**Beneficiaries**

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

**Recordkeeping**

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of that disclosure, the names of the entities with whom that disclosure was filed and the date of filing that disclosure.

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# APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution. Terms defined herein are identical in all material respects with the definitions in the Bond Resolution or the Series Resolutions.

**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.

*Bondowner* or *Owner*: The registered owner of any outstanding Bond or Bonds which at the time is registered on the registration books maintained by the Trustee.

*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 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 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) 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.

*Defaulted Program Loan*: A Program Loan on which payments are 60 days in arrears (but not a Program Loan as to which all defaults have been cured to the satisfaction of the Agency).

*Delivery Period*: For the Series Bonds, the period of time for the purchase of Program Securities from the Master Servicer; the Delivery Period shall end on March 1, 2024, unless extended by the Agency pursuant to the Series Resolution.

*Fannie Mae*: The Federal National Mortgage Association or any successor thereto.

*Fannie Mae Security*: A single pool, guaranteed mortgage pass-through Fannie Mae Program Security, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

*Federal Mortgage Agency*: The Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Farmers Home Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

*FHA*: The Federal Housing Administration of the Department of Housing and Urban Development or any agency or instrumentality of the United States of America succeeding to the mortgage insurance functions thereof.

*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 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year, or such other 12-month period as may be designated by the Agency by Agency Certificate delivered to the Trustee.

*Freddie Mac*: The Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States created pursuant to the Federal Home Loan Mortgage Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459), and any successor to its functions.

*Freddie Mac Security*: A single pool, guaranteed mortgage pass-through Freddie Mac program security, guaranteed as to timely payment of principal and interest by Freddie Mac and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

*GNMA*: The Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within HUD, and any successor to its functions. Its powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C., §1716 et seq.).

*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), 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.

*Private Mortgage Insurer*: Any private mortgage insurance company approved by the applicable Federal Mortgage Agency and the Agency and providing private mortgage guaranty insurance on Conventional Mortgage Loans.

*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 Alternative Loan 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, except as otherwise provided in a Series Resolution) 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, except as otherwise provided in a Series Resolution), 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.

*Series:* All Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Bond Resolution.

*Series Resolution:* A resolution of the Agency authorizing the issuance and delivery of Bonds pursuant to the Bond Resolution.

*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.

*UMBS*: The common, single mortgage-backed securities backed by fixed-rate mortgages formally known as the Uniform Mortgage-Backed Security, issued as of June 3, 2019 by Fannie Mae and Freddie Mac, guaranteed by either Fannie Mae or Freddie Mac, depending upon which issues the UMBS. UMBS are a type of Program Security.

**Series Accounts**

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than 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 the Alternative Loan 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, 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 in 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 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.

**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 Alternative Loan 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.

**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 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.

**Program Loans; Modification of Terms**

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.

**Sale of Program Obligations**

The Agency may at any time sell, assign or otherwise dispose of a Program Obligation (or the premises to which such Program Obligation is related):

(i) in the event that payment under such Program Loan is delinquent more than 90 calendar days or, at any time, in order to realize the benefits of insurance with respect to such Program Obligation or property;

(ii) in order to obtain funds to provide for the redemption (whether optional or special, to the extent permitted by the terms of any applicable Series Resolution) or purchase of an amount of Bonds having a value corresponding to the value of such Program Obligation as reasonably estimated by the Agency; or

(iii) in the event that a Certificate of the Agency shall be filed with the Trustee, and each Rating Agency, which gives effect to the proposed sale thereof and states that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Agency to pay the Debt Service on the Outstanding Bonds when and as due and payable and reasonable and necessary Program Expenses.

**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 Bondowners) 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 D

# 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 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 I to this Official Statement.*

**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 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 those 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 those 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 that the Agency has acquired or committed to acquire are in most cases lower than the interest rates of those 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 those 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 the property be repaired by the mortgage holder prior to the 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 percent 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 percent 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 percent 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 percent 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 percent 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 loans originated in 2009 through 2011 is 25 percent of the greater of (i) the Freddie Mac conforming loan limit or (ii) 125 percent 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 percent of the market value of the property or 100 percent 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 percent of the original principal. Any loss in excess of this amount carries an 85 percent 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 percent of that Market Value. Each private mortgage insurer insuring those 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 S&P Global Ratings, Inc., 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 percent 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 percent of its policyholders' surplus (net of reinsurance); (c) no insurer shall have more than 20 percent 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 percent 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 that greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50 percent of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages that have resulted in the conveyance of property that 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 percent of its total admitted assets in the form of marketable securities or other highly liquid investments that 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 percent or 75 percent, 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 G to this Official Statement. 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 the 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 E

## BOOK-ENTRY-ONLY SYSTEM

**General**

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 that maturity, will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a Series, references herein to the Bondowners, Owners or registered owners of those Series Bonds means Cede & Co. or any other nominee and not the Beneficial Owners(as hereinafter defined) of those 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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 Beneficial Owner (as defined in Appendix B) 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 the Series Bonds of the Series is 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 any 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 that 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 those 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 the Series Bonds of the Series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond 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 purchase price of, and interest on, the Series Bonds will be made to Cede & Co., or any other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or 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 that 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, purchase price and interest to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of those payments to Direct Participants will be the responsibility of DTC, and disbursement of those payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Under the Series Resolutions, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations to the extent of the payments so made.

A Beneficial Owner must give notice to elect to have its Series Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and must effect delivery of such Series Bonds by causing the Direct Participant to transfer the Participant's interest in the Series Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Bonds to the Tender Agent's DTC account.

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 that information or as to the absence of material adverse changes in that 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 accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal, redemption price or purchase price of, or interest on, the Series Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Owners of Series Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (5) any consent given or other action taken by DTC as a Bondowner.*

**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 those circumstances, that Series of the Series Bonds are required to be delivered as described in the Series Resolutions. The Beneficial Owner, upon registration of those 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 that event, the Series Bonds of that Series are to be delivered as described in the Series Resolutions.

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# APPENDIX F

# FORM OF OPINION OF BOND COUNSEL

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[to be dated the date of issuance of the Series Bonds]

_________, 2023

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2023 Series L (Taxable)
2023 Series M (Taxable)

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, 2023 Series L (Taxable), in the aggregate principal amount of $70,000,000 (the "2023 Series L Bonds"), and its Residential Housing Finance Bonds, 2023 Series M (Taxable), in the aggregate principal amount of $30,000,000 (the "2023 Series M Bonds" and, together with the 2023 Series L Bonds, the "2023 Series Bonds") each series of which is issuable only as fully registered bonds of single maturities in denominations as are provided in the Series Resolutions referenced below.

The 2023 Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolutions referenced below. The 2023 Series Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and the 2023 Series M Bonds are subject to optional and mandatory tender, all as provided in the Series Resolutions referenced below.

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 (the "Bond Resolution"), and a Series Resolution relating to the 2023 Series L Bonds adopted June 6, 2023, and a Series Resolution relating to the 2023 Series M Bonds adopted October 27, 2022, as amended (together, the "Series Resolutions"). 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.

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 Resolution 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 Resolution and Series Resolutions; (3) the 2023 Series 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 Resolution 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 2023 Series 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 2023 Series 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; (5) the interest payable on the 2023 Series Bonds is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for state of

Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and (6) the 2023 Series Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code

We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2023 Series Bonds. All owners of 2023 Series 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 2023 Series Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2023 Series Bonds and the Bond Resolution and Series Resolutions is subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

# APPENDIX G

# CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO

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**Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of June 30, 2023**

| Series | FHA | VA | Rural Development | MGIC | Genworth | Other Private Mortgage Insurers* | Uninsured | Total |
|---|---|---|---|---|---|---|---|---|
| Retired | $ 9,236,259 | $ 318,034 | $ 3,374,368 | $ 7,411 | $ - | $ - | $ 3,258,177 | $ 16,194,249 |
| 07M | 519,527 | 81,602 | 543,941 | 451,335 | 126,424 | 100,522 | 1,691,384 | 3,514,735 |
| 07M-40 Year | - | - | - | 805,022 | - | 371,918 | 447,077 | 1,624,017 |
| 13ABC | 2,225,220 | 75,806 | 1,860,786 | 94,203 | - | - | 2,979,128 | 7,235,143 |
| 14A | 1,101,145 | 64,378 | 475,998 | 2,993 | 16,096 | 12,812 | 646,836 | 2,320,258 |
| 14B | 1,985,514 | 16,053 | 603,901 | 26,304 | 5,449 | - | 597,755 | 3,234,976 |
| 14CDE | 8,301,921 | 606,573 | 7,420,730 | 1,308,218 | 149,441 | 462,854 | 15,861,245 | 34,110,982 |
| 15ABCD | 2,569,957 | 151,779 | 1,624,928 | 232,227 | 128,519 | - | 5,740,485 | 10,447,895 |
| 15ABCD-40 Year | - | - | - | 115,737 | - | 628,765 | 157,200 | 901,702 |
| 15EFG | 4,104,913 | 204,565 | 4,913,978 | 732,106 | 387,885 | 352,598 | 9,827,913 | 20,523,958 |
| 15EFG-40 Year | - | - | - | 816,569 | 423,453 | 976,422 | 1,222,492 | 3,438,936 |
| 16ABC | 1,126,498 | 191,870 | 2,374,213 | 1,183,577 | 599,483 | 482,237 | 7,633,188 | 13,591,066 |
| 16ABC-40 Year | - | - | - | 1,820,939 | 608,463 | 1,351,096 | 1,375,106 | 5,155,604 |
| 16DEF | 1,506,772 | 183,409 | 1,035,376 | 692,480 | 213,421 | 149,997 | 2,656,674 | 6,438,129 |
| 16DEF-40 Year | - | - | - | 1,199,115 | - | 553,988 | 665,941 | 2,419,044 |
| 17ABC | 6,701,082 | 72,214 | 3,141,881 | 616,480 | 158,076 | - | 4,424,003 | 15,113,736 |
| 17ABC-40 Year | - | - | - | 1,665,695 | 434,259 | 641,108 | 2,108,368 | 4,849,430 |
| 17DEF | 3,658,511 | - | 851,945 | - | 31,988 | - | 2,415,261 | 6,957,705 |
| 17DEF-40 Year | - | - | - | 1,115,106 | - | 590,475 | 858,509 | 2,564,090 |
| 18ABCD | 3,749,071 | - | 2,126,739 | - | 9,425 | - | 2,124,101 | 8,009,336 |
| 19ABCD | 11,221,746 | 96,625 | 2,070,238 | 66,319 | 14,999 | 24,160 | 2,292,072 | 15,786,159 |
| Total Bond Financed | $ 58,008,136 | $ 2,062,908 | $ 32,419,022 | $ 12,951,836 | $ 3,307,381 | $ 6,698,952 | $ 68,982,915 | $ 184,431,150 |
| | 31.45% | 1.12% | 17.58% | 7.02% | 1.79% | 3.63% | 37.40% | 100.00% |

RMIC 1.536%, United 1.120%, PMI 0.574%, Radian Guarantee Fund 0.224%, Commonwealth 0.015%, Triad 0.164%, Amerin 0.000%

## RHFB Whole Loan Mortgage Portfolio

## Delinquency and Foreclosure Statistics as of June 30, 2023

| | | | 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 (1) | | Total (2) |
| Bond Financed: | Number of Loans | Balance Outstanding | # | % | # | % | # | % | # | % | % |
| Retired | 427.5 | $16,194,249 | 21.0 | 4.91 | 6.0 | 1.40 | 6.0 | 1.40 | 8.0 | 1.87 | 4.68 |
| 07M | 49.2 | 3,514,735 | 2.2 | 4.47 | 0.6 | 1.22 | - | - | 1.6 | 3.25 | 4.47 |
| 07M-40 Yr | 11.8 | 1,624,017 | 0.4 | 3.39 | - | - | - | - | 0.8 | 6.78 | 6.78 |
| 13ABC | 181.0 | 7,235,143 | 13.0 | 7.18 | 3.0 | 1.66 | - | - | 3.0 | 1.66 | 3.31 |
| 14A | 125.0 | 2,320,258 | 2.0 | 1.60 | 1.0 | 0.80 | - | - | 1.0 | 0.80 | 1.60 |
| 14B | 117.0 | 3,234,976 | 4.0 | 3.42 | 1.0 | 0.85 | - | - | 4.0 | 3.42 | 4.27 |
| 14CDE | 519.5 | 34,110,982 | 17.0 | 3.27 | 8.0 | 1.54 | 3.0 | 0.58 | 10.0 | 1.92 | 4.04 |
| 15ABCD | 145.0 | 10,447,895 | 3.0 | 2.07 | 5.0 | 3.45 | 1.0 | 0.69 | 3.0 | 2.07 | 6.21 |
| 15ABCD-40 Year | 6.0 | 901,702 | - | - | 1.0 | 16.67 | - | - | - | - | 16.67 |
| 15EFG | 314.0 | 20,523,958 | 18.0 | 5.73 | 1.0 | 0.32 | 2.0 | 0.64 | 10.0 | 3.18 | 4.14 |
| 15EFG-40 Year | 26.0 | 3,438,936 | 1.0 | 3.85 | - | - | - | - | - | - | - |
| 16ABC | 181.0 | 13,591,066 | 13.5 | 7.46 | 1.5 | 0.83 | 2.0 | 1.10 | 6.5 | 3.59 | 5.52 |
| 16ABC-40 Year | 40.0 | 5,155,604 | 2.0 | 5.00 | - | - | 1.0 | 2.50 | 2.0 | 5.00 | 7.50 |
| 16DEF | 134.8 | 6,438,129 | 7.3 | 5.42 | 1.9 | 1.41 | - | - | 3.4 | 2.52 | 3.93 |
| 16DEF-40 Year | 17.2 | 2,419,044 | 0.6 | 3.49 | - | - | - | - | 1.2 | 6.98 | 6.98 |
| 17ABC | 227.5 | 15,113,736 | 18.5 | 8.13 | 3.0 | 1.32 | 0.5 | 0.22 | 2.5 | 1.10 | 2.64 |
| 17ABC-40 Year | 45.0 | 4,849,430 | 4.0 | 8.89 | 1.0 | 2.22 | - | - | - | - | 2.22 |
| 17DEF | 96.0 | 6,957,705 | 4.0 | 4.17 | - | - | 1.0 | 1.04 | 4.0 | 4.17 | 5.21 |
| 17DEF-40 Year | 23.0 | 2,564,090 | - | - | - | - | - | - | - | - | - |
| 18ABCD | 174.5 | 8,009,336 | 4.0 | 2.29 | 1.0 | 0.57 | 1.0 | 0.57 | 5.0 | 2.87 | 4.01 |
| 19ABCD | 344.0 | 15,786,159 | 19.5 | 5.67 | 2.0 | 0.58 | 0.5 | 0.15 | 9.0 | 2.62 | 3.34 |
| Total Bond Financed | 3,205.0 | $184,431,150 | 155.0 | 4.84 | 37.0 | 1.15 | 18.0 | 0.56 | 75.0 | 2.34 | 4.06 |

All Loans are serviced by US Bank Home Mortgage.

If the number of properties 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) to purchase the mortgage loan that financed the property. 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. However, mortgage loans that were originated with 07LM Bonds were funded with proceeds of 07L (and series of Bonds that refunded 07L) and 07M in the fractions of 0.6 and 0.4, respectively. Currently, allocation of repayments and prepayments to each funding source may be expressed in multiples of 0.1.

(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 G-3 for comparative delinquency and foreclosure statistics.**

**continued from page G-2.**

| **Comparative 60+ Day Delinquency Statistics[1]** | 3/31/2023 | 6/30/2023 |
|---|---|---|
| Residential Housing Finance Bond Resolution Loan Portfolio | 2.85% | 2.63% |
| Mortgage Bankers Association of America, Minnesota[2] | 2.38% | 2.46% |
| Mortgage Bankers Association of America, National[2] | 2.57% | 2.54% |

| **Comparative Foreclosure Statistics[3]** | 3/31/2023 | 6/30/2023 |
|---|---|---|
| Residential Housing Finance Bond Resolution Loan Portfolio | 1.60% | 1.03% |
| Mortgage Bankers Association of America, Minnesota[2] | 0.73% | 0.61% |
| Mortgage Bankers Association of America, National[2] | 0.79% | 0.71% |

(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 G-2.

(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 6/30/23 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.50% Minnesota and 2.08% national. The unadjusted 6/30/23 Mortgage Bankers Association of America foreclosure rate is 0.29% Minnesota and 0.49% 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 G-2.

# APPENDIX H

## CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES FOR BONDS OUTSTANDING

**as of June 30, 2023**

**(unaudited)**

| Liquidity Provider | Related Bond Series | Bonds Outstanding | Expiration Date |
|---|---|---|---|
| Royal Bank of Canada | 2015 Series D | $ 13,460,000 | 8/11/2027 |
| | 2015 Series G | 27,710,000 | 11/17/2027 |
| | 2017 Series F | 33,180,000 | 11/17/2027 |
| | 2019 Series D | 32,425,000 | 7/1/2024 |
| | 2022 Series D | 48,945,000 | 3/16/2027 |
| | 2022 Series F | 50,000,000 | 5/12/2027 |
| | | $205,720,000 | |
| Federal Home Loan Bank of Des Moines | 2016 Series F | $ 38,200,000 | 1/2/2024 |
| | 2017 Series C | 32,045,000 | 7/19/2024 |
| | 2022 Series H | 50,000,000 | 7/7/2025 |
| | 2022 Series K | 25,000,000 | 9/29/2025 |
| | | $145,245,000 | |
| U.S. Bank National Association | 2019 Series H | $ 43,005,000 | 9/10/2024 |

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# APPENDIX I

# 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. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

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 the Central Paying and Transfer Agent is 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 the Master Servicer's servicing fee, which includes the GNMA guaranty fee), whether or not the Master Servicer receives those 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 the 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 (the 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 that ability may be affected by the 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 the 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 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 the 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 Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make the 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 each GNMA Security outstanding on the last day of the month preceding the calculation. Each GNMA Security carries an interest rate that is fixed below the lowest interest rate on the underlying mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before the 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 those 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 the timely payment in the event of the failure of the Master Servicer to pass through an amount equal to the 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 the payments as scheduled on the third business day after the twentieth day of each month. However, if the 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 that 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 will 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 that event, the GNMA Guaranty Agreement provides that on and after the time the Government National Mortgage Association directs a letter of extinguishment to the Master Servicer, the Government National Mortgage Association will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and will 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 responsibilities, duties or liabilities theretofore placed on the Master Servicer, and provided that no agreement is to 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 twentieth day (in the case of a GNMA II-Custom Pool Security) (or in each case if that day is not a business day then the next business day), of the first month following the date of issuance of the 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. 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 documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or 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 Single Family Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by a pool purchase contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a single family master trust agreement (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.

**Fannie Mae Securities**

Fannie Mae Securities are mortgage-backed pass-through securities issued and guaranteed by Fannie Mae under its MBS Program. As of June 3, 2019, each Fannie Mae Security will be a Uniform Mortgage-Backed Security ("UMBS") (see "The Residential Housing Finance Program—Uniform Mortgage-Backed 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, the 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 the Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not that principal balance is actually received. **The obligations of Fannie Mae under these 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 these 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 those 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 the Fannie Mae Security is issued), or, if the 25th day is not a business day, on the first business day next succeeding the 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 the Fannie Mae Security during the period beginning on the second day of the month prior to the month of the distribution and ending on the first day of the 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 the 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 that 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 that mortgage loan has been received, whether or not that 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 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.

Freddie Mac is a publicly traded company listed on the New York Stock Exchange (symbol: FRE). 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 documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or 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 those 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-backed pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. As of June 3, 2019, each Freddie Mac Security will be a Uniform Mortgage-Backed Security ("UMBS") (see "The Residential Housing Finance Program—Uniform Mortgage-Backed Securities"). 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 that are not UMBS begin on or about the 15th day of the first month following issuance. Payments on Freddie Mac Securities that are UMBS begin on the 25th day of the first month following issuance, or, if the 25th day is not a business day, on the first business day next succeeding the 25th day. 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 those 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, including the Program Securities to be financed with proceeds of the Series Bonds. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights), which replaces the previous servicing agreement executed by the Agency and the Master Servicer. The Program Securities acquired with proceeds of the Series Bonds are expected to be serviced by the Master Servicer.

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK NATIONAL ASSOCIATION. NONE OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL HAS VERIFIED THIS INFORMATION OR GUARANTEES IT AS TO COMPLETENESS OR ACCURACY. POTENTIAL INVESTORS SHOULD NOT CONSTRUE THIS INFORMATION AS A REPRESENTATION OF ANY OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL.

As of June 30, 2023, the Master Servicer serviced 1,350,576 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately $243.4 billion. The Master Servicer currently services single-family mortgage loans for state and local housing finance authorities, mutual savings banks, life insurance companies, savings and loan associations, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of June 30, 2023, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $680.8 billion and a net worth of $53.0 billion. For the six months ended June 30, 2023, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately $11.6 billion.

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 J

## CERTAIN DEFINITIONS WITH RESPECT TO THE 2023 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 or in substitution for an existing Liquidity Facility pursuant to the terms of the 2023 Series M Resolution. The extension or renewal of an extant Liquidity Facility will not be deemed an Alternate Liquidity Facility.

"*Bank*" means (i) with respect to the Initial Liquidity Facility for the 2023 Series M Bonds, TD Bank, N.A., 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 2023 Series M Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility, other than Self Liquidity.

"*Bank Interest 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 2023 Series M Bonds.

"*Business Day*" means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, New York are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed or (d) a day on which the principal office of the Trustee is authorized to be closed for regular business.

"*Conversion Date*" means the Business Day on which the interest rate on any of the 2023 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 2023 Series M Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the 2023 Series M Resolution.

"*Floating Rate Change*" means a change to all or a portion of the Variable Rate Bonds, FRNs or Index Bonds to bear interest at a New Floating Rate.

"*Floating Rate Change Date*" means the date on which a Floating Rate Change is effective (inclusive of a FRN Rate Change Date).

"*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 the 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 the Liquidity Facility will be extended or renewed.

"*Liquidity Facility*" means any instrument delivered pursuant to the terms of the 2023 Series M Resolution that provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the 2023 Series M 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 2023 Series M Bonds (other than Bank Bonds) 12 percent per annum, unless the Agency directs in writing that the rate be increased to a higher rate and delivers to the Trustee (a) an Agency Certificate to the Trustee to the effect that the increase will not impair the Ratings on the 2023 Series M Bonds by each Rating Agency; and (b) a certified copy of a resolution adopted by the Agency approving that increase in the Maximum Rate; and (ii) with respect to Bank Bonds, the meaning ascribed to that term in the Liquidity Facility;

provided, however, that in no event may the Maximum Rate, as described in (i) above, exceed the lesser of (a) 12 percent or a higher rate as approved by the Agency's governing body or specified for the Bank Bonds, 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 2023 Series M Bonds is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual 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 2023 Series M Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next change in Mode with respect to those 2023 Series M Bonds.

"*Non-Conforming Liquidity Facility*" means a liquidity facility delivered by the Agency pursuant to the 2023 Series M Resolution that does not meet the requirements for an Alternate Liquidity Facility.

"*Purchase Date*" means any date that 2023 Series M Bonds are to be purchased pursuant to the 2023 Series M Resolution.

"*Purchase Price*" means an amount equal to the principal amount of any 2023 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.

*"Qualified Index"* means one of the following indices: (i) SIFMA Swap Index, (ii) SOFR Index, (iii) BSBY Index, or (iv) such other variable rate index selected by the Agency as a commercially reasonable index.

"*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 15th day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then that Record Date will be deemed to be the first Business Day following that Record Date.

"*Remarketing Agreement*" means the Remarketing Agreement, between the Agency and TD Securities (USA) LLC, with respect to the 2023 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 those 2023 Series M Bonds.

*"Replacement Index"* means on any Floating Rate Change Date or Conversion Date, or on or after such date or after such period as an originally designated index pursuant to the 2023 Series M Resolution ceases to be available or ceases to be a reliable market indicator, such Qualified Index as shall be designated by the Agency in writing provided to the Calculation Agent via Electronic Means, together with the Effective Date of the substitute or replacement index.

"*Self-Liquidity*" means a liquidity facility provided by the Agency's own funds pursuant to the 2023 Series M Resolution, other than a Non-Conforming Liquidity Facility.

*"SOFR Index"* means the Secured Overnight Financing Rate ("SOFR"), as published on or about 8:00 a.m. (New York time) on the Federal Reserve's Website (or any successor publisher website) for each SOFR Published Date, representing the SOFR Index as of the SOFR Lookback Date. For any date that the SOFR does not so appear by 5:00 p.m. (New York time) on such date or if such date is not a U.S. Government Securities Business Day, the rate shall be the SOFR published on the Federal Reserve's Website on the first preceding U.S. Government Securities Business Day for which SOFR was published on the Federal Reserve's Website. On any date that a SOFR Index determination is necessary, if (1) the relevant rate is not available for any reason or (2) the Agency in its sole but commercially reasonable discretion determines that SOFR is no longer a reliable market indicator, then a comparable Replacement Index will be determined by such alternate method as reasonably selected and designated in writing by the Agency to the Calculation Agent and shall be used in place of the SOFR Index. "SOFR Published Date" means

the second U.S. Government Securities Business Day immediately preceding each Effective Rate Date. "SOFR Lookback Date" means the third U.S. Government Securities Business Day immediately preceding an Effective Rate Date. "U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor entity) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities. "Federal Reserve's Website" means the website of the Federal Reserve Bank of New York, or the website of any successor publisher of SOFR. Notwithstanding the foregoing, the Agency may choose to modify the description set forth above to a description that is commercially reasonable.

"*Tender Agent*" means the Trustee appointed pursuant to the Bond Resolution.

"*Variable Rate Bonds*" means 2023 Series M Bonds (or portion thereof) during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, or a Semiannual Mode Period (whether or not in each case those 2023 Series M Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds).

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# APPENDIX K

## SUMMARY OF CERTAIN PROVISIONS OF AND RELATING TO THE STANDBY BOND PURCHASE AGREEMENT

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## General

*The Initial Liquidity Facility for the 2023 Series M Bonds will be a Standby Bond Purchase Agreement. The following description is a summary of certain provisions of the Initial Liquidity Facility for the 2023 Series M Bonds. This summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facility. The provisions of any Alternate Liquidity Facility may be different from those summarized herein. Investors should obtain and review a copy of the Standby Bond Purchase Agreement in order to understand all terms of the documents. Certain information regarding the Initial Liquidity Provider appears in Appendix L to this Official Statement.*

The Initial Liquidity Facility provides that, subject to the terms and conditions set forth in the Initial Liquidity Facility, the Initial Liquidity Provider must purchase Eligible Bonds (as defined in the Initial 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 Bond Resolution and the 2023 Series M Resolution (together, the "Resolution"), in each case, to the extent those Eligible Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on September 14, 2028 (the *"Expiration Date"*), unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Initial Liquidity Provider to purchase Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be immediately and automatically suspended or terminated without notice to the Bondowners. In that 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 Initial 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 Initial Liquidity Provider

Subject to the terms and conditions of the Initial Liquidity Facility, the Initial Liquidity Provider will purchase from time to time during the period from the Effective Date (as defined in the Initial Liquidity Facility) to and including the close of business on the earliest of (a) the Expiration Date, (b) the day immediately succeeding the date on which no Bonds are Outstanding and (c) the date on which the Available Commitment (as defined in the Initial Liquidity Facility) and the Initial Liquidity Provider's obligation to purchase Eligible Bonds have been terminated in their entireties pursuant to terms of the Initial Liquidity Facility, Eligible Bonds tendered or deemed tendered from time to time, 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 Initial Liquidity Facility). The price to be paid by the Initial 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 those Eligible Bonds so purchased may not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of that purchase and, if the Purchase Date for such Eligible Bonds is also an Interest Payment Date, excluding all accrued interest). In no event shall the Purchase Price of any Eligible Bond include Defaulted Interest (as defined in the Initial Liquidity Facility) accrued on such Eligible Bond or any premium owed with respect to such Eligible Bond.

### Events of Default

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

**Events of Default not Permitting Immediate Termination**

(a) *Payments*. The Agency fails to pay (i) when due any amounts owed by the Agency to the Initial Liquidity Provider pursuant to certain sections of the Initial Liquidity Facility (other than as specified in the sub-heading "Events of Default Permitting Immediate Termination or Suspension" below); or (ii) within five Business Days after the same becomes due any amount owed to the Initial Liquidity Provider pursuant to any other section of the Initial Liquidity Facility or the Fee Letter (as defined in the Initial Liquidity Facility).

(b) *Representations*. Any representation or warranty made by or on behalf of the Agency in the Initial Liquidity Facility or in any other Related Document (as defined in the Initial Liquidity Facility) or in any certificate or statement delivered thereunder proves to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) *Covenants*. The Agency fails to observe or perform certain covenants under the Initial Liquidity Facility.

(d) *Other Covenants*. The Agency fails to perform or observe any other term, covenant or agreement (other than the ones described in any other paragraph under this sub-caption "**Events of Default not Permitting Immediate Termination**") contained in the Initial Liquidity Facility or any other Related Document on its part to be performed or observed which failure continues for 30 days or more after receipt of written notice of that failure from the Initial Liquidity Provider.

(e) *Other Documents*. Any Event of Default under any of the other Related Documents occurs.

(f) *Downgrade*. The rating assigned to the 2023 Series M Bonds or to any other Parity Debt (as defined in the Initial Liquidity Facility) (without regard to third party credit enhancement) by Moody's or S&P is withdrawn or suspended for credit related reasons or fall below "A2" by Moody's or "A" by S&P.

(g) *Cross Acceleration*. Any act or omission by the Agency occurs under any mortgage, agreement or other instrument under or pursuant to which any Material Debt (as defined in the Initial Liquidity Facility) is incurred or issued that results in that Material Debt becoming, or being capable of becoming, immediately due and payable.

(h) *Cross Default*. The Agency defaults under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued, and that default continues beyond the period of grace, if any, allowed with respect thereto.

(i) *Invalidity or Contest of Validity*. Other than as described in the sub-heading "Events of Default Permitting Immediate Termination or Suspension" below, (i) the Initial Liquidity Facility, any other Related Document or any provision of the Initial Liquidity Facility or of any Related Document at any time for any reason ceases to be valid and binding on the Agency or is 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 (as defined in the Initial Liquidity Facility) with appropriate jurisdiction contests the validity or enforceability of the Agency's obligations under the Initial Liquidity Facility or under the other Related Documents or deny that the Agency has any further liability or obligation under the Initial Liquidity Facility or under the other Related Documents.

(j) *Default*. The Agency defaults in the payment of any regularly scheduled amount due in respect of any Interest Rate Protection Agreement (as defined in the Initial Liquidity Facility) with the Initial Liquidity Provider with a notional amount equal to or greater than $5,000,000 or in the payment due in respect of any principal of or interest on any Debt outstanding in a principal amount equal to or greater than $5,000,000 owed to the Initial Liquidity Provider.

**Events of Default Permitting Immediate Termination or Suspension**

(a) *Event of Insolvency.* An Event of Insolvency (as defined below) has occurred with respect to the Agency.

(b) *Payment Default*. Any principal or interest due with respect to the 2023 Series M Bonds (including regularly scheduled payments of principal and interest on Bank Bonds (as defined in the Initial Liquidity Facility)) is not paid when due or the Agency fails to make or otherwise defaults in any regularly scheduled payment of principal of or interest on any other Material Debt (as defined in the Initial Liquidity Facility) beyond any grace period provided with respect thereto.

(c) *Invalidity*. (i) The Act, the 2023 Series M Bonds (including Bank Bonds), the Initial Liquidity Facility, the Resolution, any Material Debt, or any material provision of the Initial Liquidity Facility or of the Act, the 2023 Series M Bonds (including Bank Bonds), the Resolution or any Material Debt relating to the payment of principal of or interest on the 2023 Series M Bonds or other Material Debt, at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; (ii) the pledge of and Lien (as defined in the Initial Liquidity Facility) on the Trust Estate (as defined in the Initial Liquidity Facility) at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Act, the 2023 Series M Bonds (including Bank Bonds), the Resolution or any Material Debt finds or rules that any of the Act, the Initial Liquidity Facility, the 2023 Series M Bonds (including Bank Bonds), the Resolution or any Material Debt, as the case may be, or any provision of the Initial Liquidity Facility or of the Act, the 2023 Series M Bonds (including Bank Bonds), the Resolution or any Material Debt relating to (A) the payment of principal of or interest on the 2023 Series M Bonds (including Bank Bonds) or any Material Debt or (B) the pledge of and Lien on the Trust Estate is not valid or not binding on the Agency or is null and void.

(d) *Contest of Validity*. The Agency or any Governmental Authority with appropriate jurisdiction (i) repudiates or denies that the Agency has any further liability or obligation under the Initial Liquidity Facility, under the 2023 Series M Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt or (ii) claims that any of the provisions that provide (A) for the payment of principal of or interest on the 2023 Series M Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2023 Series M Bonds (including Bank Bonds) or the Initial Liquidity Facility, is not valid or not binding on the Agency; or (iii) initiates any legal proceedings to seek an adjudication that any of the provisions that provide (A) for the payment of principal of or interest on the 2023 Series M Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2023 Series M Bonds (including Bank Bonds) or the Initial Liquidity Facility is not valid or not binding on the Agency; or (iv) has taken or permitted to be taken any official action, or has duly enacted any statute that would make or cause any provision of the 2023 Series M Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt that provide (A) for the payment of principal of or interest on the 2023 Series M Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2023 Series M Bonds (including Bank Bonds) or the Initial Liquidity Facility to be null and void, invalid or unenforceable.

(e) *Investment Grade Rating*. The unenhanced rating of the 2023 Series M Bonds or any other Material Debt is (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) *Judgment*. (i) One or more final, non-appealable judgments or orders in an amount in excess of $5,000,000 in the aggregate is rendered against the Agency and (ii) those judgments or orders have not been paid in accordance with the terms of those judgments or orders or discharged, vacated, satisfied or stayed within 60 days after entry thereof or if, after the expiration of any stay, those judgments or orders have not been paid in accordance with the terms of those judgments or orders or discharged.

*"Event of Insolvency"* means, with respect to any Person (as defined in the Initial Liquidity Facility), the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of that Person;

(b) (i) the commencement against that Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to that Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for that Person or any substantial part of its property or the appointment, and that Person consents to such case or other proceeding at any time, or such case or other proceeding remains uncontested by that Person for a period of 60 days or such case or proceeding results in an order for such relief; (ii) the commencement by that Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to that Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for that Person or any substantial part of its property or the appointment; or (iii) the designation with respect to that Person, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it of the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by that Person;

(d) that Person is "insolvent" as defined in Section 101(32) of the United States Bankruptcy Code;

(e) the declaration of a moratorium with respect to the payment of the debts of that Person, which, in the case of the Agency, means that a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, Material Debt as a result of a finding or ruling of a Governmental Authority with jurisdiction over the Agency;

(f) the admission by that Person in writing of its inability to pay its debts when due; or

(g) the initiation of any actions to authorize any of the foregoing by or on behalf of that Person.

**Remedies**

The following are remedies available to the Initial Liquidity Provider under the Initial Liquidity Facility upon the occurrence of an Event of Default thereunder:

(a) *Immediate Termination*. Upon the occurrence of any Event of Default described in paragraphs (a), (b), (c)(i), (c)(ii), (d), (e) or (f) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (each an *"Immediate Termination Event"*), the Available Commitment, the Purchase Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the Initial Liquidity Provider will promptly give written notice of the same to the Agency, the Trustee, the Tender Agent and the Remarketing Agent; *provided* that the Initial Liquidity Provider will incur no liability of any kind by reason of its failure to give that notice, and that failure will in no way affect the termination of the Available Commitment, the Purchase Period and the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility.

(b) *Termination with Notice*. Upon the occurrence of any Event of Default described under the sub-caption **"Events of Default not Permitting Immediate Termination"**, the Initial Liquidity Provider may terminate the Available Commitment and Purchase Period (as defined in the Initial Liquidity Facility) by giving a Notice of Termination Date (as defined in the Initial Liquidity Facility) to the Agency, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period will terminate, which date will be not less than 30 days after the date of receipt of that Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period will terminate and the Initial Liquidity Provider will be under no further obligation to purchase Eligible Bonds under the Initial Liquidity Facility.

(c) *Suspension Events*. In the case of an Event of Default specified in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (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 Initial Liquidity Provider's obligation to purchase Eligible Bonds will be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds until that obligation is reinstated as described in this paragraph (c). Promptly upon the Initial Liquidity Provider obtaining knowledge of any Immediate Suspension Event, the Initial Liquidity Provider will give written notice to the Agency, the Tender Agent, the Trustee and the Remarketing Agent of that suspension; *provided* that the Initial Liquidity Provider will incur no liability or responsibility whatsoever by reason of its failure to give that notice and that failure will in no way affect the suspension of the Initial Liquidity Provider's obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** enters a final, non-appealable judgment that any provision is not valid and binding on the Agency, then, in either case, the Purchase Period, the Available Commitment and the Initial Liquidity Provider's obligation to purchase Eligible Bonds will immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in clause (iii) of paragraph (c) the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** thereafter finds or rules that those provisions are valid and binding on the Agency, the Initial Liquidity Provider's obligation to purchase Eligible Bonds under the Initial Liquidity Facility will be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the obligation of the Initial Liquidity Provider to purchase Eligible Bonds under the Initial Liquidity Facility otherwise has terminated or been suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date that is two years after the effective date of suspension of the Initial Liquidity Provider's obligation pursuant to this paragraph (c), litigation is still pending and a judgment regarding the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** that are the cause of that Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will at that time immediately terminate and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds.

(d) *Other Remedies*. In addition to the rights and remedies provided in paragraphs (a), (b) and (c) above, upon the occurrence and during the continuation of any Event of Default specified in any provision under the caption "**Events of Default**" above, upon the election of the Initial Liquidity Provider: (i) all amounts payable under the Initial Liquidity Facility, under the Fee Letter and under Bank Bonds will, upon demand by the Initial Liquidity Provider given to the Agency and the Trustee, become immediately due and payable without other presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Agency pursuant to the Initial Liquidity Facility; and (ii) all Bank Bonds will, upon demand by the Initial Liquidity Provider made to the Agency and the Trustee, become subject to immediate mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. Upon the occurrence of any Event of Default as specified in any provision under the caption "**Events of Default**" above, the Initial Liquidity Provider will have all the rights and remedies available to it under the Initial Liquidity Facility, the other Related Documents or otherwise pursuant to law or equity; *provided, however,* that the Initial Liquidity Provider will not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due under the Initial Liquidity Facility due and payable except as expressly provided in the Initial Liquidity Facility.

(e) *Remedies Non-exclusive*. The remedies provided under the caption "**Remedies**" above will 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 Initial Liquidity Provider. If, for any reason whatsoever, the Initial Liquidity Provider is not able to obtain all those remedies, then the Initial Liquidity Provider thereby reserves the right and will 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 and during the continuation of an Event of Default under the sub-caption "**Events of Default not Permitting Immediate Termination or Suspension**," the Initial Liquidity Provider exercises its rights under paragraph (d) under the caption "**Remedies**" above or under the Initial Liquidity Facility to declare the amounts owed thereunder, under the Fee Letter 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 those accelerated amounts will not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to paragraph (a) under the caption "**Remedies**" above.

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# APPENDIX L

# CERTAIN INFORMATION REGARDING THE INITIAL LIQUIDITY PROVIDER

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**Information Regarding TD Bank, N.A.**

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer and trust services and indirect automobile dealer financing. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of June 30, 2023, the Bank had consolidated assets of $303.9 billion, consolidated deposits of $374.2 billion and stockholder's equity of $44.7 billion, based on regulatory accounting principles.

Additional information regarding the foregoing, and the Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Standby Bond Purchase Agreement has been issued by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with International Financial Reporting Standards, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN THE BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE STANDBY BOND PURCHASE AGREEMENT.

The Bank is responsible only for the information contained in this section of the Official Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

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