

NEW ISSUE

RATINGS: Moody's: 2015 Series ABC: "Aa1" 2015 Series D: "Aa1/VMIG 1"
 S&P: 2015 Series ABC: "AA+" 2015 Series D: "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.



\$124,550,000

MINNESOTA HOUSING FINANCE AGENCY

\$43,070,000 Residential Housing Finance Bonds, 2015 Series A (AMT)

\$1,475,000 Residential Housing Finance Bonds, 2015 Series B (Non-AMT)

\$61,780,000 Residential Housing Finance Bonds, 2015 Series C (Non-AMT)[†]

\$18,225,000 Residential Housing Finance Bonds, 2015 Series D (AMT)

Dated Date: Date of Delivery

Due: As shown on inside front cover

Tax Exemption Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" 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 2015 Series D 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 of Minnesota 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 2015 Series D Bonds tendered will, subject to the terms and conditions of that support, initially be provided by Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York. See "Liquidity Facility" and "Security for the Bonds" herein.

Interest Payment Dates January 1 and July 1, commencing January 1, 2016, and, in respect of a Series Bond to be redeemed or subject to mandatory tender, the redemption date or mandatory tender date.

Denominations \$5,000 or any integral multiple thereof for the 2015 Series A Bonds, the 2015 Series B Bonds and the 2015 Series C Bonds, and \$100,000 or any integral multiple of \$5,000 in excess thereof for the 2015 Series D Bonds.

Closing/Settlement August 11, 2015 through the facilities of DTC in New York, New York.

Bond Counsel Kutak Rock LLP, Atlanta, Georgia.

Underwriters' Counsel Dorsey & Whitney LLP, Des Moines, Iowa.

Trustee Wells Fargo Bank, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System The Depository Trust Company. See Appendix F hereto.

The Series Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

Piper Jaffray & Co.

Wells Fargo Securities

Edward Jones

The date of this Official Statement is July 30, 2015.

RBC Capital Markets, LLC is the initial Remarketing Agent for the 2015 Series D Bonds.

[†] Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See "Tax Exemption and Related Considerations" herein.)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

2015 Series A Bonds (AMT)

\$43,070,000 4.000% Term Bonds Due January 1, 2041 at 107.919% (CUSIP 60416SKD1*)

2015 Series B Bonds (Non-AMT)

\$1,475,000 Serial Bonds

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>	<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
January 1, 2016	\$1,300,000	0.400%	60416SKE9	July 1, 2016	\$175,000	0.500%	60416SKF6

Price of Serial Bonds — 100%

2015 Series C Bonds (Non-AMT)[†]

\$37,535,000 Serial Bonds

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>	<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
July 1, 2016	\$1,390,000	0.400%	60416SKG4	January 1, 2022	\$1,790,000	2.350%	60416SKT6
January 1, 2017	1,575,000	0.625	60416SKH2	July 1, 2022	1,820,000	2.400	60416SKU3
July 1, 2017	1,590,000	0.800	60416SKJ8	January 1, 2023	1,855,000	2.550	60416SKV1
January 1, 2018	1,605,000	1.100	60416SKK5	July 1, 2023	1,890,000	2.600	60416SKW9
July 1, 2018	1,625,000	1.200	60416SKL3	January 1, 2024	1,930,000	2.750	60416SKX7
January 1, 2019	1,645,000	1.350	60416SKM1	July 1, 2024	1,965,000	2.800	60416SKY5
July 1, 2019	1,665,000	1.450	60416SKN9	January 1, 2025	2,005,000	2.900	60416SKZ2
January 1, 2020	1,690,000	1.700	60416SKP4	July 1, 2025	2,050,000	2.950	60416SLA6
July 1, 2020	1,715,000	1.800	60416SKQ2	January 1, 2026	2,090,000	3.050	60416SLB4
January 1, 2021	1,740,000	2.050	60416SKR0	July 1, 2026	2,135,000	3.100	60416SLC2
July 1, 2021	1,765,000	2.100	60416SKS8				

Price of Serial Bonds — 100%

\$24,245,000 3.600% Term Bonds Due July 1, 2031 at 100% (CUSIP 60416SLD0*)

2015 Series D Bonds (AMT)

\$18,225,000 Variable Rate Demand Term Bonds Due January 1, 2046 (CUSIP 60416S LE8*)

(The initial interest rate on the 2015 Series D Bonds will be set forth in a certificate of the Remarketing Agent delivered to the Trustee at closing.)

Price of 2015 Series D Bonds — 100%

*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.

[†]Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See “Tax Exemption and Related Considerations” herein.)

None of Minnesota Housing Finance Agency, Royal Bank of Canada (the “Initial Liquidity Provider”) or the Underwriters has authorized any dealer, broker, salesman 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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	4
THE AGENCY	6
ESTIMATED SOURCES AND USES OF FUNDS	14
THE SERIES BONDS	14
LIQUIDITY FACILITY	24
SECURITY FOR THE BONDS	24
THE RESIDENTIAL HOUSING FINANCE PROGRAM	28
OTHER PROGRAMS	33
TAX EXEMPTION AND RELATED CONSIDERATIONS	35
LITIGATION	38
LEGAL MATTERS	38
RATINGS	38
FINANCIAL ADVISOR	38
UNDERWRITING	39
MISCELLANEOUS	39
 APPENDIX A	 AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2014
APPENDIX B	FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS) AS OF MARCH 31, 2015 AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)
APPENDIX C	SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING
APPENDIX D	SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION
APPENDIX E	MORTGAGE INSURANCE PROGRAMS AND STATE LAWS AFFECTING FORECLOSURES
APPENDIX F	BOOK-ENTRY-ONLY SYSTEM
APPENDIX G	FORM OF OPINION OF BOND COUNSEL
APPENDIX H	CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO
APPENDIX I	CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES FOR CERTAIN OUTSTANDING BONDS
APPENDIX J	CERTAIN INFORMATION RELATING TO GNMA, FANNIE MAE, FREDDIE MAC AND CERTAIN PROGRAM SECURITIES AND THE MASTER SERVICER
APPENDIX K	CERTAIN DEFINITIONS WITH RESPECT TO THE 2015 SERIES D BONDS
APPENDIX L	SUMMARY OF CERTAIN PROVISIONS OF AND RELATING TO THE STANDBY BOND PURCHASE AGREEMENT
APPENDIX M	CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT
relating to
\$124,550,000
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS,
2015 SERIES A, 2015 SERIES B, 2015 SERIES C AND 2015 SERIES D

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, 2015 Series A (the “2015 Series A Bonds”), 2015 Series B (the “2015 Series B Bonds”), 2015 Series C (the “2015 Series C Bonds” and, collectively with the 2015 Series A Bonds and the 2015 Series B Bonds, the “2015 Series ABC Bonds”), and 2015 Series D (the “2015 Series D Bonds” and, collectively with the 2015 Series ABC 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 series resolutions of the Agency adopted on November 20, 2014 and June 25, 2015 (the “2014/2015 Fixed Rate Series Resolutions”) and on July 23, 2015 (the “2015 Series D Resolution” and, collectively with the 2014/2015 Fixed Rate Series Resolutions, the “2014/2015 Series Resolutions”). (The Bond Resolution and the 2014/2015 Series Resolutions are herein sometimes referred to as the “Resolutions.”)

The Residential Housing Finance Bonds Outstanding in the aggregate principal amount of \$1,104,035,000 as of June 30, 2015 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 D and Appendix K. The summaries and references in this Official Statement to the Act, the Resolutions, the Standby Bond Purchase Agreement 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, the Resolutions and the Standby Bond Purchase Agreement are qualified in their entirety by the complete text of the Act, the Resolutions and the Standby Bond Purchase Agreement, 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 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 to this Official Statement at pages 55 and 56 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 Homeownership Finance Program—History and Transition to ‘MBS’ Model.”)

The Agency is issuing the Series Bonds to refund certain outstanding Bonds of the Agency (the “Refunded Bonds”) and to provide money for 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. 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 the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or having certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac. As a result of the refunding of the Refunded Bonds, the Agency will allocate to the Series Bonds certain Program Loans allocable to the Refunded Bonds. (See “Estimated Sources and Uses of Funds.”)

The 2015 Series D Bonds will bear interest at a rate determined weekly (the “Weekly Mode”), unless the Agency converts 2015 Series D Bonds to a different interest-rate-setting mode (a “Mode”) as described herein. Except as otherwise provided herein, so long as the 2015 Series D Bonds are in the Weekly Mode, the owners of any 2015 Series D Bonds are entitled to demand purchase of their 2015 Series D 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 2015 Series D Bonds for purchase under certain circumstances. RBC Capital Markets, LLC will act as the initial remarketing agent for the 2015 Series D Bonds (the “Remarketing Agent”). (See “Description of the Series Bonds – Remarketing of 2015 Series D 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 2015 Series D Bonds until the date, if any, when the Agency has converted all 2015 Series D 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 2015 Series D Bonds will be a Standby Bond Purchase Agreement (2015D Series) (the “Standby Bond Purchase Agreement”), between the Agency, the Trustee, the Tender Agent and Royal Bank of Canada (the “Initial Liquidity Provider”), acting through its branch currently located at 200 Vesey Street, New York, New York. The Initial Liquidity Facility has a stated expiration date of August 11, 2022, 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 2015 Series D Bonds, and will provide for the purchase by the Initial Liquidity Provider on the terms and conditions specified therein of tendered 2015 Series D 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 a Termination Event thereunder) or is to be replaced with another Liquidity Facility, the 2015 Series D Bonds are subject to mandatory tender. If a Termination Event or Suspension Event has occurred under the Standby Bond Purchase Agreement, the Initial Liquidity Provider will have no obligation to purchase the 2015 Series D Bonds and the Remarketing Agent will be entitled to suspend its efforts to remarket 2015 Series D Bonds. (See “Description of the Series Bonds—Optional and Mandatory Tender of Certain 2015 Series D Bonds—Agency Not Responsible to Owners for Initial Liquidity Provider’s Failure to Purchase 2015 Series D Bonds” herein, and “Appendix L – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement” hereto.)

This Official Statement provides information to prospective investors of 2015 Series D Bonds while those Series Bonds are in the Weekly Mode and while the Initial Liquidity Facility remains in effect. Prospective investors of 2015 Series D Bonds in the event of a Mode Change, if a Conversion 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 or Conversion and the related remarketing of 2015 Series D 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 2015 Series D Bonds, effective on the anticipated date of delivery of the 2015 Series D Bonds. (See “The Series Bonds — Interest on the 2015 Series D Bonds” 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 not used to refund the Refunded Bonds to acquire Program Securities backed by qualifying single family first mortgage loans. 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 or certain home improvement loans. (See “Security for the Bonds” and “Appendix D – Summary of Certain Provisions of the Bond Resolution.”)

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 of Minnesota 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 of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of

decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce 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 Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

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

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

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

Joseph Johnson III, Vice Chairman — Term expires January 2017, Duluth, Minnesota – Banker

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

George A. Garnett, Member — Term expires January 2018, St. Paul, Minnesota – Strategic Development Director

Craig Klausing, Member – Term expires January 2019, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2019, Elk River, Minnesota – Writer and Publisher

Staff

The staff of the Agency presently consists of approximately 240 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 of Minnesota provides certain legal services to the Agency.

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

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

vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and the National Council of State Housing Agencies.

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

Rob Tietz — Chief Financial Officer, appointed effective January 2014. Prior to joining the Agency, Mr. Tietz was employed by the Iowa Finance Authority where he served as Financial Analyst/Finance and Funding Manager from August 2009 to January 2014. From 2001 to August 2009, he was a municipal bond trader and portfolio manager at Principal Global Investors, in Des Moines, Iowa. Mr. Tietz has a Bachelor of Science degree in Finance from Drake University.

Terrance Schwartz — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science Degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

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

Kasey Kier — Assistant Commissioner, Single Family Division appointed effective December 2014. Ms. Kier's previous experience with the Agency includes Single Family Business Operations Manager from August 2012 to December 2014, Low Income Housing Tax Credit Program Manager from 2005 to 2012, Multifamily Housing Program Professional from 2000 to 2005 and various positions in the Single Family Division with increasing responsibility from 1994 to 2000. Prior to that, Ms. Kier held positions at Prudential Home Mortgage and ITT Financial Corporation. Ms. Kier holds a Bachelor of Arts Degree in Business Management and Management Information Systems from Augsburg College, Minneapolis, Minnesota. Ms. Kier is a graduate of the Mortgage Bankers Association School of Mortgage Banking and holds the Accredited Mortgage Professional (AMP) specialist designation. Ms. Kier also holds Project Management Professional (PMP) certification through the Project Management Institute and Housing Development Finance Professional certification through the National Development Council.

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

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2014, included in this Official Statement as Appendix A, have been audited by McGladrey LLP, independent auditors, as stated in their report appearing herein. McGladrey LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2014. McGladrey 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 as of and for the fiscal year ended June 30, 2014 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 in the Notes to Financial Statements at pages 57 and 58 under the heading “Defined Benefit Pension Plan.” As noted in the information under that heading, the details of the plan are provided on a System-wide basis and the Agency’s portion was not separately determinable. As described in Appendix A in the Notes to Financial Statements at page 35 under the heading “Summary of Significant Accounting Policies — New Accounting Pronouncements,” the new GASB pension-related Statement 68 - Accounting and Financial Reporting for Pensions is effective for the Agency’s fiscal year ended June 30, 2015. The State of Minnesota has preliminarily indicated to the Agency that its allocable portion of unfunded pension plan liability with respect to MSRS is \$23 million.

In Appendix B 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, 2015. The Agency has prepared the information in Appendix B 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 B 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 C 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 ended June 30, 2015, 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 C — Summary of Continuing Disclosure Undertaking.”)

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 C — 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>, 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% 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 \$683.047 million, representing the combined net position of these funds so calculated as of June 30, 2014. 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, 2014 appears in the notes to the financial statements of the Agency included in Appendix A to this Official Statement at pages 55 and 56 under the heading “Net Position — Restricted by Covenant.”

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, 2015 (unaudited) (in thousands):

	Nine Months Ended March 31, 2015 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2014</u>	Fiscal Year Ended <u>June 30, 2013</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$8,066	\$9,105	\$ 9,386
Interest earned on investments	72	96	118
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>14,390</u>	<u>20,656</u>	<u>19,820</u>
Total revenues	22,528	29,857	29,324
Expenses			
Salaries and benefits	17,017	20,909	19,135
Other general operating expenses	<u>4,812</u>	<u>5,330</u>	<u>5,427</u>
Total expenses	21,829	26,239	24,562
Revenues over expenses	699	3,618	4,762
Non-operating transfer of assets between funds ⁽⁴⁾	(2,376)	(4,813)	(5,897)
Change in net position	(1,677) ⁽⁵⁾	(1,195) ⁽⁵⁾	(1,135) ⁽⁵⁾
Net position beginning of period	<u>17,783</u>	<u>18,978</u>	<u>20,113</u>
Net position end of period	<u>\$16,106</u>	<u>\$17,783</u>	<u>\$18,978</u>

-
- (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 heading "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix A to this Official Statement for additional information.
 - (5) The significant reductions in net position for fiscal years 2013 and 2014 and for the first nine months in fiscal year 2015 reflect the reduction in the amount required to be retained in Pool 1 under the investment guidelines described above due to the fact that the Agency's whole loan single family mortgage loan portfolio is in runoff (as a result of transition to an MBS model (see "The Residential Housing Finance Program—History and Transition to 'MBS' Model"))).

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, 2009, 2011, 2013 and 2015, the total appropriations to the Agency aggregated approximately \$407.0 million. This total amount of appropriations includes special appropriations for disaster recovery of approximately \$36.9 million and reflects unallocations and budget reductions of approximately \$8.9 million. Reductions in appropriations during these periods did not adversely affect the Agency's ability to operate its programs. For the current biennium ending June 30, 2017, the Legislature appropriated approximately \$104.6 million to the Agency, including an increase of approximately 2.6% to the Agency's base budget for state appropriations.

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 June 30, 2015:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	10	2049	\$ 46,240	\$ 42,930
Residential Housing Finance Bonds	51	2048	2,015,110	1,104,035
Homeownership Finance Bonds	23	2045	1,038,345	836,451
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	14,430
Totals	85		\$3,114,695	\$1,997,846

*Does not include series of bonds or the original principal amount of any bonds that had been, as of June 30, 2015, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net 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 Residential Housing Finance Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to those variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A to this Official Statement and in the unaudited financial statements contained in Appendix B 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.

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.

In 2012, the Legislature authorized the Agency to issue \$30,000,000 in aggregate principal amount of 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 Agency issued \$15,460,000 in aggregate principal amount of State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B, in August 2013 and issued \$14,540,000 in aggregate

principal amount of State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B, in February 2014.

In 2014, the Legislature authorized the Agency to issue an additional \$80,000,000 in aggregate principal amount of Housing Infrastructure Bonds. The Agency issued \$37,570,000 in aggregate principal amount of State Appropriation Bonds (Housing Infrastructure), 2015 Series A and 2015 Series B, in February 2015.

In 2015, the Legislature authorized the Agency to issue an additional \$10,000,000 in aggregate principal amount of Housing Infrastructure Bonds. The Agency has not yet issued any Housing Infrastructure Bonds under this authority.

Disruptions in Mortgage and Financial Markets

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

As a state housing finance agency, the Agency has relied on municipal bond markets operating efficiently to fund its Program. Since the last half of 2008, these markets have not performed well, based on historical market relationships. Recent responses by the federal government and the Federal Reserve to address the housing market crisis and to lower long-term interest rates made it very difficult for state housing finance agencies, such as the Agency, to fund their operations profitably through the housing bond market. The Agency was able under its Homeownership Finance Bond Resolution to issue \$260,490,000 in aggregate principal amount of bonds under the Single Family New Issue Bond Program announced by the United States Department of the Treasury, Fannie Mae and Freddie Mac in late 2009, together with \$289,185,000 in aggregate principal amount of related market bonds. The Agency used all its authority under the Single Family New Issue Bond Program and must again rely on the housing bond market. Unfortunately, the dislocation of historical market relationships has continued and without subsidy of some kind (such as from an economic refunding or overcollateralization) generally the Agency cannot effectively issue bonds utilizing traditional bond structures to finance single family mortgage loans at competitive interest rates and has to turn to other funding sources. In the last two years, the Agency has successfully issued economic refunding bonds and bonds secured by excess collateral under the Bond Resolution, and bonds structured as monthly principal pass-through payments from an identified portfolio of GNMA Securities and Fannie Mae Securities under its Homeownership Finance Bond Resolution, to fund current single family mortgage production by purchasing approximately \$823 million of Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency has from time to time sold Program Securities in the secondary market. Since 2009 the Agency has sold approximately \$342 million of Program Securities in the open market as of July 20, 2015, \$215 million of which would have been eligible to be financed with tax-exempt bonds. The Agency has 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.

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

These measures, and additional measures and legislation that the federal government or the Minnesota Legislature may consider, may affect the Program, the Program Loans, the Program Securities or the Bonds. While some of these measures may benefit the Program, they may affect the Program, the Bonds, the Program Securities or

the Program Loans or the Owners of the Bonds adversely. In addition, because of market conditions, the Agency may choose not to issue Additional Bonds under the Bond Resolution.

ESTIMATED SOURCES AND USES OF FUNDS

The Agency will apply certain proceeds of the Series Bonds to the purchase of Program Securities. The Agency will apply other proceeds of the Series Bonds to refund the Refunded Bonds and, as a result, certain Program Loans financed by the Refunded Bonds will be allocated to the Series Bonds (the “Transferred Program Loans”). Upon giving effect to these transactions and the receipt of transferred money that had been allocated to the Refunded Bonds, the estimated sources and uses of funds related to the Series Bonds are as follows:

Sources

Principal amount of Series Bonds	\$124,550,000
Original issue premium	3,410,713
Transferred Program Loans and Revenues	58,048,884
Transferred debt service reserve funds	2,024,100
Agency funds	<u>2,712,548</u>
Total Sources of Funds	<u>\$190,746,245</u>

Uses

Deposit to 2015 Series A-B-C-D Acquisition Account	
Funds to acquire Program Securities	\$65,150,592
Transferred Program Loans and Revenues	58,048,884
Redemption of Refunded Bonds	62,770,000
Deposit to Debt Service Reserve Account	3,736,500
Deposit to Costs of Issuance Account	200,000
Underwriters’ Compensation	<u>840,269</u>
Total Uses of Funds	<u>\$190,746,245</u>

Upon issuance of the Series Bonds and as a result of the refunding of the Refunded Bonds, the Transferred Program Loans will be credited to the 2015 Series A-B-C-D Acquisition Account. The Transferred Program Loans, with an unpaid principal amount of approximately \$58.049 million, have a weighted average maturity of approximately 257 months and a weighted average interest rate of approximately 5.46% per annum. Revenues from the Transferred Program Loans may constitute Excess Revenues (as defined under “The Series Bonds—Special Redemption—Excess Revenues” herein) and the Agency may, but is not obligated to, use those Excess Revenues to redeem Bonds, including the Series Bonds, except as otherwise described under “The Series Bonds—Special Redemption.”

Based on the Program Securities that the Agency has purchased from its own funds, the Agency expects to apply and disburse approximately \$65.15 million of proceeds of the Series Bonds in the 2015 A-B-C-D Acquisition Account to purchase Program Securities backed by Program Loans with a principal amount of approximately \$64.13 million, which Program Securities are estimated to have pass-through interest rates ranging from 3.00% to 4.00%, upon the issuance of the Series Bonds. Any Program Securities purchased from the Agency will be credited to the 2015 A-B-C-D 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 2015 Series ABC Bonds of each Series will be fully registered bonds issued in the denominations of \$5,000 or any integral multiple thereof of single maturities. The 2015 Series D 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. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution. 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 F — 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 2015 Series ABC Bonds

Interest on the 2015 Series ABC Bonds will be paid semiannually on January 1 and July 1 of each year, commencing January 1, 2016, and, in respect of any 2015 Series ABC Bond then to be redeemed, on any redemption date. The 2015 Series ABC 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 2015 Series ABC Bonds. Interest on the 2015 Series ABC 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 2015 Series ABC Bonds).

Interest on the 2015 Series D Bonds

The 2015 Series D Bonds will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The 2015 Series D Bonds will mature, subject to earlier redemption and tender as herein described, on January 1, 2046. The Record Date for 2015 Series D Bonds in the Weekly Mode is the last Business Day preceding each Interest Payment Date.

Weekly Mode. Interest on the 2015 Series D 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, 2016, and on any redemption date or Conversion Date; for the initial Interest Payment Date, from the date of delivery of the 2015 Series D 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 2015 Series D Bonds will bear interest from the date of delivery to and including August 12, 2015, at the rate set forth in a certificate delivered by the Remarketing Agent on the date of delivery of the 2015 Series D Bonds. Thereafter, the 2015 Series D 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 5:00 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 2015 Series D Bonds (other than Bank Bonds) bear interest at an annual rate in excess of the lesser of 12% or the maximum rate permitted by law (the “Maximum Rate”).

The Weekly Rate applicable to the 2015 Series D 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 2015 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100% of the principal amount thereof. In determining the Weekly Rate for any 2015 Series D 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 2015 Series D 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 2015 Series D Bonds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates,

certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (“LIBOR”), the index published by the Securities Industry and Financial Markets Association (formerly, The Bond Market Association) based upon data compiled by Municipal Market Data concerning tax-exempt variable rates (the “SIFMA 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 those 2015 Series D Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2015 Series D Bonds (other than Bank Bonds) will be conclusive and binding on the Owners of those 2015 Series D Bonds. If the Remarketing Agent or the Trustee fails to give any notice required under the 2015 Series D Resolution, or there is any defect in a notice, it will not affect the interest rate on any 2015 Series D 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 2015 Series D 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 SIFMA Index plus 0.25% or (ii) the Maximum Rate.

Mode Changes. The Agency may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the 2015 Series D Bonds (each change is a “Mode Change” with respect to the 2015 Series D 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 2015 Series D 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 2015 Series D Bonds to which it applies, and the date of each change an “Unenhanced Variable Rate Change Date”) or (3) to convert all or part of the 2015 Series D Bonds to bear interest at fixed rates to their maturity or to bear interest at an index rate (with respect to the 2015 Series D 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, or a Conversion to the Remarketing Agent, the Trustee, the Liquidity Provider, and the Tender Agent not less than 20 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. The Trustee is to provide notice of a Mode Change, an Unenhanced Variable Rate Change or a Conversion to DTC not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Change Date or Conversion Date. On each Mode Change Date, Unenhanced Variable Rate Change Date, or Conversion Date, the 2015 Series D Bonds to which that Mode Change, Unenhanced Variable Rate Change or Conversion applies will be subject to mandatory tender for purchase. **This Official Statement does not describe the 2015 Series D Bonds in any Mode other than a Weekly Mode.**

For additional information with respect to the 2015 Series D Bonds, see also “Optional Redemption of 2015 Series D Bonds” below, “Appendix K – Certain Definitions With Respect to the 2015 Series D Bonds” and “Appendix L – Summary of Certain Provisions of and Relating to the Standby Bond Purchase Agreement.”

Swap Agreement. The Agency expects to enter into an interest rate swap agreement with Royal Bank of Canada (the “Swap Counterparty”) (the “Swap Agreement”) effective on the anticipated date of issuance of the 2015 Series D Bonds. The purpose of the Swap Agreement is to place the aggregate net obligation of the Agency with respect to the portion of the Program financed by the 2015 Series D Bonds on an approximately fixed-rate basis. Payments made to the Swap Counterparty by the Agency under the Swap Agreement are to be made semiannually on the basis of a notional principal amount and the relationship between an agreed-upon fixed rate and a variable rate calculated by reference to a percentage of one-month LIBOR. 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, 2046.

Royal Bank of Canada is also the Initial Liquidity Provider and is the parent company of RBC Capital Markets, LLC, an underwriter of the Series Bonds and the remarketing agent for the 2015 Series D Bonds.

Sinking Fund Redemption

The Agency is required to redeem the 2015 Series A Bonds (the “PAC Bonds”) in part on July 1, 2031, and on each January 1 and July 1 thereafter to and including July 1, 2040, 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
July 1, 2031	\$ 155,000	July 1, 2036	\$3,025,000
January 1, 2032	2,780,000	January 1, 2037	1,620,000
July 1, 2032	2,850,000	July 1, 2037	1,420,000
January 1, 2033	2,925,000	January 1, 2038	1,445,000
July 1, 2033	3,000,000	July 1, 2038	1,480,000
January 1, 2034	3,075,000	January 1, 2039	1,515,000
July 1, 2034	3,155,000	July 1, 2039	1,555,000
January 1, 2035	3,215,000	January 1, 2040	1,595,000
July 1, 2035	3,135,000	July 1, 2040	1,635,000
January 1, 2036	3,180,000	January 1, 2041(maturity)	310,000

The Agency is required to redeem the 2015 Series C Bonds with a stated maturity of July 1, 2031 in part on January 1, 2027 and on each July 1 and January 1 thereafter to and including January 1, 2031, 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, 2027	\$2,185,000	July 1, 2029	\$2,465,000
July 1, 2027	2,235,000	January 1, 2030	2,525,000
January 1, 2028	2,290,000	July 1, 2030	2,585,000
July 1, 2028	2,345,000	January 1, 2031	2,650,000
January 1, 2029	2,405,000	July 1, 2031 (maturity)	2,560,000

The Agency is required to redeem the 2015 Series D Bonds in part on January 1, 2041 and on each July 1 and January 1 thereafter to and including July 1, 2045, 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, 2041	\$1,365,000	January 1, 2044	\$1,915,000
July 1, 2041	1,715,000	July 1, 2044	1,955,000
January 1, 2042	1,755,000	January 1, 2045	2,000,000
July 1, 2042	1,795,000	July 1, 2045	1,745,000
January 1, 2043	1,835,000	January 1, 2046(maturity)	270,000
July 1, 2043	1,875,000		

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 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, 2024 (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 2015 A-B-C-D 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 2015 A-B-C-D 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.

Based on the Program Securities that the Agency has purchased from its own funds, the Agency expects to apply and disburse approximately \$65.15 million of proceeds of the Series Bonds in the 2015 A-B-C-D Acquisition Account to purchase Program Securities with a principal amount of approximately \$64.13 million, upon the issuance of the Series Bonds. (See “The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds” for information with respect to Agency purchases of Program Securities as of July 17, 2015.)

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 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 “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.

10-Year Rule Requirements. To comply with certain provisions of federal tax law, the Agency must apply all available prepayments and regularly scheduled repayments of mortgage principal from Program Loans and Program Securities allocable to the Series Bonds and (i) with respect to proceeds of the Series Bonds allocated to the refunding of outstanding bonds of the Agency, received 10 years after the original issue date of the bonds refunded, or (ii) with respect to the remaining proceeds of the Series Bonds, received 10 years or more after the issue date of the Series Bonds, to pay at maturity or redeem Series Bonds. This redemption must occur no later than the close of the first semiannual period beginning after the date of receipt, but no redemption is required if the amount available and required to be used to redeem the Series Bonds is less than \$100,000. Prepayments and scheduled repayments of mortgage principal from Program Loans and Program Securities allocable to the Series Bonds received on or after the following dates are subject to the 10-year rule in the following approximate percentages:

<u>Dates</u>	<u>Percentages</u>
August 11, 2015 to August 10, 2025	47.52%
August 11, 2025 and thereafter	100.00

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 of mortgage principal from Transferred Program Loans and Program Loans backing Program Securities financed with the proceeds of the Series Bonds received by or on behalf of the Agency (those amounts herein referred to as the “Series A-B-C-D Prepayments”) must first be applied to redeem the PAC 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, 2016	\$ 1,275,000	July 1, 2020	\$26,400,000
July 1, 2016	3,520,000	January 1, 2021	28,920,000
January 1, 2017	6,060,000	July 1, 2021	31,320,000
July 1, 2017	8,880,000	January 1, 2022	33,615,000
January 1, 2018	11,950,000	July 1, 2022	35,800,000
July 1, 2018	15,100,000	January 1, 2023	37,880,000
January 1, 2019	18,120,000	July 1, 2023	39,860,000
July 1, 2019	21,005,000	January 1, 2024	41,745,000
January 1, 2020	23,765,000	July 1, 2024	43,070,000

†Based on an approximation of 100% PSA prepayment speed on the Program Loans backing Program Securities financed with the proceeds of the Series Bonds and the Transferred Mortgage Loans. (See “Projected Weighted Average Lives of the PAC 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 Bonds are redeemed from unexpended proceeds of the Series Bonds.

To the extent the Agency redeems PAC 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 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 A-B-C-D Prepayments sufficient to redeem PAC Bonds up to the Maximum Cumulative Amounts in accordance with the table above, (1) to the extent required by applicable federal tax law, the Agency must use any excess Series A-B-C-D Prepayments (a) to redeem Outstanding Series Bonds (other than PAC Bonds) from the Series and maturities the Agency selects, or (b) if no Series Bonds are Outstanding other than PAC Bonds, to redeem Outstanding PAC Bonds, in each case 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) to the extent not required by applicable federal tax law to redeem Series Bonds, the Agency, at its option, may use any excess Series A-B-C-D Prepayments to redeem any Outstanding Bonds, including the Series Bonds (other than PAC 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 Bonds. The following information is provided to allow prospective investors to evaluate the PAC 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 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 Transferred Program Loans and 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 Bonds may experience redemption at a rate that varies from the average life of the PAC 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 following table, entitled “Projected Weighted Average Lives for the PAC Bonds” assumes, among other things, that (i) the Transferred Program Loans have an unpaid principal amount of approximately \$58.049 million with a weighted average maturity of approximately 257 months and a weighted average interest rate of approximately 5.46% per annum, (ii) the Series Bond Program Loans prepay at the indicated percentages of the PSA Prepayment Model, (iii) all proceeds of the Series Bonds in the 2015 A-B-C-D Acquisition Account are used to purchase Program Securities, (iv) the Program Securities financed with the proceeds of the Series Bonds will have a weighted average pass-through rate of not less than 3.27% and will be acquired by August 11, 2015, (v) 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, (vi) the PAC Bonds are redeemed only on regularly scheduled interest payment dates, and (vii) the Series Bonds, including the PAC 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 Bonds.

Projected Weighted Average Lives for the PAC Bonds

PSA Prepayment	PAC Bonds Weighted Average Life [†]
0%	19.96 years
25	13.46
50	8.80
75	5.79
100	4.42
200	4.42
300	4.42
400	4.42
500	4.47

[†]The weighted average life may be affected if, among other things, the Series Bonds, including the PAC Bonds, are redeemed with Excess Revenues or from unexpended proceeds of the Series Bonds, as described above, or if PAC 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 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 rise 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 2015 Series ABC Bonds

The Agency may redeem Series Bonds with stated maturities on or after July 1, 2025 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, 2025 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 2015 Series ABC Bonds

Except as otherwise provided in the 2014/2015 Fixed Rate Series Resolutions, any Series 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 Series of the Series Bonds to be redeemed and (b) the maturities and amounts from which Series Bonds are to be redeemed. If less than all Series Bonds of a Series and maturity are to be redeemed, the Series Bonds of that Series and maturity to be redeemed will be selected at random by a method determined by the Trustee. The Agency will not at any time cause Series 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 Series 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 F — Book-Entry-Only System.")

Optional Redemption of 2015 Series D Bonds

Optional Redemption. The Agency may redeem 2015 Series D 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% of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

Notice of Redemption. While 2015 Series D Bonds are in the Weekly Mode, the Trustee must give a copy of the notice of redemption identifying 2015 Series D Bonds to be redeemed by Immediate Notice not less than 15 days prior to the date fixed for redemption to the Owners of 2015 Series D 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 2015 Series D Bonds to be redeemed on an optional or mandatory tender date.

Subject to the terms of the 2015 Series D Resolution, any 2015 Series D 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 and redemption price of the applicable 2015 Series D 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 2015 Series D 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 2015 Series D Bonds that are Bank Bonds must be selected for redemption before other 2015 Series D Bonds.

Optional and Mandatory Tender of 2015 Series D Bonds

Optional Tender. Owners of 2015 Series D Bonds in the Weekly Mode may elect to tender their 2015 Series D 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 2015 Series D Bonds are to be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest to but not including the purchase date (the “Purchase Price”). The notice of optional tender for purchase of 2015 Series D 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 2015 Series D 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 2015 Series D 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 2015 Series D 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, if a mandatory tender has not already occurred pursuant to the Liquidity Expiration Event, (iv) on any Conversion Date for those 2015 Series D Bonds, and (v) 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 2015 Series D Bonds subject to that mandatory tender are deemed to have tendered their 2015 Series D Bonds upon that date.

This paragraph is applicable to the 2015 Series D Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2015 Series D 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 2015 Series D 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 2015 Series D Bonds will be issued in place of those untendered 2015 Series D Bonds pursuant to the 2015 Series D Resolution, and, after the issuance of the replacement 2015 Series D Bonds, the untendered 2015 Series D Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Remarketing of 2015 Series D Bonds

General. On each date on which 2015 Series D Bonds are required to be purchased, the Remarketing Agent must use its best efforts to sell those 2015 Series D Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2015 Series D Bonds so tendered while the Initial Liquidity Facility is in effect, the Initial Liquidity Provider has agreed to purchase those 2015 Series D Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent is not required to remarket the 2015 Series D Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of a Termination Event under the Initial Liquidity Facility and the Initial Liquidity Provider’s termination of its commitment to purchase 2015 Series D Bonds thereunder; (iii) during a Suspension Event under the Initial Liquidity Facility and the Initial Liquidity Provider’s suspension of its commitment to purchase the 2015 Series D 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 2015 Series D 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 2015 Series D Resolution, including remarketing of tendered 2015 Series D 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 2015 Series D 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 2015 Series D 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 2015 Series D Bonds for its own account and, in its sole discretion, may acquire tendered 2015 Series D Bonds in order to achieve a successful remarketing of the 2015 Series D Bonds (i.e., because there otherwise are not enough buyers to purchase the 2015 Series D Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2015 Series D Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2015 Series D Bonds by purchasing and selling 2015 Series D 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 2015 Series D Bonds. The purchase of 2015 Series D Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2015 Series D Bonds in the market than is actually the case. The Remarketing Agent may also sell any 2015 Series D 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 2015 Series D Bonds. The practices described above also may result in fewer 2015 Series D Bonds being tendered for purchase pursuant to the 2015 Series D Resolution.

2015 Series D 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 2015 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100% of the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the 2015 Series D Bonds (including whether the Remarketing Agent is willing to purchase 2015 Series D Bonds for its own account). There may or may not be 2015 Series D Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2015 Series D Bonds tendered for purchase on that date at the principal amount thereof and the Remarketing Agent may sell 2015 Series D 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 2015 Series D Bonds at the remarketing price. In the event the Remarketing Agent owns any 2015 Series D Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer those 2015 Series D Bonds on any date, including the Rate Determination Date, at a discount to the principal amount thereof to some investors.

Ability to Sell the 2015 Series D Bonds Other Than Through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2015 Series D 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 2015 Series D Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2015 Series D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2015 Series D Bonds other than by tendering the 2015 Series D Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2015 Series D 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 2015 Series D Bonds as described in the 2015 Series D Resolution.

Agency Not Responsible to Owners for Initial Liquidity Provider's Failure To Purchase 2015 Series D Bonds. Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2015 Series D Bonds is payable from moneys furnished in connection with the remarketing of the

2015 Series D Bonds or from the Initial Liquidity Facility. Upon the occurrence of certain Termination Events or Suspension Events under the Initial Liquidity Facility, the Initial Liquidity Provider's obligation to purchase 2015 Series D Bonds under the Initial Liquidity Facility will immediately terminate or may be suspended without notice or other action on the part of the Initial Liquidity Provider. (See "Appendix L – 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 2015 Series D Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2015 Series D Resolution or upon the occurrence of a Termination Event or a Suspension Event.**

If a Termination Event or Suspension Event has occurred resulting in the termination or suspension of the Initial Liquidity Facility or if the Initial Liquidity Provider does not purchase any 2015 Series D 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 SIFMA Index plus 1.25% or (ii) the Maximum Rate. Owners will not have the right to tender their 2015 Series D Bonds during that period and may be required to hold their 2015 Series D Bonds to maturity or prior redemption.

LIQUIDITY FACILITY

General Provisions

The Agency has agreed in the 2015 Series D Resolution to maintain a Liquidity Facility in effect at all times when any 2015 Series D 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 2015 Series D 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 2015 Series D Bonds, with another liquidity facility meeting the requirements of the 2015 Series D 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 2015 Series D Bonds at that Owner's registered address not less than 15 days prior to the date the 2015 Series D Bonds are subject to mandatory tender. If the Agency elects to replace the Liquidity Facility, the 2015 Series D 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 2015 Series D Bonds when an Alternate Liquidity Facility in respect thereof is in place.

The Agency may also elect to provide liquidity support for any 2015 Series D 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 2015 Series D 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 L 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 M to this Official Statement.

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 of Minnesota is not liable for the payment of the Bonds, and the Bonds are not a debt of the State.

Cash Flow Certificate

The Bond Resolution requires that the Agency file a Cash Flow Certificate with the Trustee (i) at least once within a 12-month period and as otherwise required under the Bond Resolution or a Series Resolution, (ii) upon the proposed application of funds in the Revenue Fund to acquire Program Obligations or to pay Program Expenses, if not contemplated by a prior Cash Flow Certificate, or (iii) to release funds to the Agency from the Revenue Fund or to transfer funds to the Alternative Loan Fund. The Bond Resolution also permits a revised Cash Flow Certificate to be filed at any time directed by the Agency. The Cash Flow Certificate is to give effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established under the Bond Resolution or any Series Resolution (excluding the Insurance Reserve Fund, and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) 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 D — Summary of Certain Provisions of the Bond Resolution — Revenue Fund," the Agency may withdraw from the Revenue Fund funds to be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Program Obligations

General information concerning the Agency's Residential Housing Finance Program, the types of Program Obligations that have been and are expected to be financed with the proceeds of the Series Bonds is provided below under the heading "The Residential Housing Finance Program." The Agency expects that approximately \$64.13 million in aggregate principal amount of Program Securities will be acquired with proceeds of the Series Bonds and approximately \$58.049 million in aggregate unpaid principal amount of Transferred Program Loans will be transferred within the Bond Resolution and credited to the 2015 A-B-C-D Acquisition Account as a result of the refunding of the Refunded 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 J 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 D — 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 such an investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. Summary information concerning funds held in respect of Bonds under the Bond Resolution that are invested in investment agreements as of June 30, 2015, is set forth below:

Investment Agreement Providers as of June 30, 2015 (unaudited) (\$ in thousands)		Debt Service Reserve Fund
<u>Investment Agreement Provider</u>		
Transamerica Life Insurance Co.		\$5,115
Monumental Life Insurance Company		<u>1,333</u>
Total		\$6,448

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 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 (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund, or (c) from any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or the Trustee is to withdraw the necessary amount from the following funds in order of priority: (i) the Bond Redemption Fund, but only to the extent that amounts therein are in excess of amounts required for the redemption of Bonds for which the notice of redemption has been given, (ii) the Revenue Fund, (iii) the Debt Service Reserve Fund, and (iv) the Insurance Reserve Fund.

Debt Service Reserve Fund

The Bond Resolution creates and establishes a Debt Service Reserve Fund and provides that the Debt Service Reserve Requirement as of any date 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, as of the date of calculation, to three percent of the aggregate principal amount of the then Outstanding Series Bonds, initially, \$3,736,500. The balance in the Debt Service Reserve Fund on June 30, 2015, was \$33,963,570, 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 and, as a result of refunding the Refunded Bonds, certain Transferred Program Loans will be credited to the 2015 A-B-C-D Acquisition Account. (See “Estimated Sources and Uses of Funds.”)

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 2014/2015 Series Resolutions and, consequently, the following general description is subject to change.*

History and Transition to “MBS” Model

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

Effective for commitments made on or after September 1, 2009, the Agency changed the Program from a “whole loan” model to an “MBS” (mortgage-backed securities) model. 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. 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 J to this Official Statement.

Reimbursement of Advances of Agency Funds with Proceeds of Series Bonds

As of July 17, 2015, the Agency has purchased with its own funds Program Securities that are eligible to be financed with Bonds of approximately \$72 million in unpaid principal balance of mortgage loans at pass-through interest rates ranging from 3.00% to 4.00%; the Agency expects that all funds credited to the 2015 A-B-C-D Acquisition Account will be disbursed upon the issuance of the Series Bonds to reimburse the Agency for the purchase of approximately \$64.13 million of those Program Securities.

Recent Program Developments

The Agency implemented changes effective December 18, 2012 to its first mortgage and down payment and closing cost assistance programs. The Agency streamlined its single-family first mortgage program by combining its Minnesota Mortgage Program and its Community Activity Set Aside Program under the new name Start Up. The Agency retained modified versions of its two down payment and closing cost assistance programs, which provide assistance through interest-free and deferred repayment loans to lower-income borrowers, and it added a third option, an interest-bearing, fully-amortizing down payment and closing cost assistance loan, as further described below under the caption “Other Programs.”

Procedures for Origination, Purchase and Pooling

Application

The Agency has published, and revises from time to time, its Start Up Program Procedural Manual (the “Manual”) which sets 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. 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 (HDS SF Web Application). Each commitment request is subject to a review of the Agency’s eligibility rules that are a part of the HDS SF Web Application. 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 HDS SF Web Application. 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. Unrefunded extension fees, if charged, 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*	Rochester MSA	Balance of State
1 or 2 Persons	\$86,600	\$81,700	\$77,400
3 or more Persons	99,500	93,900	89,000

*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 will apply the income limitations set forth in Section 143(f) of the Code to applicants for loans financed with proceeds of the Series Bonds. 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.

Credit underwriting must be in compliance with FHA, VA, USDA Rural Development (formerly the Rural Housing and Community Development Service), Fannie Mae, Freddie Mac or the insuring private mortgage insurance company and the Master Servicer's underwriting standards.

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

Certain Fannie Mae Loan Products

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

In May 2012, the Agency began offering the Fannie Mae HFA Preferred Risk Sharing™ loan product for borrowers who meet the qualifying guidelines. The HFA Preferred Risk Sharing™ loan product enables eligible state housing finance agencies to deliver loans with up to 97% loan-to-value ratios without mortgage insurance. The loan product carries a higher Fannie Mae guarantee fee and the Agency must agree to repurchase the loan if it becomes delinquent in the first six months (12 months for loans backing a Fannie Mae Security issued on or after February 1, 2014) and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the sixth month (the 12th month for loans backing a Fannie Mae Security issued on or after February 1, 2014), does not become current and remains delinquent for four consecutive months thereafter. To date, Fannie Mae has requested that the Agency repurchase four loans. Currently, the Agency has authority to purchase \$100 million in HFA Preferred Risk Sharing loans during the contract year beginning May 1, 2015. If those loans are Program Loans and are pooled into Program Securities acquired with proceeds of Bonds, the Program Securities will have the same Fannie Mae guaranty as other Fannie Mae Securities.

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 D – 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 E to this Official Statement.)

The Transferred Program Loans are Program Loans and are not Program Securities.

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 J 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 2015 A-B-C-D 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 101.5% 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 2015 A-B-C-D 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 2015 A-B-C-D 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 2015 A-B-C-D 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 2015 A-B-C-D 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 2015 A-B-C-D 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 2015 A-B-C-D 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 D 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 pursuant to the requirements of applicable federal law. The maximum purchase prices for both one and two-family homes currently are as follows:

If the property to be <u>mortgaged is located in:</u>	
Twin Cities Metropolitan Area	\$307,300
Balance of State	\$258,600

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

Targeted Areas

Pursuant to applicable federal tax law, targeted areas have been established for the Program. Targeted areas consist of certain census tracts in the State in which 70 percent of the families have an annual income of 80 percent or less of the statewide median income or areas determined by the State and approved by the Secretary of the Treasury of the United States and the Secretary of the United States Department of Housing and Urban Development to be areas of chronic economic distress (the “Targeted Areas”). The Agency will make available the required amount of the proceeds of the Series Bonds for the financing of loans for the purchase of residences located in Targeted Areas and will advertise the availability of those funds for loans in Targeted Areas. The Agency is also required to exercise reasonable diligence in seeking to finance residences in Targeted Areas. Absent any determination by the Agency that further availability of the proceeds of the Series Bonds is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State, or may be used to redeem Bonds.

Servicing of Program Loans

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

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

The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency’s procedures, to bring a delinquency current in the shortest practicable time. Servicers use the following tools in an effort to bring delinquencies current: borrowers may be referred to foreclosure prevention counselors, Servicers may, in some cases, accept partial payments, set up repayment plans with borrowers, enter into forbearance agreements, originate deferred payment second mortgage loans funded with Agency funds, modify the delinquent loan, approve a short sale and accept a deed-in-lieu of foreclosure. The Agency has significant flexibility

under the Bond Resolution to modify the terms of a loan, including interest rate reductions, extension of loan term and principal forgiveness. (See “Security for the Bonds—Modification of Terms of Program Loans” in this Official Statement.)

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 J to this Official Statement. The 2014/2015 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.

Applicable Federal Law Mortgage Eligibility Requirements

Applicable federal law imposes significant limitations on the financing of mortgage loans on owner occupied one- to four-family residences with the proceeds of a qualified mortgage bond issue, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

Mortgage Loan Portfolio and Acquired Program Securities

As of March 31, 2015, the Agency had outstanding Program Loans receivable of \$859,884,000 gross, which were financed from the proceeds of Bonds. As of March 31, 2015, there were no uncommitted proceeds from previous bond sales under the Bond Resolution available for commitment. Certain information relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds is contained in Appendix H to this Official Statement.

In addition, as of March 31, 2015, the following Program Securities (comprising GNMA Securities and Fannie Mae Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

	Principal Amount	
	<u>Outstanding</u>	<u>Percentage</u>
GNMA II	\$225,286,000	79.90%
FNMA	<u>56,687,000</u>	<u>20.10</u>
Total	\$281,973,000	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 of Minnesota. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix A to this Official Statement.

For example, as of March 31, 2015, the Homeownership Finance Bond Fund had \$807,309,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency’s homeownership finance bonds. As of March 31, 2015, the Agency had outstanding home improvement loans receivable of \$85,739,000 gross. *None of these loans secure or are available for the payment of principal of or interest on the Bonds.*

In 2012, the Agency defeased its Single Family Mortgage Bond Resolution and transferred substantially all of the excess assets thereunder to the Bond Resolution.

Step Up Program

In connection with the recent change in the Program (see “The Residential Housing Finance Program—Recent Program Developments” in this Official Statement), the Agency has initiated its Step Up program, under which the Agency purchases mortgages made by mortgagors who are not first-time homebuyers or for refinancings. Down payment and closing cost assistance is available under the Step Up Program as described under “Monthly Payment Loans” below. The Agency intends to cause Step Up mortgage loans to be securitized and then sold on the secondary market or retained in the Agency’s portfolio.

Targeted Mortgage Opportunity Program

Tighter loan product and investor credit overlays, and the implementation of new regulations, have forced certain households out of the market or into sub-prime mortgages. The Agency has established a pilot initiative, the Targeted Mortgage Opportunity Program, that targets low-income renters and emerging market households (i.e., households of color or Hispanic ethnicity) who have the financial resources to pay a mortgage, but are unable to access a mortgage in the private market that meets their needs.

The Agency allocated \$10,000,000 under the 2014 Affordable Housing Plan for the Targeted Mortgage Opportunity Program, \$8,000,000 for the mortgage product and \$2,000,000 for risk reserves. It allocated an additional \$10,000,000 under the 2015 Affordable Housing Plan.

In addition to meeting the Targeted Mortgage Opportunity Program guidelines, mortgagors must complete the Enhanced Financial Capacity Homeownership Initiative, which is designed to support successful homeownership, as well as household financial stability, through intensive homeowner and financial empowerment coaching. Mortgagors must also complete a homebuyer education course and receive a referral from a housing counselor.

Deferred Payment Loans

The Agency has established The Deferred Payment Loan Program, a Homeownership Assistance Fund program funded by state appropriations. Under The Deferred Payment Loan Program there are two options: the Deferred Payment Loan and the Deferred Payment Loan Plus. The Alternative Loan Fund within the Bond Resolution is also a source of funding for these loans. A loan originated under either of these options is a junior lien loan from the Agency to the mortgagor.

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 for the greater of up to five percent of the purchase price or \$5,000. The maximum Deferred Payment Loan may not exceed \$6,000.

Mortgagors who meet the requirements for a Deferred Payment Loan and additional targeting criteria are eligible for a Deferred Payment Loan Plus of up to \$7,500. In addition to down payments and closing costs, mortgagors may use the funds to write down the senior lien loan principal.

Down payment and closing cost assistance under either of these options is an interest-free, deferred loan that is due on sale or transfer or when the property is no longer occupied by the mortgagor.

Program Loans backing Program Securities made or purchased from the proceeds of a Series of Bonds may or may not be accompanied by 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.

Monthly Payment Loans

The Agency added a new down payment and closing cost loan option, the Monthly Payment Loan, as part of the introduction of the Start Up program and the Step Up program. The Alternative Loan Fund is the source of funding for these loans. 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. Borrowers can receive a Monthly Payment Loan in an amount up to five percent of the purchase price or \$5,000, whichever is greater. The maximum Monthly Payment loan may not exceed \$7,500.

Mortgage Credit Certificates

The Agency established a mortgage credit certificate program that was implemented in June 2013. That program provided assistance with respect to approximately \$40 million in aggregate principal amount of single family mortgage loans by the program end date of December 31, 2014. The Agency has established an additional mortgage credit certificate program with a total credit authority of \$23,000,000, which is expected to provide assistance with respect to approximately \$65.7 million in aggregate principal amount of single family mortgage loans closing in calendar years 2015 and 2016. That additional program provided assistance with respect to approximately \$11 million in aggregate principal amount of single family mortgage loans as of June 30, 2015. To be eligible for a mortgage credit certificate under the new program, the mortgage loan must close on or before December 31, 2016 and may not be funded with proceeds of qualified mortgage bonds, such as the Series Bonds. Because the eligibility requirements for mortgage credit certificates and for mortgage loans financed with qualified mortgage bonds are substantially similar, it is likely that the availability of the mortgage credit certificate program will reduce demand for the Agency's Start Up Program.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The Code establishes certain requirements that must be met subsequent to the issuance of the Series Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with those requirements could cause the interest on the Series Bonds to be includable in gross income retroactive to their date of original issuance. The requirements of the Code include provisions that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the Series Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family mortgage loans that are applicable to the Series Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the Series Bonds will satisfy these requirements, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Program Loan financed, in whole or in part, with proceeds of the Series Bonds: (a) the residence being financed must reasonably be expected by the Agency to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain exceptions, at least 95% of the lendable proceeds of an issue must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) except in certain limited circumstances, proceeds may not be applied to acquire or replace an existing mortgage; and (f) if assumable in accordance with its terms, a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after that failure is first discovered. In addition, 95% or more of the proceeds of the issue used to make loans must be used to finance

residences that met all those requirements at the time the loans were executed. In determining whether 95% of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor's income tax returns filed with the Internal Revenue Service for the three years preceding the date the mortgage is executed even though the relevant information in those affidavits and returns should ultimately prove to be untrue, unless the issuer or its agent knows or has reason to believe that the information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period.

The Agency has included provisions in the Resolutions, its procedural manuals (including the Manual) (collectively, the "Manuals") and other relevant documents, and has established procedures (including receipt of certain affidavits and representations from Lenders, mortgagors and others respecting the mortgage eligibility requirements) in order to ensure compliance with the mortgage eligibility requirements and other requirements of the Code relating to nonmortgage investments that must be met subsequent to the date of issuance of the Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the Series Bonds shall be excludable from gross income for federal tax purposes under current law. Under the Code, certain requirements must be met subsequent to the delivery of the Series Bonds to ensure that interest on the Series Bonds is not included in gross income. The Agency believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the Series Bonds will be applied in accordance with the Code.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number, to any person required to collect that information pursuant to Section 6049 of the Code. The new reporting requirement does not, in and of itself, affect or alter the excludability of interest on the Series Bonds from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with certain covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is not includable in gross income of the owners thereof for federal income tax purposes, except as hereafter described. Bond Counsel is of the opinion that (i) interest on the 2015 Series A Bonds and the 2015 Series D Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, (ii) interest on the 2015 Series B Bonds and the 2015 Series C Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, (iii) interest on the 2015 Series B Bonds will be included in the calculation of adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on corporations, and (iv) interest on the 2015 Series C Bonds will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the 2015 Series B Bonds and the 2015 Series C Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix G.

Although Bond Counsel is rendering an opinion that the interest on the Series Bonds, as described above, is not included in gross income for federal, and in some cases, Minnesota, income tax purposes, the accrual or receipt of interest on the Series Bonds may otherwise affect the federal and state income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any those consequences. Purchasers of the Series

Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks thrifts or other financial institutions or recipients of Social Security or railroad retirement benefits, taxpayers otherwise entitled to claim earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Series Bonds.

Tax Treatment of Premium on PAC Bonds

The PAC Bonds are expected to be sold at a premium. An investor that acquires a PAC Bond for a cost greater than its remaining stated redemption price at maturity and holds the PAC Bond as a capital asset will be considered to have purchased the PAC Bond at a premium and, under Section 171 of the Code, must generally amortize that premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of bond premium, but those regulations do not fully address the method to be used to amortize bond premium on obligations such as the PAC Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing bond premium.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

The Series Bonds are "private activity bonds" even though they finance individual residential mortgages, not projects by private entities. Since the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making the finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or

proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

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, and the tax exemption of interest on, the Series Bonds are subject to the opinions of Kutak Rock LLP, Atlanta, Georgia, 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, Des Moines, Iowa.

RATINGS

The 2015 Series ABC Bonds are rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”), and “AA+” by Standard & Poor’s Ratings Services (“S&P”), and the 2015 Series D Bonds are rated “Aa1/VMIG 1” by Moody’s and “AA+/A-1+” by S&P. The short-term ratings assigned to the 2015 Series D 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 C to this Official Statement), or to contest any revision or withdrawal.

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 Jaffray & Co., Wells Fargo Bank, National Association and Edward D. Jones & Co., L.P. (collectively, the “Underwriters”) will purchase the Series Bonds. The Underwriters are to be paid a fee of \$840,269.36 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 the public offering prices stated on the inside front cover hereof.

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.

Piper Jaffray & Co. (“Piper”) and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, have entered into an agreement (the “Agreement”) that enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Series Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

Wells Fargo Bank, National Association (“WFBNA”), one of the underwriters of the Series Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the 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 utilizes the distribution capabilities of its affiliate, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA.

In addition to serving as one of the Underwriters for the Series Bonds, WFBNA is also serving as Trustee under the Resolutions for the Bonds.

RBC Capital Markets, LLC, an underwriter of the Series Bonds and the initial Remarketing Agent for the 2015 Series D Bonds, is a subsidiary of Royal Bank of Canada, the provider of the Initial Liquidity Facility and the counterparty of the Swap Agreement relating to the 2015 Series D 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/ Mary Tingerthal
Commissioner

Dated: July 30, 2015.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

[THIS PAGE INTENTIONALLY LEFT BLANK]

MINNESOTA HOUSING FINANCE AGENCY

Annual Financial Report as of and for the year ended June 30, 2014

TABLE OF CONTENTS

	Page #
I. INTRODUCTORY SECTION (UNAUDITED)	
Commissioner's Report	3-4
II. FINANCIAL SECTION	
Independent Auditors' Report	5-6
Required Supplementary Information:	
Management's Discussion and Analysis of Financial Condition and Results of Operations	7-21
Basic Financial Statements:	
Agency-wide Financial Statements:	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements:	
Statement of Net Position — Proprietary Funds	24-25
Statement of Revenues, Expenses and Changes in Net Position — Proprietary Funds	26-27
Statement of Cash Flows — Proprietary Funds	28-31
Notes to Financial Statements	32-60
III. SUPPLEMENTARY INFORMATION	
General Reserve and Bond Funds, Five Year Financial Summary	61
Fund Financial Statements:	
Statement of Net Position — General Reserve and Bond Funds	62-63
Statement of Revenues, Expenses and Changes in Net Position — General Reserve and Bond Funds	64-65
Statement of Cash Flows — General Reserve and Bond Funds	66-69
IV. Other Information (UNAUDITED)	70

(This page has been left blank intentionally.)

MINNESOTA HOUSING FINANCE AGENCY

Commissioner's Report

At Minnesota Housing, we are pleased to have completed another year with strong financial and programmatic results.

As the economy and markets continue to recover nationally, conditions in Minnesota are slightly ahead of the national average with unemployment at 4.5%, compared to 6.1% nationally. In 2013, employment in Minnesota returned to its pre-recession level, with employment reaching 2.73 million jobs in the 4th quarter of 2013, after dropping to 2.49 million in the 1st quarter of 2010. The housing market has also improved, with the number of foreclosure sales in Minnesota dropping 55% from a peak of 26,251 in 2008 to 11,834 in 2013. In addition median, home sales prices continue to improve, rising 4% in the last year from \$185,000 in July 2013 to \$191,550 in July 2014. In this marketplace environment, Minnesota Housing has capitalized on improving conditions to improve both its product offerings and its financial condition with positive programmatic results:

- During the current fiscal year, Minnesota Housing continued to improve its suite of single family home mortgage programs in response to a rapidly changing state and national lending environment. This resulted in increased home mortgage production, as the Agency purchased 2,620 home mortgage loans, with 90% of its production serving first time homebuyers and 21% serving households of color and Hispanic ethnicity. Minnesota Housing achieved such production by enhancing its first mortgage products with three downpayment assistance programs which have been revised so they may be tailored to meet homebuyer needs. Minnesota Housing also offers a Mortgage Credit Certificate program that is typically linked with Agency home mortgage financing.
- Minnesota Housing continued to revise its home improvement loan programs to add new products, including an unsecured loan option, home energy loans with discounted interest rates, and loan options to address specific community credit needs. These changes, coupled with both aggressive business development and an improving economy, resulted in increased production of 45% over the previous year, with 971 loans purchased.
- The capital markets strategy implemented in the spring of 2013 continues to benefit the Agency by helping to support a housing rebound that is stretching into its second year. The Agency was able to fund its single family production through the capital markets, either by issuing tax exempt municipal bonds or by pooling and selling the securities. Minnesota Housing developed a procedure to incorporate hedging costs into tax-exempt bond transactions and issued its first transaction in June, 2014. Incorporating hedging costs into a bond transaction allows the Agency the opportunity to recoup these costs over time whereas before it was a non-recoverable expense. Hedging 100% of our single family loan reservations has effectively mitigated the risk of rising interest rates yet still provides the ability to issue bonds to fund our programs. Additionally, the Agency utilized some of its resources in its Residential Housing Finance Bond Indenture in February and April of 2014 to structure two over-collateralized traditional municipal housing bonds. In total we issued \$208 million of single family housing bonds and 14 million of multi-family housing bonds in FY14, which has helped to stabilize our earning asset base. Because short-term investment rates remain at historical lows, the Finance team continues to explore opportunities to redeem bonds.
- Minnesota Housing has seen continued improvement in its Real Estate Owned (REO) portfolio with the number of REO properties declining from 81 last year to 67 at the end of June, 2014. In addition, the average loss on the sale of REO properties declined from \$26,635 last year to \$21,016 at the end of June. Delinquency rates dropped significantly from June of last year, and have stabilized at a 5.75% rate for 60+ days, and the foreclosure rate has also declined moderately to 1.23%. The combined impact of these factors plus the shift from whole loans to mortgage-backed securities has resulted in a \$12.4 million decrease in the Agency's loan loss reserve from last year.
- With economic conditions continuing to improve in Minnesota, the state legislature passed a major capital investments bill in May of 2014. As a part of that bill, Minnesota Housing received authority to issue \$80 million in Housing Infrastructure bonds to support primarily the preservation of

MINNESOTA HOUSING FINANCE AGENCY

Commissioner's Report (continued)

federally assisted housing and the development of additional supportive housing. Because the state provides debt service for these bonds, Minnesota Housing can use these funds as deferred financing for projects. This program was increased from a funding level of \$30 million in 2012. The state will also issue \$20 million in general obligation bonds to be used for capital improvements to publicly owned housing – an increase from \$5.5 million funded in 2012. The Agency continues to enjoy broad bipartisan support for its housing programs in the state legislature.

- Minnesota Housing continues to develop its multifamily first mortgage lending capacity, including the processing of FHA MAP (Multifamily Accelerated Processing) loans along with FHA Risk Share loans. Two multifamily underwriters have now completed their MAP training and several loans have received concept approval from HUD.
- Minnesota Housing closed 78 loans and grants on 72 multifamily properties totaling nearly \$55 million and providing affordable housing to 3,322 households (units), 653 of which were designated to serve long-term homeless households. Of the 78 transactions that closed, the Agency provided financing to 10 federally assisted developments, which resulted in the preservation of 611 units and are estimated to leverage more than \$56 million in federal rent subsidies during the affordability periods of the properties. 51 new units of supportive housing for families and individuals who experienced long-term homelessness were also completed.
- In partnership with the non-profit Minnesota Homeownership Center, Minnesota Housing supports the most comprehensive homebuyer education and counseling network in the country. Network services include both in-person and online pre-purchase education, pre-purchase counseling, foreclosure prevention counseling and reverse mortgage counseling. Over 12,000 households throughout the state used services, 32% of which were households of color or Hispanic ethnicity. The statewide network is funded by a combination of federal, state and private funding.

Minnesota Housing took other important steps during the year to set our course for the future:

- Worked with the Interagency Council on Homelessness, comprised of 11 state agency commissioners, to complete a new Statewide Plan to Prevent and End Homelessness, which called for the state's capital investment in supportive housing that was successfully obtained. Many more implementation steps are planned for the coming year.
- Continued its significant investment in the redesign of business processes and the technology to support them that was started in 2012. During the year, Minnesota Housing:
 - o Completed the movement of all amortizing multifamily loans to a comprehensive loan servicing system. The project continues with the movement of all deferred loans to the same servicing system during the current year.
 - o Selected a vendor for a new single family loan origination system with installation to occur in the coming year. The system will allow for the electronic transfer of data from multiple loan origination systems used by originating lenders.
 - o Commenced redesign of business processes for multifamily loan processing operations.

We are proud that Minnesota Housing is an organization that is driven by our mission, our values and our strategies. We are committed to building and maintaining the elements that have sustained our work for more than 40 years – our people, our partners, our community support and our financial strength.



Mary Tingerthal, Commissioner
Minnesota Housing
August 8, 2014

Independent Auditors' Report

To the Board of Directors
Minnesota Housing Finance Agency
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Minnesota Housing Finance Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Minnesota Housing Finance Agency as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter—Adoption of Standards

As explained in the Nature of Business and Fund Structure in the notes to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the Agency restating net position for debt issuance costs incurred prior to July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

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 government's financial statements for the year ended June 30, 2013, from which such summarized information was derived. Other auditors have previously audited the Agency's

Independent Auditors' Report (continued)

2013 financial statements, and they expressed unmodified opinions on the respective financial statements of the business-type activities and each major fund in their report dated August 28, 2013.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

Other 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 introductory section, the supplementary information and other information as listed in the accompanying table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Minneapolis, Minnesota
August 25, 2014

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Introduction

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

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

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

Discussion of Financial Statements

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

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net 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.

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, HOMESSM and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2013. 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 2014 in comparison to the prior fiscal year.

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Discussion of Individual Funds

General Reserve

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

Rental Housing

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

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

All of Minnesota Housing's bond-financed multifamily loans, except 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, 2014. 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, 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 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 entry cost housing assistance loans, and unsecured and secured subordinated home improvement mortgage loans. The majority of the single family loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA), or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution, 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 2014.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2014 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, permanently financed with HOMESSM certificates (see below for a description of the HOMESSM program), or sold into the 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

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Discussion of Individual Funds (continued)

housing, 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 the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2014 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, 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 either the Government National Mortgage Association or the Federal National Mortgage Association. 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.

Home Ownership Mortgage-backed Exempt Securities (HOMESSM)

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 (HOMESSM certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. Minnesota Housing is not committed to sell any HOMESSM certificates but has the option to accept the investment bank's bid for HOMESSM certificates, which may be a higher price than the Agency could achieve by selling the mortgage-backed security in the open market. The HOMESSM 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. Bonds were issued during a prior fiscal year for one rental housing project.

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. The entire balance of the appropriated funds' net position is restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

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

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Discussion of Individual Funds (continued)

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

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Homeownership Finance, Multifamily Housing, and HOMESSM (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. 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 State Appropriated and Federal 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.

(This page has been left blank intentionally.)

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Condensed Financial Information

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

		Agency-wide Total		
		Fiscal 2014	Fiscal 2013	Change
Assets	Cash and Investments	\$1,575,244	\$1,453,223	\$122,021
	Loans receivable, Net	1,489,486	1,642,293	(152,807)
	Interest Receivable	12,636	15,805	(3,169)
	Total Assets	3,095,972	3,135,852	(39,880)
Liabilities	Bonds Payable	2,018,912	2,131,127	(112,215)
	Interest Payable	32,884	37,112	(4,228)
	Accounts Payable & Other Liabilities	9,554	11,298	(1,744)
	Funds Held for Others	88,545	69,179	19,366
	Total Liabilities	2,171,427	2,276,145	(104,718)
Net Position	Restricted by Bond Resolution	315,927	290,913	25,014
	Restricted by Covenant	490,527	477,749	12,778
	Restricted by Law	130,077	110,118	19,959
	Total Net Position	939,916	881,710	58,206

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

		Agency-wide Total		
		Fiscal 2014	Fiscal 2013	Change
Revenues	Interest Earned	\$120,809	\$133,612	\$(12,803)
	Appropriations Received	252,801	244,768	8,033
	Fees and Reimbursements	14,671	14,628	43
	Net G/L on Sale of MBS Held for Sale/HOMES Certificates	4,590	-	4,590
	Total Revenues (1)	430,150	372,625	57,525
Expenses	Interest Expense	79,006	87,885	(8,879)
	Appropriations Disbursed	222,063	220,437	1,626
	Fees	5,297	5,525	(228)
	Payroll, Gen. & Admin.	31,810	32,017	(207)
	Loan Loss/Value Adjust's	13,818	36,217	(22,399)
	Total Expenses (1)	371,944	401,174	(29,230)
	Revenues over Expenses	58,206	(28,549)	86,755
	Beginning Net Position	881,710	910,259	(28,549)
	Ending Net Position	939,916	881,710	58,206

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2014							
Excluding Pool 3	Pool 3	Total	Fiscal 2013	Change	Fiscal 2014	Fiscal 2013	Change
\$1,405,607	\$ 54,988	\$1,460,595	\$1,374,017	\$ 86,578	\$114,649	\$ 79,206	\$35,443
1,422,646	30,589	1,453,235	1,608,734	(155,499)	36,251	33,781	2,470
12,229	143	12,372	15,585	(3,213)	264	220	44
2,858,301	85,721	2,944,022	3,021,634	(77,612)	151,950	114,218	37,732
2,018,912	-	2,018,912	2,131,127	(112,215)	-	-	-
32,884	-	32,884	37,112	(4,228)	-	-	-
8,029	26	8,055	8,344	(289)	1,499	2,954	(1,455)
69,168	-	69,168	68,863	305	19,377	316	19,061
2,177,518	(27,964)	2,149,554	2,272,045	(122,491)	21,873	4,100	17,773
315,927	-	315,927	290,913	25,014	-	-	-
376,842	113,685	490,527	477,749	12,778	-	-	-
-	-	-	-	-	130,077	110,118	19,959
696,154	113,685	809,839	771,592	38,247	130,077	110,118	19,959

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2014							
Excluding Pool 3	Pool 3	Total	Fiscal 2013	Change	Fiscal 2014	Fiscal 2013	Change
\$118,408	\$ 932	\$119,340	\$132,496	\$(13,156)	\$ 1,469	\$ 1,116	\$ 353
-	-	-	-	-	252,801	244,768	8,033
14,213	(1,018)	13,195	12,680	515	1,476	1,949	(473)
4,590	-	4,590	-	4,590	-	1,949	(1,949)
170,781	1,974	172,755	124,570	48,185	257,395	248,055	9,340
79,006	-	79,006	87,885	(8,879)	-	-	-
-	-	-	-	-	222,063	220,437	1,626
5,187	12	5,199	5,444	(245)	98	81	17
26,259	3,624	29,883	29,599	284	1,927	2,418	(491)
821	736	1,557	11,406	(9,849)	12,261	24,811	(12,550)
128,935	5,573	134,508	152,659	(18,151)	237,436	248,515	(11,079)
41,846	(3,599)	38,247	(28,089)	66,336	19,959	(460)	20,419
682,308	89,284	771,592	799,681	(28,089)	110,118	110,578	(460)
696,154	113,685	809,839	771,592	38,247	130,077	110,118	19,959

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

FINANCIAL HIGHLIGHTS

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements included as supplementary information in this 2014 Financial Report.

General Reserve and Bond Funds— Statement of Net Position

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

Loans receivable, net is the largest single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net decreased 10% to \$1,453.2 million at June 30, 2014 as a result of repayments, prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS 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 contracts at the time of loan commitment. The reduction in loans receivable during fiscal year 2014 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio decreased due to reduced delinquency and a decrease in the estimated loss per delinquent loan. Minnesota Housing also has amortizing home improvement and rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio increased despite a runoff in the portfolio due to an increase in delinquency in the 120+ days past due category (as displayed in the following Home Improvement Loan Portfolio Delinquency table). 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.

Homeownership Loan Portfolio Delinquency

Actual Loan Count

	June 30, 2014		June 30, 2013	
Current and less than 60 days past due	10,247	93.6%	11,585	91.0%
60-89 days past due	143	1.3%	249	2.0%
90-119 days past due	89	0.8%	98	0.8%
120+ days past due and foreclosures ⁽¹⁾	467	4.3%	797	6.2%
Total count	10,946		12,729	
Total past due ⁽¹⁾	699	6.4%	1,144	9.0%

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

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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

Home Improvement Loan Portfolio Delinquency

Actual Loan Count

	June 30, 2014		June 30, 2013	
Current and less than 60 days past due	6,534	97.4%	6,831	97.7%
60-89 days past due	61	0.9%	80	1.1%
90-119 days past due	28	0.4%	25	0.4%
120+ days past due	86	1.3%	59	0.8%
Total count	<u>6,709</u>		<u>6,995</u>	
Total past due	175	2.6%	164	2.3%

The 60+ day delinquency rate as of June 30, 2014 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately two and one-half percentage points the delinquency rates of similar loan data available as of March 31, 2014 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that comparable delinquency data from other available sources is not directly comparable. 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 57% to \$3.7 million at June 30, 2014 as a result of a decrease in the amount of loans with outstanding claims.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned decreased 5% to \$8.8 million at June 30, 2014 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2014.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2014, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2014, being less than 1% 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.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents increased 6% to \$1,460.6 million at June 30, 2014. The increase is principally a result of an increase in the balance of program mortgage-backed securities which are financed with mortgage revenue bonds. Mortgage-backed securities that are pledged as security for the payment of certain Agency mortgage revenue bonds and held in an acquisition account are classified on the statement of net position as "Investments- program mortgage-backed securities." All other mortgage-backed securities, including those held in anticipation of the Agency issuing mortgage revenue bonds or selling them into the TBA market (warehoused mortgage-backed securities), are classified as "Investment securities- other."

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 21% to \$12.4 million at June 30, 2014. The decrease is mainly a result of a decrease in interest receivable on homeownership loans due to the runoff of that portfolio.

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable decreased 5% to \$2,018.9 million at June 30, 2014 because scheduled redemptions and early bond redemptions of existing debt outpaced new bonding issuance.

The companion category of interest payable decreased 11% to \$32.9 million at June 30, 2014 due to the decrease in the amount of outstanding bonds and an increase in the proportion of outstanding bonds that require monthly debt service payments as opposed to semi-annual debt service payments.

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 remained about the same at \$69.2 million at June 30, 2014.

Accounts payable and other liabilities decreased to \$8.1 million at June 30, 2014. The two largest components of accounts payable continue to be: arbitrage rebate liability on tax-exempt bonds calculated pursuant to federal law and payable to the United States Treasury, which increased \$0.4 million; and yield compliance liability, which decreased \$0.4 million. Minnesota Housing obtains from independent calculation specialists annual calculations of its arbitrage rebate liability. Other accounts payable items decreased a net \$0.2 million.

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

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. Net position increased 5% to \$809.8 million at June 30, 2014 due to revenues over expenses for the fiscal year.

General Reserve and Bond Funds—Revenues over Expenses

Revenues over expenses of General Reserve and bond funds increased 236% from fiscal year 2013 when considering Pool 3 net expenses and the net effect of unrealized gains and losses that resulted from market valuation adjustments to certain investment assets. Ignoring the effects of unrealized gains and losses on investments, total revenues decreased 5%. Total expenses, excluding Pool 3, decreased 10% compared to the prior fiscal year. The largest revenue component, interest earned, decreased during fiscal year 2014. Loan interest revenue decreased 12% in fiscal year 2014 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 2010. Investment interest revenue decreased 5% in fiscal year 2014 because available reinvestment rates for funds from other maturing and called investment securities were less than the rates of the predecessor investments.

Administrative reimbursements to General Reserve from bond funds were \$18.9 million in fiscal year 2014 compared to \$18.3 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 \$1.8 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2014 compared to \$1.5 million during the prior fiscal year. Investment

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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

earnings within the State Appropriated fund were insufficient to reimburse the Agency for the full amount of overhead expense incurred for the state programs.

Other fee income to General Reserve and bond funds of \$11.4 million increased by \$0.2 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 administration, and various loan programs.

The net gain on the sale of mortgage-backed securities held for sale was \$4.6 million. 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. The net gain amount also includes the net gain on the sale of HOMESSM certificates, which is an Agency execution option essentially equivalent to the sale of mortgage-backed securities.

Minnesota Housing recorded \$16.8 million of unrealized gains on investment securities during fiscal year 2014, compared to \$38.9 million of unrealized losses during the prior year, an increase of \$55.7 million.

Interest expense of the bond funds decreased 10% to \$79.0 million compared to the prior year as a result of a smaller amount of long-term outstanding debt and a decrease in the interest rate on debt issued during fiscal year 2014.

Expenses for loan administration and trustee fees in the bond funds decreased by 5% to \$5.2 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of \$20.7 million, the interfund charge to the bond funds and State Appropriated fund of \$20.0 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of \$20.9 million increased 9% from the prior year. Other general operating expense in General Reserve and bond funds decreased 14% to \$9.0 million compared to the prior fiscal year. The majority of the decrease relates to grant activity through the Economic Development and Housing Challenge program. Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased 36% to \$1.3 million. The decrease related to decreased disbursements of deferred subordinated multifamily loans plus repayments of deferred subordinated multifamily loans disbursed in prior fiscal years.

Provision for loan loss expense in the bond funds decreased \$9.1 million or 98% to \$0.2 million. The provision for loan loss expense for the homeownership loan portfolio decreased \$9.9 million because the delinquency and average loss per foreclosed delinquent loan decreased. The provision for loan loss expense for the home improvement loan portfolio increased \$0.2 million as a result of increased loan delinquencies during the year, a portion of which became inactive loans. The provision for loan loss expense for the homeownership down payment assistance loan portfolio was essentially unchanged from the prior fiscal year. The provision for loan loss expense for the multifamily loan portfolio increased \$0.9 million when compared to the prior fiscal year.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Affordability Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2014, \$4.8 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 \$28.0 million contribution to Pool 3 to be used for highly subsidized housing programs. 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 \$1.6 million in bond sale contributions to the Homeownership Finance bond fund and received \$0.8 million in contributions from the HOMESSM fund.

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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

Combined revenues over expenses, including unrealized gains and losses for General Reserve and the bond funds, increased \$66.3 million to \$38.2 million when compared to the prior fiscal year. After removing the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses increased 41% to \$25.9 million.

Total combined net position of General Reserve and bond funds increased 5% to \$809.8 million as of June 30, 2014. A portion of that increase is a result of current year unrealized gains on investments, without which the combined net position would have increased 3%. The net position of each individual bond fund increased. Pool 2, which resides in Residential Housing Finance, decreased because of its \$28.0 million contribution to Pool 3. After the \$4.8 million transfer of Pool 1 excesses to Pool 2, the net position of General Reserve decreased \$1.2 million as a result of a \$1.7 million decrease in the Pool 1 requirement (which resides in General Reserve) which, in turn, was caused by a decrease in the balance of outstanding loans on which its requirement is based, netted against a \$0.5 million increase in the balance of Invested in Capital Assets.

State and Federal Appropriated Funds—Statement of Net Assets

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development 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.

Investments, cash, and cash equivalents combined are the largest category of assets in the appropriated funds. The June 30, 2014 combined balance increased 45% to \$114.6 million as a result of the combined appropriations received and other revenues exceeding the combined disbursements for programs, loans and expenses during the fiscal year.

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, 2014 State Appropriated fund net loans receivable increased 7% to \$36.3 million, reflecting higher net loan program activity.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds at June 30, 2014 increased 20% to \$0.3 million.

Accounts payable and other liabilities represent amounts payable for HUD's share of savings from certain debt refinancing activities and accrued expenses for federal and state housing programs. The balance payable at June 30, 2014 was \$1.5 million compared to \$3.0 million at June 30, 2013. The decrease in accounts payable and other liabilities is largely attributable to a \$1.3 million decrease in State Appropriated housing trust fund and federal Home programs' accrued year-end expenses.

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, 2014 the combined net interfund payable was \$1.0 million.

At June 30, 2014 the balance of funds held for others was \$19.4 million. Of that amount, \$19.1 million is comprised of the proceeds of appropriation-backed housing bonds which are held for disbursement to certain multifamily affordable housing developments. The remaining balance of funds held for others consists mainly of excess federal housing assistance payments received for administration of the Section 8 program and the interest income earned on those unexpended funds. The prior year balance of funds held for others is comparatively much smaller because of this year's issuance of appropriation-backed housing bonds.

The entire net position of the appropriated funds is restricted by law 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. The combined net position of the appropriated funds increased to \$130.1 million as of June 30, 2014, reflecting that combined revenues exceeded disbursements and expenses during fiscal year 2014.

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

State and Federal Appropriated Funds—Revenues over Expenses

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

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received increased from \$244.8 million in fiscal year 2013 to \$252.8 million in fiscal year 2014. Federal appropriations received increased by \$2.8 million, mostly due to an increase in funding for the HOME program. State appropriations received increased by a net \$5.2 million due to a \$17.9 million increase in appropriations for programs such as the Economic Development and Housing/Challenge program netted against a \$12.7 reduction in non-recurring appropriations received for flood relief. The combined interest income from investments increased 33% to \$1.2 million for fiscal year 2014.

Loan interest income from State Appropriations loan assets continues to be minimal at \$0.3 million as relatively few loans bear interest.

Fees earned and other income in the amount of \$2.6 million were recorded in the State Appropriated fund during fiscal year 2014. This consisted mainly of private donations and the receipt of interagency transfers to support certain state housing programs.

Unrealized gains or losses on investments are recorded to reflect current market valuations of investments, and may be reversed over time as investments are held. Combined unrealized gains of \$0.6 million were recorded at June 30, 2014 compared to \$0.5 million of unrealized losses at June 30, 2013.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs increased 42% to \$1.1 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the State Appropriated fund to the extent of investment earnings on unexpended state appropriations. During fiscal year 2014 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 1% to \$222.1 million compared to the prior fiscal year, reflecting State Appropriations disbursed of \$27.3 million and federal appropriations disbursed of \$194.8 million.

Decreased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in lower expense from reductions in carrying value of certain loans. Net reductions of carrying value decreased 57% to \$10.2 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund decreased 21% to \$1.9 million at June 30, 2014.

Combined revenues were greater than combined expenditures of the appropriated funds by \$20.0 million at June 30, 2014. Ultimately, the entire State and Federal Appropriated funds' net position will be expended for housing programs.

Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2014 long-term bonds totaling \$2,018.9 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, 2014, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Significant Long Term Debt Activities (continued)

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 2014 fiscal year, Minnesota Housing issued twelve series of bonds aggregating \$221.9 million (excluding appropriation-backed housing bonds, conduit bonds, and short-term borrowing against a line of credit), compared to the issuance of five series totaling \$370.3 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. In the past, the Agency has converted a portion of its bonding authority to Mortgage Credit Certificate authority in another effort to support first-time homebuyers.

A total of \$324.2 million in bond principal repayments and \$79.0 million of bond-related interest expense occurred during fiscal year 2014. Of the total bond principal repayments, \$259.5 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions.

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

While most of the Agency's bonds are tax-exempt, taxable bonds have been issued to supplement limited tax-exempt authority in order to meet demand for mortgage loans, although that did not occur during fiscal year 2014. 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 bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

The Agency also had outstanding at June 30, 2014 certain conduit bonds and appropriation-backed housing bonds which are not payable from any funds of the Agency (other than from funds received specifically to pay debt service on those bonds) and which are discussed in the notes to the financial statements. Board policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to \$5.0 billion.

At June 30, 2014 Minnesota Housing's issuer ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors that May Affect Financial Conditions and/or Operations

Legislative Actions

As is typically the case in even years, a major focus of the 2014 legislative session was the capital investment package. The Legislature approved \$100 million in bonding for Minnesota Housing, which is the largest single capital investment ever approved for the Agency. Included in the \$100 million package is \$80 million in Housing Infrastructure Bonds (appropriation-backed housing bonds) and \$20 million in GO Bonds for public housing rehabilitation. By comparison, the Legislature approved \$30 million in Housing

MINNESOTA HOUSING FINANCE AGENCY

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

**Significant
Factors that May
Affect Financial
Conditions and/or
Operations
(continued)**

Infrastructure Bonds and \$5.5 million in GO Bonds for public housing rehabilitation in the 2012 capital investment bill.

GO Bond proceeds will be used by public housing authorities for health, safety and energy efficiency upgrades to aging public housing stock.

Housing Infrastructure Bond proceeds can be used for four purposes:

- to construct or acquire and rehabilitate housing that will be used as permanent supportive housing for those who have experienced homelessness,
- to preserve existing federally-assisted housing,
- to acquire and rehabilitate foreclosed rental housing or for new construction of rental housing on parcels that have been foreclosed, or
- to acquire the land that will be held by a community land trust for single family owner-occupied housing.

In addition to the bonding bill, the Legislature passed a supplemental budget bill with additional appropriations for the remainder of the Fiscal Year 2014-15 biennium. Minnesota Housing received two small appropriations in this bill: \$2.2 million for up to two grants for housing projects in communities that have low vacancy rates and education and training centers for jobs in the natural resources or aviation maintenance fields, and \$250,000 to conduct up to five housing needs assessments for veterans in communities across the state.

At the agency's request, the legislature also repealed a number of obsolete statutes and rules.

**Additional
Information**

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

MINNESOTA HOUSING FINANCE AGENCY

Agency-wide Financial Statements

Statement of Net Position (in thousands)

As of June 30, 2014 (with comparative totals as of June 30, 2013)

		Agency-wide Total as of June 30, 2014	Agency-wide Total as of June 30, 2013
Assets	Cash and cash equivalents	\$ 396,563	\$ 379,670
	Investments- program mortgage-backed securities	925,523	814,692
	Investment securities- other	253,158	258,861
	Loans receivable, net	1,489,486	1,642,293
	Interest receivable on loans and program mortgage-backed securities	11,583	14,870
	Interest receivable on investments	1,053	935
	FHA/VA insurance claims, net	3,736	8,675
	Real estate owned, net	8,846	9,282
	Capital assets, net	3,385	2,930
	Other assets	2,639	3,644
	Total assets	3,095,972	3,135,852
Deferred Outflows of Resources	Deferred loss on refunding	1,070	1,437
	Deferred loss on interest rate swap agreements	21,532	27,429
	Total assets and deferred outflows of resources	\$3,118,574	\$3,164,718
Liabilities	Bonds payable	\$2,018,912	\$2,131,127
	Interest payable	32,884	37,112
	Interest rate swap agreements	21,532	27,429
	Accounts payable and other liabilities	9,554	11,298
	Funds held for others	88,545	69,179
	Total liabilities	2,171,427	2,276,145
Deferred Inflows of Resources	Deferred revenue- service release fee	7,231	6,863
	Total liabilities and deferred inflows of resources	2,178,658	2,283,008
	Commitments and contingencies		
Net Position	Restricted by bond resolution	315,927	290,913
	Restricted by covenant	490,527	477,749
	Restricted by law	130,077	110,118
	Invested in capital assets	3,385	2,930
	Total net position	939,916	881,710
	Total liabilities, deferred inflows of resources, and net position	\$3,118,574	\$3,164,718

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY**Agency-wide Financial Statements****Statement of Activities (in thousands)****Year ended June 30, 2014 (with comparative total for year ended June 30, 2013)**

		Agency-wide Total for Year Ended June 30, 2014	Agency-wide Total for Year Ended June 30, 2013
Revenue	Interest earned on loans	\$ 87,520	\$ 99,018
	Interest earned on investments- program mortgage-backed securities	29,192	26,786
	Interest earned on investments- other	4,097	7,808
	Net gain on sale of MBS held for sale and HOMES certificates	4,590	-
	Appropriations received	252,801	244,768
	Administrative reimbursement	706	727
	Fees earned and other income	13,965	13,901
	Unrealized gains (losses) on investments	17,329	(39,476)
	Total revenues	<u>410,200</u>	<u>353,532</u>
Expenses	Interest	79,006	87,885
	Loan administration and trustee fees	5,297	5,525
	Salaries and benefits	20,909	19,135
	Other general operating	10,901	12,882
	Appropriations disbursed	222,063	220,437
	Reduction in carrying value of certain low interest rate deferred loans	11,520	25,633
	Provision for loan losses	2,298	10,584
	Total expenses	<u>351,994</u>	<u>382,081</u>
	Change in net position	58,206	(28,549)
Net Position	Total net position, beginning of year	<u>881,710</u>	<u>910,259</u>
	Total net position, end of year	<u>\$939,916</u>	<u>\$881,710</u>

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY

Fund Financial Statements

Statement of Net Position (in thousands)

Proprietary Funds

As of June 30, 2014 (with comparative totals as of June 30, 2013)

		<u>Bond Funds</u>	
		<u>General Reserve</u>	<u>Rental Housing</u>
Assets	Cash and cash equivalents	\$57,160	\$ 29,027
	Investments- program mortgage-backed securities	-	-
	Investment securities- other	29,778	10,423
	Loans receivable, net	-	146,061
	Interest receivable on loans and program mortgage-backed securities	-	713
	Interest receivable on investments	133	32
	FHA/VA insurance claims, net	-	-
	Real estate owned, net	-	-
	Capital assets, net	3,385	-
	Other assets	1,067	4
	Total assets	91,523	186,260
Deferred Outflows of Resources	Deferred loss on refunding	-	704
	Deferred loss on interest rate swap agreements	-	-
	Total assets and deferred outflows of resources	\$91,523	\$186,964
Liabilities	Bonds payable	\$ -	\$ 67,480
	Interest payable	-	1,156
	Interest rate swap agreements	-	-
	Accounts payable and other liabilities	3,850	2,340
	Interfund payable (receivable)	1,300	-
	Funds held for others	68,590	-
	Total liabilities	73,740	70,976
Deferred Inflows of Resources	Deferred revenue- service release fee	-	-
	Total liabilities and deferred inflows of resources	\$73,740	\$70,976
	Commitments and contingencies		
Net Position	Restricted by bond resolution	-	115,988
	Restricted by covenant	14,398	-
	Restricted by law	-	-
	Invested in capital assets	3,385	-
	Total net position	17,783	115,988
	Total liabilities, deferred inflows of resources, and net position	\$91,523	\$186,964

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES SM	State Appropriated	Federal Appropriated	Total as of June 30, 2014	Total as of June 30, 2013
\$ 211,146	\$ 28,562	\$ 831	\$ -	\$ 68,406	\$1,431	\$ 396,563	\$ 379,670
218,665	706,858	-	-	-	-	925,523	814,692
133,342	2,410	438	31,955	37,843	6,969	253,158	258,861
1,292,539	-	14,635	-	36,251	-	1,489,486	1,642,293
8,636	2,167	53	-	14	-	11,583	14,870
554	1	1	82	243	7	1,053	935
3,736	-	-	-	-	-	3,736	8,675
8,846	-	-	-	-	-	8,846	9,282
-	-	-	-	-	-	3,385	2,930
763	19	-	-	-	786	2,639	3,644
1,878,227	740,017	15,958	32,037	142,757	9,193	3,095,972	3,135,852
366	-	-	-	-	-	1,070	1,437
21,532	-	-	-	-	-	21,532	27,429
<u>\$1,900,125</u>	<u>\$740,017</u>	<u>\$15,958</u>	<u>\$32,037</u>	<u>\$142,757</u>	<u>\$9,193</u>	<u>\$3,118,574</u>	<u>\$3,164,718</u>
\$1,218,840	\$686,555	\$14,660	\$31,377	\$ -	\$ -	\$2,018,912	\$2,131,127
24,925	6,684	37	82	-	-	32,884	37,112
21,532	-	-	-	-	-	21,532	27,429
1,763	102	-	-	1,356	143	9,554	11,298
(2,297)	-	-	-	343	654	-	-
-	-	-	578	19,074	303	88,545	69,179
1,264,763	693,341	14,697	32,037	20,773	1,100	2,171,427	2,276,145
7,231	-	-	-	-	-	7,231	6,863
<u>\$1,271,994</u>	<u>\$693,341</u>	<u>\$14,697</u>	<u>\$32,037</u>	<u>\$ 20,773</u>	<u>\$1,100</u>	<u>\$2,178,658</u>	<u>\$2,283,008</u>
152,002	46,676	1,261	-	-	-	315,927	290,913
476,129	-	-	-	-	-	490,527	477,749
-	-	-	-	121,984	8,093	130,077	110,118
-	-	-	-	-	-	3,385	2,930
628,131	46,676	1,261	-	121,984	8,093	939,916	881,710
<u>\$1,900,125</u>	<u>\$740,017</u>	<u>\$15,958</u>	<u>\$32,037</u>	<u>\$142,757</u>	<u>\$9,193</u>	<u>\$3,118,574</u>	<u>\$3,164,718</u>

MINNESOTA HOUSING FINANCE AGENCY**Fund Financial Statements****Statement of Revenues, Expenses and Changes in Net Position (in thousands)****Proprietary Funds****Year ended June 30, 2014 (with comparative totals for year ended June 30, 2013)**

		<u>Bond Funds</u>	
		<u>General Reserve</u>	<u>Rental Housing</u>
Revenues	Interest earned on loans	\$ -	\$ 9,671
	Interest earned on investments- program mortgage-backed securities	-	-
	Interest earned on investments- other	96	402
	Net gain on sale of MBS held for sale and HOMES certificates	-	-
	Appropriations received	-	-
	Administrative reimbursement	20,656	-
	Fees earned and other income	9,105	775
	Unrealized gains (losses) on investments	-	275
	Total revenues	<u>29,857</u>	<u>11,123</u>
Expenses	Interest	-	3,568
	Loan administration and trustee fees	-	84
	Administrative reimbursement	-	1,148
	Salaries and benefits	20,909	-
	Other general operating	5,330	1
	Appropriations disbursed	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	(16)
	Provision for loan losses	-	1,101
	Total expenses	<u>26,239</u>	<u>5,886</u>
	Revenues over (under) expenses	3,618	5,237
Other Changes	Non-operating transfer of assets between funds	<u>(4,813)</u>	<u>13</u>
	Change in net position	(1,195)	5,250
Net Position	Total net position, beginning of year	<u>18,978</u>	<u>110,738</u>
	Total net position, end of year	<u>\$17,783</u>	<u>\$115,988</u>
See accompanying notes to financial statements			

Bond Funds				Appropriated Funds		Total for the	Total for the
Residential	Homeownership	Multifamily	HOMES SM	State	Federal	Year Ended	Year Ended
Housing	Finance	Housing		Appropriated	Appropriated	June 30, 2014	June 30, 2013
Finance							
\$ 76,911	\$ -	\$ 646	\$ -	\$ 292	\$ -	\$ 87,520	\$ 99,018
4,345	24,847	-	-	-	-	29,192	26,786
1,554	4	6	858	1,132	45	4,097	7,808
3,768	-	-	822	-	-	4,590	-
-	-	-	-	58,038	194,763	252,801	244,768
-	-	-	-	-	-	20,656	19,820
1,510	12	-	-	2,563	-	13,965	13,901
5,787	10,695	10	-	520	42	17,329	(39,476)
93,875	35,558	662	1,680	62,545	194,850	430,150	372,625
52,291	21,844	445	858	-	-	79,006	87,885
4,846	263	6	-	98	-	5,297	5,525
13,295	4,323	97	-	1,087	-	19,950	19,093
-	-	-	-	-	-	20,909	19,135
3,638	5	-	-	1,927	-	10,901	12,882
-	-	-	-	27,273	194,790	222,063	220,437
1,346	-	-	-	10,190	-	11,520	25,633
(873)	-	(1)	-	2,071	-	2,298	10,584
74,543	26,435	547	858	42,646	194,790	371,944	401,174
19,332	9,123	115	822	19,899	60	58,206	(28,549)
3,990	1,632	-	(822)	-	-	-	-
23,322	10,755	115	-	19,899	60	58,206	(28,549)
604,809	35,921	1,146	-	102,085	8,033	881,710	910,259
\$628,131	\$46,676	\$1,261	\$ -	\$121,984	\$ 8,093	\$939,916	\$881,710

MINNESOTA HOUSING FINANCE AGENCY

Fund Financial Statements

Statement of Cash Flows (in thousands)

Proprietary Funds

Year ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	\$ -	\$23,114
	Investment in loans/loan modifications and program mortgage-backed securities	-	(8,085)
	Interest received on loans and program mortgage-backed securities	-	9,103
	Other operating	-	-
	Fees and other income received	8,958	775
	Salaries, benefits and vendor payments	(24,543)	(91)
	Appropriations received	-	-
	Appropriations disbursed	-	-
	Administrative reimbursement from funds	20,426	(1,148)
	Deposits into funds held for others	30,637	-
	Disbursements made from funds held for others	(31,705)	-
	Interfund transfers and other assets	(2,456)	6
	Net cash provided (used) by operating activities	<u>1,317</u>	<u>23,674</u>
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	13,880
	Principal repayment on bonds and notes	-	(18,165)
	Interest paid on bonds and notes	-	(3,071)
	Financing costs paid related to bonds issued	-	(390)
	Agency contribution to program funds	-	13
	Transfer of cash between funds	(4,108)	-
	Net cash provided (used) by noncapital financing activities	<u>(4,108)</u>	<u>(7,733)</u>
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	637	208
	Net gain on sale of MBS held for sale and HOMES certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	5,000	2,236
	Purchase of investment securities	-	(4,223)
	Purchase of loans between funds	-	-
	Net cash provided (used) by investing activities	<u>5,637</u>	<u>(1,779)</u>
	Net increase (decrease) in cash and cash equivalents	2,846	14,162
Cash and cash equivalents	Beginning of year	<u>54,314</u>	<u>14,865</u>
	End of year	<u>\$57,160</u>	<u>\$29,027</u>

See accompanying notes to financial statements

Bond Funds				Appropriated Funds		Total for the	Total for the
Residential	Homeownership	Multifamily		State	Federal	Year Ended	Year Ended
Housing	Finance	Housing	HOMES SM	Appropriated	Appropriated	June 30, 2014	June 30, 2013
Finance	Bonds	Bonds					
\$153,500	\$69,334	\$155	\$ -	\$ 3,819	\$ -	\$249,922	\$286,158
(147,709)	(76,626)	-	-	(16,633)	-	(249,053)	(341,507)
79,204	25,613	647	-	283	-	114,850	120,981
(3,599)	65	-	-	(1,936)	-	(5,470)	(7,386)
8,742	12	-	-	2,563	-	21,050	20,928
(12,237)	(316)	(6)	-	(98)	-	(37,291)	(35,842)
-	-	-	-	58,038	194,993	253,031	244,370
-	-	-	-	(28,361)	(195,053)	(223,414)	(219,727)
(13,295)	(4,323)	(97)	-	(902)	-	661	532
-	-	-	-	30,535	(2)	61,170	28,901
-	-	-	-	(11,476)	2	(43,179)	(36,837)
979	1	-	-	-	-	(1,470)	(3,244)
65,585	13,760	699	-	35,832	(60)	140,807	57,327
222,766	75,527	-	32,543	-	-	344,716	754,731
(362,765)	(70,839)	(230)	(1,166)	-	-	(453,165)	(787,066)
(55,410)	(21,072)	(445)	(776)	-	-	(80,774)	(89,301)
(2,651)	(734)	-	-	-	-	(3,775)	(4,459)
(888)	2,078	-	(1,203)	-	-	-	-
4,108	-	-	-	-	-	-	-
(194,840)	(15,040)	(675)	29,398	-	-	(192,998)	(126,095)
(4,542)	-	-	-	-	-	(4,542)	(5,368)
5,165	4	6	776	911	51	7,758	8,454
2,208	-	-	1,203	-	-	3,411	-
54,480	-	-	-	-	-	54,480	60,668
444,426	390	-	1,166	-	-	453,218	457,552
(407,675)	(800)	-	(32,543)	-	-	(445,241)	(505,550)
2,026	-	-	-	(2,026)	-	-	-
96,088	(406)	6	(29,398)	(1,115)	51	69,084	15,756
(33,167)	(1,686)	30	-	34,717	(9)	16,893	(53,012)
244,313	30,248	801	-	33,689	1,440	379,670	432,682
\$211,146	\$28,562	\$831	\$ -	\$68,406	\$ 1,431	\$396,563	\$379,670

(Continued)

MINNESOTA HOUSING FINANCE AGENCY

Fund Financial Statements

Statement of Cash Flows (in thousands)

Proprietary Funds (continued)

Year ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

		<u>Bond Funds</u>	
		<u>General Reserve</u>	<u>Rental Housing</u>
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities	Revenues over (under) expenses	\$3,618	\$ 5,237
	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	-	(239)
	Amortization of premium (discounts) and fees on sale of HOMES certificates	-	-
	Depreciation	1,789	-
	Gain on sale of MBS held for sale and HOMES Certificates	-	-
	Realized losses (gains) on sale of securities, net	-	(47)
	Unrealized losses (gains) on securities, net	-	(275)
	Provision for loan losses	-	1,101
	Reduction in carrying value of certain low interest rate and/or deferred loans	-	(16)
	Capitalized interest on loans and real estate owned	-	(8)
	Interest earned on investments	(96)	(215)
	Interest expense on bonds and notes	-	3,568
	Changes in assets and liabilities:		
	Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	15,029
	Decrease (increase) in interest receivable on loans	-	79
	Increase (decrease) in arbitrage rebate liability	-	(540)
	Increase (decrease) in accounts payable	-	(6)
	Increase (decrease) in interfund payable, affecting operating activities only	(353)	-
	Increase (decrease) in funds held for others	(1,068)	-
	Other	(2,573)	6
	Total	<u>(2,301)</u>	<u>18,437</u>
	Net cash provided (used) by operating activities	<u>\$1,317</u>	<u>\$23,674</u>

See accompanying notes to financial statements

Bond Funds				Appropriated Funds		Total for the	Total for the
Residential	Homeownership	Multifamily	HOMES SM	State	Federal	Year Ended	Year Ended
Housing	Finance	Housing		Appropriated	Appropriated	June 30, 2014	June 30, 2013
Finance							
\$19,332	\$ 9,123	\$115	\$822	\$19,899	\$60	\$ 58,206	\$(28,549)
(165)	780	-	-	-	-	376	530
202	-	-	381	-	-	583	-
-	-	-	-	-	-	1,789	1,511
(3,970)	-	-	(1,203)	-	-	(5,173)	-
2,807	-	-	-	-	-	2,760	(835)
(5,787)	(10,695)	(10)	-	(520)	(42)	(17,329)	39,476
(873)	-	-	-	2,071	-	2,299	10,584
1,346	-	(1)	-	10,190	-	11,519	25,633
(5,119)	-	-	-	-	-	(5,127)	(4,737)
(4,854)	(4)	(6)	(858)	(1,132)	(45)	(7,210)	(7,117)
52,291	21,844	445	858	-	-	79,006	87,885
5,791	(7,292)	155	-	(12,814)	-	869	(55,349)
3,221	(14)	1	-	-	-	3,287	(159)
493	-	-	-	-	-	(47)	(313)
(117)	17	-	-	(1,095)	(303)	(1,504)	461
188	-	-	-	174	45	54	(4)
-	-	-	-	19,059	-	17,991	(7,936)
799	1	-	-	-	225	(1,542)	(3,754)
46,253	4,637	584	(822)	15,933	(120)	82,601	85,876
\$65,585	\$13,760	\$699	\$ -	\$35,832	\$(60)	\$140,807	\$ 57,327

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014

Nature of Business and Fund Structure

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

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

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

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net 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 HOMESSM 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 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 mortgage loans, some related entry cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets 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: Housing Investment Fund (Pool 2) and Housing Affordability Fund (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

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Nature of Business and Fund Structure (continued)

but, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2014 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 HOMESSM certificates, or sold into the 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 bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire Agency high interest-rate debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2014 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, advances for certain multifamily housing developments in anticipation of permanent funding through state appropriation-backed housing bonds, and deferred, subordinated multifamily loans.

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

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 either the Government National Mortgage Association or the Federal National Mortgage Association.

Home Ownership Mortgage-backed Exempt Securities (HOMESSM)

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 (HOMESSM certificates), each secured by a mortgage-backed security guaranteed by FNMA or GNMA. The HOMESSM 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. Bonds were issued during a prior fiscal year for one rental housing project.

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

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Nature of Business and Fund Structure (continued)

position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds or creditors of the Agency.

Federal Appropriated

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

Summary of Significant Accounting Policies

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

Basis of Accounting

The Agency's financial statements have been prepared on the 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.

Generally Accepted Accounting Principles

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

New Accounting Pronouncements

In March 2012 the GASB issued Statement No 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement were adopted for the Agency's fiscal year ended June 30, 2014. The accounting changes adopted to conform to the provisions of this Statement were applied retroactively by restating the comparative financial statement information presented in this report for the fiscal year ending June 30, 2013. The cumulative effect on an Agency-wide basis was a net reduction of net position of \$3.839 million as of June 30, 2013.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Summary of Significant Accounting Policies (continued)

Statement were adopted for the fiscal year ended June 30, 2014 and did not affect the Agency's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2015. The Agency has not yet determined the effect that adoption of this Statement will have on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement were adopted for the fiscal year ended June 30, 2014 and did not affect the Agency's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 6*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2015. The Agency has not yet determined the effect that adoption of this Statement will have on its financial statements.

Cash and Cash Equivalents

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

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

The Agency 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 HOMESSM fund, are recorded as 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.

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses.

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Summary of Significant Accounting Policies (continued)

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

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

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

Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2014.

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 Receivable, Net

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

Real Estate Owned, Net

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

Deferred Loss on Interest Rate Swap Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2014. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

Bonds Payable

Bonds payable are carried at their unpaid principal balances.

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2014 and they have been determined to be effective hedges under the applicable accounting guidance, they are recorded here as a liability.

Deferred Revenue- Service Release Fees

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

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Summary of Significant Accounting Policies (continued)

fees receivable and payable between funds; non-operating transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3); and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

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

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

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

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.

Invested in Capital Assets

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

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2013 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, proceeds of limited obligation debt and unrealized appreciation and

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Summary of Significant Accounting Policies (continued)

depreciation on investments including all mortgage-backed securities. Additional funding for the Agency's administrative operations is provided by a monthly transfer from Residential Housing Finance 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 \$.705 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of \$19.950 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 Housing Affordability Fund (Pool 3) loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

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

Non-operating Transfer of Assets Between Funds

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

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2014 were \$49.5 million in Residential Housing Finance.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent assets and

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Summary of Significant Accounting Policies (continued)

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.

Reclassifications

Certain amounts in the comparative totals columns of the financial statements have been reclassified to conform with the current year presentation.

Income Taxes

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

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.

Cash, Cash Equivalents and Investment Securities

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

Cash and Cash Equivalents are generally stated at cost, which approximates market value. The balances were composed of the following at June 30, 2014 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve	\$ -	\$ -	\$ 57,160	\$ -	\$ 57,160
Rental Housing	-	29,027	-	-	29,027
Residential Housing Finance	1,693	199,402	-	10,051	211,146
Homeownership Finance	-	28,562	-	-	28,562
Multifamily Housing	-	831	-	-	831
HOMES SM	-	-	-	-	-
State Appropriated	174	19,073	49,159	-	68,406
Federal Appropriated	56	1,072	303	-	1,431
Combined Totals	<u>\$1,923</u>	<u>\$277,967</u>	<u>\$106,622</u>	<u>\$10,051</u>	<u>\$396,563</u>

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

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

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions. As of June 30, 2014, both of the Agency's investment agreement providers had a Standard & Poor's long-term credit rating of "AA-" and a Moody's long-term credit rating of "A1". The individual investment agreements are unrated. Substantially all of the agreements contain "termination" clauses so that

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Cash, Cash
Equivalents
and Investment
Securities
(continued)**

the Agency may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

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, 2014 (in thousands):

Investment Securities

Funds	Investment Securities- Other at Amortized Cost	Program Mortgage- backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve	\$ 29,572	\$ -	\$ 206	\$ 29,778
Rental Housing	10,446	-	(23)	10,423
Residential Housing Finance	131,945	216,051	4,011	352,007
Homeownership Finance	2,410	683,007	23,851	709,268
Multifamily Housing	450	-	(12)	438
HOMES SM	31,377	-	578	31,955
State Appropriated	36,790	-	1,053	37,843
Federal Appropriated	6,956	-	13	6,969
Combined Totals	<u>\$249,946</u>	<u>\$899,058</u>	<u>\$29,677</u>	<u>\$1,178,681</u>

U.S. Treasury securities, U.S. Agency securities, and municipal bonds in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions in the Agency's name.

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, 2014 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa2
U.S. Agencies	\$1,094,989	\$1,094,989	\$ -
Municipal Bonds	35,465	-	35,465
Agency-wide Totals	<u>\$1,130,454</u>	<u>\$1,094,989</u>	<u>\$35,465</u>
U.S. Treasuries	10,983		
Agency-wide Totals	<u>\$1,141,437</u>		

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of \$29.677 million and net discounts of \$7.567 million), along with the weighted average maturities (in years) as of June 30, 2014, consisted of the following (in thousands):

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Cash, Cash
Equivalents
and Investment
Securities
(continued)**

Type	Weighted Average Maturity, in Years								
	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES SM	State Appropriated	Federal Appropriated
Deposits	\$1,923	-	-	-	-	-	-	-	-
Money market fund	277,968	-	-	-	-	-	-	-	-
State investment pool	106,621	-	-	-	-	-	-	-	-
Investment agreements	10,051	-	-	-	-	-	-	-	-
US agencies	1,094,989	3.1	13.8	25.1	27.4	8.8	29.2	4.1	8.8
US treasuries	10,983	-	-	5.6	-	-	-	-	3.9
Municipal bonds	35,465	-	-	-	-	-	-	10.7	-
Agency-wide Totals	<u>\$1,538,000</u>								
Weighted Average Maturity		1.1	3.7	14.3	26.2	3.1	29.2	1.9	2.6

Investments in any one issuer, excluding \$817 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, as of June 30, 2014 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	\$156,635

The Agency maintained certain deposits and investments throughout fiscal year 2014 that were subject to custodial credit risk. As of June 30, 2014, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including \$277,968 in a money market fund and \$106,621 in the State investment pool)	\$ 386,512
Investment securities uninsured, uncollateralized and not held in the Agency's name	1,120,357
Agency-wide Total	<u><u>\$1,506,869</u></u>

Net realized loss on sale of investment securities of \$2.760 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, 2014 were as follows (in thousands):

Funds	Amount
Rental Housing	\$ 6,123
Residential Housing Finance	36,565
Multifamily Housing	479
Combined Totals	<u><u>\$43,167</u></u>

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Loans
Receivable, Net**

Loans receivable, net at June 30, 2014 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Loans Receivable, Net
General Reserve	\$ -	\$ -	\$ -
Rental Housing	149,473	(3,412)	146,061
Residential Housing Finance	1,307,421	(14,882)	1,292,539
Multifamily Housing	14,708	(73)	14,635
State Appropriated	37,287	(1,036)	36,251
Federal Appropriated	-	-	-
Agency-wide Totals	<u>\$1,508,889</u>	<u>\$(19,403)</u>	<u>\$1,489,486</u>

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 2014 aggregated \$.705 million in the Residential Housing Finance Housing Affordability Fund (Pool 3) and \$16.525 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and below.

Loans receivable, net and gross in Residential Housing Finance at June 30, 2014 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amounts	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	\$ 951,882	\$ 961,422
Other homeownership loans, generally secured by a second mortgage	1,426	1,478
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	85,535	87,377
Homeownership, first mortgage loans	36,495	37,156
Other homeownership loans, generally secured by a second mortgage	8,526	8,790
Multifamily, first mortgage loans	178,086	179,372
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	28,854	30,091
Multifamily, other	1,735	1,735
Residential Housing Finance Totals	<u>\$1,292,539</u>	<u>\$1,307,421</u>

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.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Other Assets

Other assets, including receivables, at June 30, 2014 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	\$1,064	\$ 3	\$1,067
Rental Housing	-	4	4
Residential Housing Finance	702	61	763
Homeownership Finance	-	19	19
Multifamily Housing	-	-	-
HOMES SM	-	-	-
State Appropriated	-	-	-
Federal Appropriated	786	-	786
Combined Totals	<u>\$2,552</u>	<u>\$87</u>	<u>\$2,639</u>

Bonds Payable

Summary of bonds payable activity at June 30, 2014 is as follows (in thousands):

Funds	June 30, 2013 Bonds Outstanding	Bonds Issued	Bonds Repaid	June 30, 2014 Bonds Outstanding
Rental Housing	\$ 71,765	\$ 13,880	\$ 18,165	\$ 67,480
Residential Housing Finance	1,352,605	100,000	233,765	1,218,840
Homeownership Finance	681,867	75,527	70,839	686,555
Multifamily Housing	14,890	-	230	14,660
HOMES SM	-	32,543	1,166	31,377
Totals	<u>\$2,121,127</u>	<u>\$221,950</u>	<u>\$324,165</u>	<u>\$2,018,912</u>

Bonds payable at June 30, 2014 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original amount	June 30, 2014 Bonds Outstanding, at Par
<u>Rental Housing Bonds</u>				
2004 Series B	4.00% to 4.85%	2035	\$ 3,215	\$ 2,725
2004 Series C	3.75% to 4.40%	2022	80,000	17,005
2005 Series A-1	4.25% to 4.85%	2035	1,725	1,480
2006 Series A-1	4.40% to 5.10%	2047	6,615	6,235
2006 Series B	4.89%	2037	5,020	4,495
2006 Series C-1	4.96%	2037	2,860	2,555
2007 Series A-1	4.65%	2038	3,775	3,410
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,560
2011 Series A	1.70% to 5.45%	2041	8,890	7,975
2012 Series A-1	3.75%	2048	4,175	4,160
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,710
2013 Series A-2	0.08%	2015	1,355	1,355
2013 Series B-1	3.65% to 5.30%	2044	2,040	2,040
2013 Series B-2	0.75%	2015	1,225	1,225
2014 Series A	0.625%	2016	5,550	5,550
			<u>\$ 133,760</u>	<u>\$ 67,480</u>

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Bonds Payable
(continued)

				June 30, 2014
Series	Interest rate	Final Maturity	Original amount	Bonds Outstanding, at Par
<u>Residential Housing Finance Bonds</u>				
2003 Series A	3.70% to 4.30%	2023	\$ 40,000	\$ 4,100
2003 Series B	Variable	2033	25,000	18,935
2003 Series I	4.70% to 5.10%	2020	25,000	3,080
2003 Series J	Variable	2033	25,000	12,925
2004 Series E-1	4.50% to 4.60%	2016	5,110	115
2004 Series E-2	4.40% to 4.60%	2016	6,475	915
2004 Series F-2	4.80% to 5.25%	2034	36,160	4,435
2004 Series G	Variable	2032	50,000	25,725
2005 Series A	3.80% to 4.125%	2018	14,575	2,485
2005 Series B	4.75% to 4.80%	2035	20,425	7,115
2005 Series C	Variable	2035	25,000	15,480
2005 Series G	4.25% to 4.30%	2018	8,950	4,265
2005 Series H	4.375% to 4.70%	2036	51,050	13,945
2005 Series I	Variable	2036	40,000	25,045
2005 Series J	3.85% to 4.00%	2015	11,890	3,615
2005 Series K	4.30% to 4.40%	2028	41,950	15,695
2005 Series L	4.75%	2036	48,165	18,375
2005 Series M	Variable	2036	60,000	36,430
2005 Series O	4.15% to 4.20%	2015	4,510	1,820
2005 Series P	4.75% to 5.00%	2036	65,490	31,345
2006 Series A	3.95% to 4.00%	2016	13,150	1,960
2006 Series B	4.60% to 5.00%	2037	43,515	14,430
2006 Series C	Variable	2037	28,335	21,675
2006 Series F	4.45% to 4.25%	2016	11,015	2,100
2006 Series G	4.85% to 5.50%	2037	58,985	34,980
2006 Series I	4.50% to 5.75%	2038	95,000	47,520
2006 Series J	6.00% to 6.51%	2038	45,000	22,550
2006 Series L	3.85% to 3.95%	2016	6,740	2,430
2006 Series M	4.625% to 5.75%	2037	35,260	29,030
2006 Series N	5.46% to 5.76%	2037	18,000	4,545
2007 Series C	3.85% to 3.95%	2017	12,515	4,415
2007 Series D	4.60% to 5.50%	2038	62,485	35,095
2007 Series E	Variable	2038	25,000	10,255
2007 Series H	3.80% to 3.95%	2017	12,230	6,290
2007 Series I	4.65% to 5.50%	2038	100,270	51,035
2007 Series J	Variable	2038	37,500	15,695
2007 Series L	4.45% to 5.50%	2048	105,000	62,060
2007 Series M	6.345%	2038	70,000	40,575
2007 Series P	3.60% to 3.90%	2017	4,305	2,400
2007 Series Q	5.00% to 5.50%	2038	42,365	20,315
2007 Series S	Variable	2038	18,975	18,975
2007 Series T	Variable	2048	37,160	19,300
2008 Series A	3.70% to 4.65%	2023	25,090	4,480
2008 Series B	5.50% to 5.65%	2033	34,910	9,820
2008 Series C	Variable	2048	40,000	40,000

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Bonds Payable
(continued)

June 30, 2014				
Series	Interest rate	Final Maturity	Original amount	Bonds Outstanding, at Par
<u>Residential Housing Finance Bonds (continued)</u>				
2009 Series A	3.05% to 5.20%	2023	\$ 26,795	\$ 5,575
2009 Series B	5.45% to 5.90%	2038	33,205	9,070
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	3.65% to 4.00%	2020	19,830	7,120
2009 Series E	2.55% to 5.10%	2040	103,960	76,025
2009 Series F	Variable	2031	34,120	17,315
2012 Series A	1.2% to 3.90%	2023	50,945	37,145
2012 Series B	3.30% to 3.45%	2024	8,830	7,135
2012 Series C	3.625% to 3.85%	2029	30,975	25,035
2012 Series D	3.90% to 4.00%	2040	60,000	47,055
2013 Series A	0.50% to 3.00%	2031	33,305	29,185
2013 Series B	0.90% to 1.80%	2019	9,555	9,290
2013 Series C	1.80% to 3.90%	2043	42,310	41,115
2014 Series A	0.25% to 4.00%	2038	50,000	50,000
2014 Series B	0.20% to 4.00%	2038	50,000	50,000
			\$2,181,385	\$1,218,840
 <u>Homeownership Finance Bonds</u>				
2009 Series A-1	3.01%	2041	\$ 108,000	\$ 84,540
2009 Series A-4A	2.48%	2041	21,910	17,980
2009 Series A-4B	2.48%	2041	13,090	10,760
2009 Series A-5	2.49%	2041	21,990	19,500
2010 Series A	1.40% to 4.25%	2028	72,000	47,755
2011 Series B	1.625% to 4.50%	2031	63,760	50,335
2011 Series C	1.80% to 3.850%	2031	8,310	5,245
2011 Series D	1.35% to 4.70%	2034	33,690	28,285
2011 Series E	1.05% to 4.45%	2035	65,000	52,330
2011 Series F	1.15% to 3.45%	2022	13,575	10,610
2011 Series G	4.00% to 4.25%	2035	29,110	25,800
2012 Series A	2.60%	2042	50,000	44,147
2012 Series B	2.25%	2042	75,000	68,753
2013 Series A	2.35%	2043	75,000	70,623
2013 Series B	2.70%	2041	85,148	76,123
2013 Series C	3.00%	2043	37,000	35,242
2014 Series A	3.00%	2044	38,527	38,527
			\$ 811,110	\$ 686,555
 <u>Multifamily Housing Bonds</u>				
2009	3.01%	2051	\$ 15,000	\$ 14,660
			\$ 15,000	\$ 14,660

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Bonds Payable
(continued)

				June 30, 2014
Series	Interest rate	Final Maturity	Original amount	Bonds Outstanding, at Par
HOMESSM				
2013 Series A-1	3.50%	2043	\$ 3,359	\$ 3,318
2013 Series B-1	3.00%	2043	24,471	23,420
2013 Series C-1	3.50%	2043	4,713	4,639
			32,543	31,377
Combined Totals			\$3,173,798	\$2,018,912

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

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% of the unpaid principal and accrued interest as set forth in the applicable series resolution. Annual debt service requirements to maturity for bonds outstanding as of June 30, 2014, are as follows (in thousands):

Fiscal Year	Rental Housing		Residential Housing Finance	
	Principal	Interest	Principal	Interest
2015	\$ 5,925	\$ 2,760	\$ 67,165	\$ 38,106
2016	3,545	2,623	31,640	37,442
2017	9,110	2,459	34,315	36,624
2018	3,415	2,291	33,290	35,760
2019	3,425	2,141	31,970	34,773
2020-2024	9,090	9,014	186,600	157,457
2025-2029	6,355	7,462	240,615	122,880
2030-2034	8,230	5,732	286,125	78,754
2035-2039	8,505	3,540	274,800	31,423
2040-2044	6,535	1,531	23,585	1,547
2045-2049	3,230	398	8,735	156
2050-2054	115	3	-	-
Total	\$67,480	\$39,954	\$1,218,840	\$574,922

Fiscal Year	Multifamily Housing		Homeownership Finance	
	Principal	Interest	Principal	Interest
2015	\$ 230	\$ 438	\$ 12,565	\$ 19,661
2016	230	431	8,975	19,462
2017	240	424	9,210	19,277
2018	240	417	9,475	19,051
2019	240	410	9,790	18,785
2020-2024	1,200	1,940	55,360	88,686
2025-2029	1,400	1,754	67,175	76,315
2030-2034	1,800	1,504	72,610	61,315
2035-2039	2,070	1,224	71,410	49,250
2040-2044	2,440	877	331,458	27,165
2045-2049	2,990	467	38,527	21
2050-2054	1,580	56	-	-
Total	\$14,660	\$ 9,942	\$ 686,555	\$398,988

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Bonds Payable
(continued)

Fiscal Year	HOMESSM		Combined Totals	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 981	\$ 85,885	\$ 61,946
2016	-	981	44,390	60,940
2017	-	981	52,875	59,765
2018	-	981	46,420	58,499
2019	-	981	45,425	57,090
2020-2024	-	4,906	252,250	262,003
2025-2029	-	4,906	315,545	213,316
2030-2034	-	4,906	368,765	152,212
2035-2039	-	4,906	356,785	90,342
2040-2044	31,377	4,088	395,395	35,208
2045-2049	-	-	53,482	1,043
2050-2054	-	-	1,695	59
Total	\$31,377	\$28,617	\$2,018,912	\$1,052,423

Residential Housing Finance Bonds 2003 Series B and J; 2004 Series G; 2005 Series C, I and M; 2006 Series C; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; and 2009 Series C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2014 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 HOMESSM 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, 2014, 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, 2014 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2014 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of \$0.

Derivative
Instruments-
Interest Rate
Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2014. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2014. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net position. The fair values exclude accrued interest. As of June 30, 2014, 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, 2014 is included under deferred outflows of resources as "Deferred loss on interest rate swap agreements."

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Derivative
Instruments-
Interest Rate
Swaps
(continued)**

Objective of Swaps

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

Swap Payments and Associated Debt

Using rates as of June 30, 2014, 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
2015	\$15,705	\$216	\$11,396	\$ 27,317
2016	3,390	176	10,551	14,117
2017	6,545	173	9,768	16,486
2018	3,305	169	9,069	12,543
2019	4,560	167	8,542	13,269
2020-2024	37,105	785	35,695	73,585
2025-2029	62,065	647	25,599	88,311
2030-2034	87,280	432	17,852	105,564
2035-2039	83,315	171	7,057	90,543
2040-2044	6,735	49	1,399	8,183
2045-2049	7,750	17	480	8,247

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the two counterparties thereto as of June 30, 2014, are contained in the two tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Derivative
Instruments-
Interest Rate
Swaps
(continued)**

Counterparty: The Bank of New York Mellon							
Moody's* A1 (stable outlook) / Standard & Poor's** A (Negative outlook)							
Associated Bond Series	Notional Amount as of June 30, 2014	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value¹ as of June 30, 2014	Increase (Decrease) in Fair Value since June 30, 2013
RHFB 2003B	\$ 18,935	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR*** plus 0.23% per annum	\$(1,139)	\$ (40)
RHFB 2003J	12,925	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR*** plus 0.23% per annum	(1,281)	23
RHFB 2005C	15,480	March 2, 2005	January 1, 2035	3.587%	64% of 1 month LIBOR*** plus 0.28% per annum	(220)	407
RHFB 2005I	25,045	June 2, 2005	January 1, 2036	3.570%	64% of 1 month LIBOR*** plus 0.28% per annum	(725)	698
RHFB 2005M	36,430	August 4, 2005	January 1, 2036	3.373%	64% of 1 month LIBOR*** plus 0.29% per annum	(1,002)	975
RHFB 2006C	21,675	March 21, 2006	January 1, 2037	3.788%	64% of 1 month LIBOR*** plus 0.29% per annum	(911)	606
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA**** Index plus 0.06% per annum	(1,258)	(37)
RHFB 2007T (Taxable)	19,300	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(1,374)	602
Counterparty Total	<u>\$168,765</u>					<u>\$(7,910)</u>	<u>\$3,234</u>

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Derivative
Instruments-
Interest Rate
Swaps
(continued)**

Counterparty: Royal Bank Of Canada							
Moody's* Aa3 (Negative outlook) / Standard & Poor's** AA- (Stable outlook²)							
Associated Bond Series	Notional Amount as of June 30, 2014	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value¹ as of June 30, 2014	Increase (Decrease) in Fair Value since June 30, 2013
RHFB 2004G	\$ 25,725	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR*** plus 0.26% per annum	\$ (1,926)	\$ 513
RHFB 2007E (Taxable)	10,255	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR***	(1,306)	276
RHFB 2007J (Taxable)	15,695	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR***	(2,039)	408
RHFB 2008C	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR*** plus 0.30% per annum	(3,279)	607
RHFB 2009C	40,000	February 12, 2009	July 1, 2036	4.215%	64% of 3 month LIBOR*** plus 0.30% per annum	(4,614)	552
RHFB 2009F	17,315	December 1, 2009	January 1, 2017	2.365%	100% of weekly SIFMA****plus 0.08% per annum	(458)	307
Counterparty Total	<u>\$148,990</u>					<u>\$(13,622)</u>	<u>\$2,663</u>
Combined Totals	<u><u>\$317,755</u></u>					<u><u>\$(21,532)</u></u>	<u><u>\$5,897</u></u>

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. Standard and Poor's changed their outlook for Royal Bank of Canada to negative in August, 2014.

* Moody's Investor Service, Inc.

** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies

*** London Inter-Bank Offered Rate

**** Securities Industry and Financial Markets Association

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, 2014, the Agency did not have a net credit risk exposure to any of its three counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is \$50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty,

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Derivative Instruments- Interest Rate Swaps (continued)

in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than “AA-” and “Aa3” from Standard & Poor’s and Moody’s, respectively, \$5 million if the ratings are not less than “A+” and “A1”, \$3 million if the ratings are not less than “A” and “A2”, and \$0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2014, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

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

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency’s bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2014, the interest rate on the Agency’s variable rate tax-exempt debt ranged from 0.05% to 0.07% per annum while the variable interest rate on the associated swaps ranged from 0.14% to 0.41% per annum. As of June 30, 2014, the interest rate on the Agency’s variable rate taxable debt was 0.15% per annum while the variable interest rate on the corresponding swaps ranged from 0.15% to 0.20% 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.

Derivative Instruments- Forward Sales Contracts

The Agency has entered into forward sales contracts for the future delivery of Ginnie Mae and Fannie Mae 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 Ginnie Mae or Fannie Mae securities. These contracts are considered investment derivative instruments. Therefore, the change in value is reported as unrealized gains (losses) on investments. Outstanding forward sales contracts, summarized by counterparty as of June 30, 2014, are as follows: (in thousands):

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Derivative
Instruments-
Forward Sales
Contracts
(continued)**

Counterparty Short-Term Rating	Number of Contracts	Notional Amount	Original Price	Market Price	Fair Value ***
A-1* / F1**	29	\$53,500	\$55,789	\$56,295	\$(506)
A-1* / F1**	26	44,500	46,342	46,807	(465)
A-1* / F1**	12	21,000	21,705	21,855	(150)
A-2*	2	5,000	5,308	5,366	(58)
	69	\$124,000	\$129,144	\$130,323	\$(1,179)

* Standard and Poor's Rating Services, Inc

** Fitch Ratings, Ltd

*** The negative fair value represents the amount payable by the Agency to the counterparty upon liquidation of the commitment to sell mortgage-backed securities.

**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, 2014, \$28.615 million of the bonds were outstanding.

On January 16, 2014 the Agency issued short-term tax-exempt bonds on a conduit basis to enable a nonprofit corporation to obtain Low Income Housing Tax Credit 4% credits in connection with the acquisition and rehabilitation of a certain HUD Section 8 multifamily permanent supportive housing development in Minnesota. As of June 30, 2014, \$1.885 million of the bonds were outstanding.

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

**Appropriation
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, 2014, \$59.680 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. These bonds are payable solely from the appropriations the Agency expects to receive from the State General Fund pursuant to standing appropriations to be made by the Legislature as authorized by state laws adopted in 2008 and 2012. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

Accounts Payable

Accounts payable and other liabilities at June 30, 2014 consisted of the following (in thousands):

Funds	Arbitrage			Total
	Rebate Payable to the Federal Government and Yield Compliance Liability	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	
General Reserve Account	\$ -	\$3,019	\$ 831	\$3,850
Rental Housing	2,314	-	26	2,340
Residential Housing Finance	606	-	1,157	1,763
Homeownership Finance	-	-	102	102
Multifamily Housing	-	-	-	-
HOMES SM	-	-	-	-
State Appropriated	-	-	1,356	1,356
Federal Appropriated	-	-	143	143
Combined Totals	<u>\$2,920</u>	<u>\$3,019</u>	<u>\$3,615</u>	<u>\$9,554</u>

The amount of arbitrage rebate payable and yield compliance liability that is not due within one year in Rental Housing is \$2.314 million and in Residential Housing Finance \$0.606 million, for a total of \$2.920 million.

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2014 consisted of the following (in thousands):

Funds	Due from								Total
	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMESSM	State Appropriated	Federal Appropriated	
General Reserve	\$ -	\$-	\$-	\$-	\$-	\$-	\$343	\$654	\$ 997
Rental Housing	-	-	-	-	-	-	-	-	-
Residential Housing Finance	2,297	-	-	-	-	-	-	-	2,297
Homeownership Finance	-	-	-	-	-	-	-	-	-
Multifamily Housing	-	-	-	-	-	-	-	-	-
HOMES SM	-	-	-	-	-	-	-	-	-
State Appropriated	-	-	-	-	-	-	-	-	-
Federal Appropriated	-	-	-	-	-	-	-	-	-
Agency-wide Totals	<u>\$2,297</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$343</u>	<u>\$654</u>	<u>\$3,294</u>

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.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Interfund
Transfers**

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2014 consisted of the following (in thousands):

		Transfer from								
Transfer to	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES SM	State Appropriated	Federal Appropriated	Total
	General Reserve	\$ -	\$1,148	\$13,295	\$4,323	\$97	\$-	\$ 902	\$660	\$20,425
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	123	-	-	-	-	-	2,215	-	2,338
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES SM						-			
	State Appropriated	-	-	135	-	-	-	-	-	135
	Federal Appropriated	-	50	-	-	-	-	-	-	50
	Agency-wide Totals	\$123	\$1,198	\$13,430	\$4,323	\$97	\$-	\$3,117	\$660	\$22,948

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 \$2.026 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated; and to make payments from Rental Housing to Residential Housing Finance on loans outstanding between those funds.

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2014, consisted of the following (in thousands):

		Transfer from								
Funds		General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES SM	State Appropriated	Federal Appropriated	Total
Transfer to	General Reserve	\$ -	\$-	\$ -	\$ -	\$-	\$-	\$-	\$-	\$ -
	Rental Housing	-	-	13	-	-	-	-	-	13
	Residential Housing Finance	4,813	-	-	446	-	1,203	-	-	6,462
	Homeownership Finance	-	-	2,078	-	-	-	-	-	2,078
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES SM	-	-	381	-	-	-	-	-	381
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	\$4,813	\$-	\$2,472	\$446	\$-	\$1,203	\$-	\$-	\$8,934

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

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

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 the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The \$490.527 million restricted by covenant portion of net position is restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

The Housing Endowment Fund (Pool 1) is maintained in the Restricted by Covenant portion of Net Position of the General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (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 \$682.308 million as of June 30, 2013 and \$683.047 million as of June 30, 2014.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Net Position
(continued)**

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, 2014 (in thousands):

	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Assets Restricted by Covenant
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	\$ 14,398	\$ -	\$ 14,398
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	\$ 14,398	\$ -	\$ 14,398
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount that causes the combined net assets 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 assets 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 2014, \$28,000 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.	363,110	-	363,110
Unrealized appreciation in fair market value of investments	-	(666)	(666)
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	363,110	(666)	362,444
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.	112,805	-	112,805
Unrealized appreciation in fair market value of investments	-	880	880
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	112,805	880	113,685
Agency-wide Total	\$490,313	\$214	\$490,527

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Restricted by Law under Net Position. The \$8.093 million balance of Restricted by Law in the Federal Appropriated fund as of June 30, 2014 is restricted by federal requirements that control the use of the funds. The \$121.984 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2014 is restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

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

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

The statutory pension contribution rates for the employee and employer (as a percentage of salary) are 5% each. That contribution rate increased to 5.5% on July, 1, 2014.

The Agency’s pension contribution to the System for the fiscal year ended June 30, 2014 was \$820 thousand.

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

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Defined Benefit
Pension Plan
(continued)**

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Actual Covered Payroll (Previous FY)	UAAL as a % of Covered Payroll
7/1/2013	\$9,375,780	\$11,428,641	\$2,052,861	82.04%	\$2,483,000	82.68%
7/1/2012	9,162,301	11,083,227	1,920,926	82.67%	2,367,160	81.15%
7/1/2011	9,130,011	10,576,481	1,446,470	86.32%	2,440,580	59.27%

Schedule of Employer Contributions (dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate of Assets	Actual Covered Payroll	Actual Member Contributions	Annual Required Employer Contributions	Actual Employer Contributions*	Percent Contributed
2013	12.32%	\$2,483,000	\$124,150	\$181,756	\$121,673	66.94%
2012	11.03%	2,367,160	118,358	142,740	115,159	80.68%
2011	10.99%	2,440,580	122,029	146,191	118,563	81.10%

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

The information presented was as of July 1, 2013, which is the latest actuarial information available.

The above summarizes the defined benefit pension plan. Please refer to the July 1, 2013, Minnesota State Employees Retirement Fund Actuarial Valuation and Review for a more comprehensive description. The actuarial valuation and review can be obtained from the financial information page of the Minnesota State Retirement System website at www.msrs.state.mn.us. The information contained in that website is also available in alternative formats to individuals with disabilities. Please call 1-800-657-5757 or use the MN Relay Service at 1-800-627-3529.

**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 other postemployment benefits (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 \$162 thousand for fiscal year 2014. The NOO was recorded as an expense and a corresponding liability by the Agency. This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 4.75% and the assumed payroll growth rate was 3.75%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 50% rate. The projected annual medical claims cost trend rate is 9.13% initially, reduced by decrements to an ultimate rate of 5.0% for the year 2026 and beyond. Mortality was determined using 1983 Group Annuity Mortality Tables.

The funding status, from the report dated July 31, 2013, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

MINNESOTA HOUSING FINANCE AGENCY
Notes to Financial Statements
Year ended June 30, 2014 (continued)

**Post-Employment
Benefits Other
Than Pensions
(continued)**

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2008	\$ -	\$664,452	\$664,452	0.00%	\$1,891,300	35.13%
7/1/2010	-	693,297	693,297	0.00%	2,048,761	33.84%
7/1/2012	-	573,135	573,135	0.00%	1,904,671	30.09%

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2011	\$66,526	\$34,208	51.42%	\$144,765
6/30/2012	70,195	46,519	66.27%	168,441
6/30/2013	59,317	33,772	56.93%	193,986
6/30/2014	62,409	30,222	48.43%	226,173

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

Fiscal Year Ended	Annual Required Contribution (ARC)	Annual Employer Contribution	Interest on NOO	ARC Adjustment with Interest	Amor- tization Factor	Annual OPEB Cost	Change in NOO	NOO Balance
6/30/2011	\$65,534	\$34,208	\$5,341	\$4,349	27.084	\$66,526	\$32,318	\$144,765
6/30/2012	68,918	46,519	6,876	5,599	27.084	70,195	23,676	168,441
6/30/2013	58,052	33,772	8,001	6,736	26.195	59,317	25,545	193,986
6/30/2014	60,952	30,222	9,214	7,757	26.195	62,409	32,187	226,173

**Risk
Management**

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

Type of Coverage	Coverage Limits
Real and personal property loss	\$ 5,001,947
Business interruption/loss of use/extra expense	50,000,000
Bodily injury and property damage per person	500,000
Bodily injury and property damage per occurrence	1,500,000
Faithful performance/commercial crime	14,000,000
Employee dishonesty	250,000

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

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

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

MINNESOTA HOUSING FINANCE AGENCY

Notes to Financial Statements

Year ended June 30, 2014 (continued)

Commitments

As of June 30, 2014, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve Account	\$ -
Rental Housing	40,866
Residential Housing Finance	193,072
Homeownership Finance	-
Multifamily Housing	-
HOMES SM	-
State Appropriated	82,588
Federal Appropriated	14,824
Agency Wide Totals	<u>\$331,350</u>

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

The Agency has cancellable lease commitments for office facilities through August 2017 and for parking through February 2016, totaling \$3.616 million. Combined office facilities and parking lease expense for fiscal year 2014 was \$1.196 million.

On June 30, 2014 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, 2014, \$18.169 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2014 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2014, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
\$10,000	\$119,000	\$129,000	\$ -

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.

Subsequent Events

The Agency called for redemption subsequent to June 30, 2014 the following bonds (in thousands):

Program	Retirement Date	Par
Homeownership Finance	July 1, 2014	\$ 3,710,000
Residential Housing Finance	July 1, 2014	38,390,000
Homeownership Finance	August 1, 2014	2,185,000
Residential Housing Finance	August 1, 2014	10,065,000
Rental Housing	August 1, 2014	15,785,000
Rental Housing	August 15, 2014	4,150,000
Homeownership Finance	September 1, 2014	2,470,000
Residential Housing Finance	September 1, 2014	2,530,000
Rental Housing	September 15, 2014	1,355,000

On June 5, 2014, the Board of the Agency adopted a series resolution authorizing the issuance of bonds for the purpose of providing funds for certain of the Agency's homeownership programs. The Homeownership Finance Bonds, 2014 Series B and C, in the principal amount of \$32.5 million are scheduled to be delivered on August 26, 2014.

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2010 – 2014

		2010	2011	2012	2013	2014
Loans Receivable net (as of June 30)	Multifamily programs	\$ 334,565	\$ 329,452	\$ 339,306	\$ 354,059	\$ 338,782
	Homeownership programs	1,780,911	1,589,329	1,372,835	1,166,480	1,028,918
	Home Improvement programs	116,713	111,670	98,987	87,973	85,535
	Total	<u>\$2,232,189</u>	<u>\$2,030,451</u>	<u>\$1,811,128</u>	<u>\$1,608,512</u>	<u>\$1,453,235</u>
Mortgage-backed securities, net, at par (as of June 30)	Program mortgage-backed securities	\$ 32,321	\$ 349,676	\$ 621,678	\$ 801,771	\$ 900,321
	Warehoused mortgaged-backed securities	\$ 107,330	\$49,688	\$5,081	\$56,007	\$28,728
	Total	<u>\$ 139,651</u>	<u>\$ 399,364</u>	<u>\$ 626,759</u>	<u>\$ 857,778</u>	<u>\$ 929,049</u>
Bonds Payable, net (as of June 30)	Multifamily programs	\$ 165,085	\$ 172,692	\$ 119,667	\$ 86,655	\$ 82,140
	Homeownership programs	2,524,422	2,372,722	2,050,422	2,034,472	1,936,772
	Home Improvement programs	15,000	10,000	-	-	-
	Total	<u>\$2,704,507</u>	<u>\$2,555,414</u>	<u>\$2,170,089</u>	<u>\$2,121,127</u>	<u>\$2,018,912</u>
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	\$ 20,874	\$ 33,956	\$ 51,091	\$ 36,757	\$ 15,867
	Homeownership programs	55,891	31,372	12,736	18,999	23,912
	Program and warehoused mortgage-backed securities	140,992	288,580	248,423	296,751	160,485
	Home Improvement programs	32,299	22,780	11,245	10,627	15,202
	Total	<u>\$ 250,056</u>	<u>\$ 376,688</u>	<u>\$ 323,495</u>	<u>\$ 363,134</u>	<u>\$ 215,466</u>
Net Position (as of June 30)	Total Net Position *	\$ 683,233	\$ 683,638	\$ 724,098	\$ 682,308	\$ 696,154
	Percent of total assets and deferred outflows of resources *	19.1%	19.9%	23.5%	23.0%	24.0%
Revenue over Expenses	Revenues over expenses for the fiscal year *	\$ 14,991	\$ 14,305	\$ 57,460	(\$19,587)	\$ 41,846

Notes:

* Excludes Pool 3

MINNESOTA HOUSING FINANCE AGENCY

Supplementary Information

Statement of Net Position (in thousands)

General Reserve and Bond Funds

As of June 30, 2014 (with comparative totals as of June 30, 2013)

		Bond Funds			
		General Reserve	Rental Housing	Residential Housing Finance	
				Bonds	Pool 2
Assets	Cash and cash equivalents	\$57,160	\$ 29,027	\$ 145,210	\$ 55,771
	Investments- program mortgage-backed securities	-	-	218,665	-
	Investment securities- other	29,778	10,423	59,639	28,880
	Loans receivable, net	-	146,061	953,308	308,642
	Interest receivable on loans and program mortgage-backed securities	-	713	7,073	1,491
	Interest receivable on investments	133	32	394	89
	FHA/VA insurance claims, net	-	-	3,623	113
	Real estate owned, net	-	-	8,780	66
	Capital assets, net	3,385	-	-	-
	Other assets	1,067	4	33	729
	Total assets	91,523	186,260	1,396,725	395,781
Deferred outflows of Resources	Deferred loss on refunding	-	704	366	-
	Deferred loss on interest rate swap agreements	-	-	21,532	-
	Total assets and deferred outflows of resources	91,523	186,964	1,418,623	395,781
Liabilities	Bonds payable	\$ -	\$ 67,480	\$1,218,840	\$ -
	Interest payable	-	1,156	24,925	-
	Interest rate swap agreements	-	-	21,532	-
	Accounts payable and other liabilities	3,850	2,340	1,324	413
	Interfund payable (receivable)	1,300	-	-	25,693
	Funds held for others	68,590	-	-	-
	Total liabilities	73,740	70,976	1,266,621	26,106
Deferred inflows of Resources	Deferred revenue- service release fee	-	-	-	7,231
	Total liabilities and deferred inflows of resources	73,740	\$ 70,976	1,266,621	\$ 33,337
Commitments and contingencies					
Net Position	Restricted by bond resolution	-	115,988	152,002	-
	Restricted by covenant	14,398	-	-	362,444
	Invested in capital assets	3,385	-	-	-
	Total net position	17,783	115,988	152,002	362,444
	Total liabilities, deferred inflows, and net position	91,523	186,964	1,418,623	395,781

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 SM	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2013	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2013
\$ 28,562	\$ 831	\$ -	\$ 316,561	\$ 339,385	\$10,165	\$ 326,726	\$ 344,541
706,858	-	-	925,523	814,692	-	925,523	814,692
2,410	438	31,955	163,523	181,411	44,823	208,346	214,784
-	14,635	-	1,422,646	1,577,357	30,589	1,453,235	1,608,512
2,167	53	-	11,497	14,769	72	11,569	14,856
1	1	82	732	697	71	803	729
-	-	-	3,736	8,675	-	3,736	8,675
-	-	-	8,846	9,282	-	8,846	9,282
-	-	-	3,385	2,930	-	3,385	2,930
19	-	-	1,852	2,181	1	1,853	2,633
740,017	15,958	32,037	2,858,301	2,951,379	85,721	2,944,022	3,021,634
-	-	-	1,070	1,437	-	1,070	1,437
-	-	-	21,532	27,429	-	21,532	27,429
\$740,017	\$15,958	\$32,037	\$2,880,903	\$2,980,245	\$85,721	\$2,966,624	\$3,050,500
\$686,555	\$14,660	\$31,377	\$2,018,912	\$2,131,127	\$ -	\$2,018,912	\$2,131,127
6,684	37	82	32,884	37,112	-	32,884	37,112
-	-	-	21,532	27,429	-	21,532	27,429
102	-	-	8,029	8,315	26	8,055	8,343
-	-	-	26,993	18,228	(27,990)	(997)	(829)
-	-	578	69,168	68,863	-	69,168	68,863
693,341	14,697	32,037	2,177,518	2,291,074	(27,964)	2,149,554	2,272,045
-	-	-	7,231	6,863	-	7,231	6,863
\$693,341	\$73,740	\$32,037	\$2,184,749	\$2,297,937	\$(27,964)	\$2,156,785	\$2,278,908
46,676	1,261	-	315,927	290,913	-	315,927	290,913
-	-	-	376,842	388,465	113,685	490,527	477,749
-	-	-	3,385	2,930	-	3,385	2,930
46,676	1,261	-	696,154	682,308	113,685	809,839	771,592
\$740,017	\$15,958	\$32,037	\$2,880,903	\$2,980,245	\$85,721	\$2,966,624	\$3,050,500

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, 2014 (with comparative totals for year ended June 30, 2013)

		Bond Funds			
		Residential Housing Finance			
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	\$ -	\$ 9,671	\$ 57,686	\$ 18,924
	Interest earned on investments- program mortgage-backed securities	-	-	4,345	-
	Interest earned on investments- other	96	402	1,743	(820)
	Net gain on sale of MBS held for sale and HOMES certificates	-	-	-	3,768
	Administrative reimbursement	20,656	-	-	-
	Fees earned and other income	9,105	775	-	1,327
	Unrealized gains (losses) on Investments	-	275	5,033	(105)
	Total revenues	29,857	11,123	68,807	23,094
Expenses	Interest	-	3,568	52,266	25
	Loan administration and trustee fees	-	84	3,144	1,690
	Administrative reimbursement	-	1,148	8,468	3,626
	Salaries and benefits	20,909	-	-	-
	Other general operating	5,330	1	11	3
	Reduction in carrying value of certain low interest rate deferred loans	-	(16)	-	713
	Provision for loan losses	-	1,101	(2,102)	1,126
	Total expenses	26,239	5,886	61,787	7,183
	Revenue over (Under) expenses	3,618	5,237	7,020	15,911
Other changes	Non-operating transfer of assets between funds	(4,813)	13	1,874	(25,884)
	Change in net position	(1,195)	5,250	8,894	(9,973)
Net Position	Total net position, beginning of year	18,978	110,738	143,108	372,417
	Total net position, end of year	\$17,783	\$115,988	\$152,002	\$362,444

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 Bonds	Multifamily Housing Bonds	HOMES SM	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2013	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2014	Total For The Year Ended June 30, 2013
\$ -	\$ 646	\$ -	\$ 86,927	\$ 98,513	\$ 301	\$ 87,228	\$ 98,781
24,847	-	-	29,192	26,786	-	29,192	26,786
4	6	858	2,289	5,969	631	2,920	6,929
-	-	822	4,590	-	-	4,590	-
-	-	-	20,656	19,820	-	20,656	19,820
12	-	-	11,219	10,990	183	11,402	11,184
10,695	10	-	15,908	(38,025)	859	16,767	(38,930)
35,558	662	1,680	170,781	124,053	1,974	172,755	124,570
21,844	445	858	79,006	87,885	-	79,006	87,885
263	6	-	5,187	5,429	12	5,199	5,444
4,323	97	-	17,662	17,200	1,201	18,863	18,325
-	-	-	20,909	19,135	-	20,909	19,135
5	-	-	5,350	5,427	3,624	8,974	10,464
-	-	-	697	(320)	633	1,330	2,083
-	(1)	-	124	8,884	103	227	9,323
26,435	547	858	128,935	143,640	5,573	134,508	152,659
9,123	115	822	41,846	(19,587)	(3,599)	38,247	(28,089)
1,632	-	(822)	(28,000)	(19,000)	28,000	-	-
10,755	115	-	13,846	(38,587)	24,401	38,247	(28,089)
35,921	1,146	-	682,308	720,895	89,284	771,592	799,681
<u>\$46,676</u>	<u>\$1,261</u>	<u>\$ -</u>	<u>\$696,154</u>	<u>\$682,308</u>	<u>\$113,685</u>	<u>\$809,839</u>	<u>\$771,592</u>

MINNESOTA HOUSING FINANCE AGENCY

Supplementary Information

Statement of Cash Flows (in thousands)

General Reserve and Bond Funds (continued)

Year ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

		<u>Bond Funds</u>	
		<u>General Reserve</u>	<u>Rental Housing</u>
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	\$ -	\$23,114
	Investment in loans and program mortgage-backed securities	-	(8,085)
	Interest received on loans and program mortgage-backed securities	-	9,103
	Other operating	-	-
	Fees and other income received	8,958	775
	Salaries, benefits and vendor payments	(24,543)	(91)
	Administrative reimbursement from funds	20,426	(1,148)
	Deposits into funds held for others	30,637	-
	Disbursements made from funds held for others	(31,705)	-
	Interfund transfers and other assets	(2,456)	6
	Net cash provided (used) by operating activities	<u>1,317</u>	<u>23,674</u>
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	13,880
	Principal repayment on bonds and notes	-	(18,165)
	Interest paid on bonds and notes	-	(3,071)
	Financing costs paid related to bonds issued	-	(390)
	Agency contribution to program funds	-	13
	Transfer of cash between funds	(4,108)	-
	Net cash provided (used) by noncapital financing activities	<u>(4,108)</u>	<u>(7,733)</u>
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	637	208
	Net gain on sale of MBS held for sale and HOME certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	5,000	2,236
	Purchase of investment securities	-	(4,223)
	Purchase of loans between funds	-	-
	Net cash provided (used) by investing activities	<u>5,637</u>	<u>(1,779)</u>
	Net increase (decrease) in cash and cash equivalents	2,846	14,162
Cash and cash equivalents	Beginning of year	<u>54,314</u>	<u>14,865</u>
	End of year	<u>\$57,160</u>	<u>\$29,027</u>

Bond Funds					General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2014	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2014	General Reserve & Bond Funds Total For The Year Ended June 30, 2014	General Reserve & Bond Funds Total For The Year Ended June 30, 2013
Residential Housing Finance		Home- ownership Finance	Multi- family Housing	HOMES SM				
Bonds	Pool 2							
\$119,984	\$30,211	\$69,334	\$155	\$ -	\$242,798	\$ 3,305	\$246,103	281,275
(101,369)	(41,170)	(76,626)	-	-	(227,250)	(5,170)	(232,420)	(314,137)
60,297	18,214	25,613	647	-	113,874	693	114,567	120,745
-	-	65	-	-	65	(3,599)	(3,534)	(4,975)
-	8,559	12	-	-	18,304	183	18,487	18,211
(3,695)	(8,503)	(316)	(6)	-	(37,154)	(39)	(37,193)	(35,761)
(8,468)	(3,626)	(4,323)	(97)	-	2,764	(1,201)	1,563	1,325
-	-	-	-	-	30,637	-	30,637	28,973
-	-	-	-	-	(31,705)	-	(31,705)	(33,898)
(3)	476	1	-	-	(1,976)	506	(1,470)	(3,243)
66,746	4,161	13,760	699	-	110,357	(5,322)	105,035	58,515
103,766	119,000	75,527	-	32,543	344,716	-	344,716	754,731
(233,765)	(129,000)	(70,839)	(230)	(1,166)	(453,165)	-	(453,165)	(787,066)
(55,395)	(15)	(21,072)	(445)	(776)	(80,774)	-	(80,774)	(89,301)
(2,640)	(11)	(734)	-	-	(3,775)	-	(3,775)	(4,459)
2,089	(2,393)	2,078	-	(1,203)	584	(584)	-	-
-	4,108	-	-	-	-	-	-	-
(185,945)	(8,311)	(15,040)	(675)	29,398	(192,414)	(584)	(192,998)	(126,095)
(4,425)	(117)	-	-	-	(4,542)	-	(4,542)	(5,368)
2,688	2,131	4	6	776	6,450	346	6,796	7,578
-	2,208	-	-	1,203	3,411	-	3,411	-
53,898	582	-	-	-	54,480	-	54,480	60,668
14,740	405,040	390	-	1,166	428,572	24,646	453,218	439,817
(20,535)	(371,733)	(800)	-	(32,543)	(429,834)	(15,407)	(445,241)	(464,051)
-	696	-	-	-	696	1,330	2,026	2,318
46,366	38,807	(406)	6	(29,398)	59,233	10,915	70,148	40,962
(72,833)	34,657	(1,686)	30	-	(22,824)	5,009	(17,815)	(26,618)
218,043	21,114	30,248	801	-	339,385	5,156	344,541	371,159
\$145,210	\$55,771	\$28,562	\$831	\$ -	\$316,561	\$10,165	\$326,726	\$344,541

(Continued)

MINNESOTA HOUSING FINANCE AGENCY

Supplementary Information

Statement of Cash Flows (in thousands)

General Reserve and Bond Funds (continued)

Year ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

		<u>Bond Funds</u>	
		<u>General Reserve</u>	<u>Rental Housing</u>
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities	Revenues over (under) expenses	\$3,618	\$ 5,237
	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	-	(239)
	Amortization of premium (discounts) and fees on sale of HOMES certificates	-	-
	Depreciation	1,789	-
	Gain on sale of MBS held for sale and HOMES certificates	-	-
	Realized losses (gains) on sale of securities, net	-	(47)
	Unrealized losses (gains) on securities, net	-	(275)
	Provision for loan losses	-	1,101
	Reduction in carrying value of certain low interest rate and/or deferred loans	-	(16)
	Capitalized interest on loans and real estate owned	-	(8)
	Interest earned on investments	(96)	(215)
	Interest expense on bonds and notes	-	3,568
	Changes in assets and liabilities:		
	Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	15,029
	Decrease (increase) in interest receivable on loans	-	79
	Increase (decrease) in arbitrage rebate liability	-	(540)
	Increase (decrease) in accounts payable	-	(6)
	Increase (decrease) in interfund payable, affecting operating activities only	(353)	-
	Decrease in funds held for others	(1,068)	-
	Other	(2,573)	6
	Total	<u>(2,301)</u>	<u>18,437</u>
	Net cash provided (used) by operating activities	<u>\$1,317</u>	<u>\$23,674</u>

Bond Funds					General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2014	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2014	General Reserve & Bond Funds Total For The Year Ended June 30, 2014	General Reserve & Bond Funds Total For The Year Ended June 30, 2013
Residential Housing Finance		Home- ownership Finance	Multi- family Housing	HOMES SM				
Bonds	Pool 2							
\$ 7,020	\$15,911	\$ 9,123	\$115	\$ 822	\$ 41,846	\$(3,599)	\$ 38,247	\$(28,089)
193	(723)	780	-	-	11	365	376	530
-	202	-	-	381	583	-	583	-
-	-	-	-	-	1,789	-	1,789	1,511
-	(3,970)	-	-	(1,203)	(5,173)	-	(5,173)	-
58	2,790	-	-	-	2,801	(41)	2,760	(819)
(5,033)	105	(10,695)	(10)	-	(15,908)	(859)	(16,767)	38,930
(2,102)	1,126	-	-	-	125	103	228	9,323
-	713	-	(1)	-	696	633	1,329	2,083
(5,039)	(80)	-	-	-	(5,127)	-	(5,127)	(4,737)
(2,294)	(1,970)	(4)	(6)	(858)	(5,443)	(590)	(6,033)	(6,254)
52,266	25	21,844	445	858	79,006	-	79,006	87,885
18,615	(10,959)	(7,292)	155	-	15,548	(1,865)	13,683	(32,862)
3,112	94	(14)	1	-	3,272	15	3,287	(158)
493	-	-	-	-	(47)	-	(47)	(313)
(538)	423	17	-	-	(104)	(2)	(106)	(6)
(3)	124	-	-	-	(232)	67	(165)	(228)
-	-	-	-	-	(1,068)	-	(1,068)	(4,925)
(2)	350	1	-	-	(2,218)	451	(1,767)	(3,356)
59,726	(11,750)	4,637	584	(822)	68,511	(1,723)	66,788	86,604
\$66,746	\$ 4,161	\$13,760	\$699	\$ -	\$110,357	\$(5,322)	\$105,035	\$58,515

Other Information

Board of Directors

Kenneth R Johnson, Chair
Member

Joseph Johnson III, Vice Chair
Member

The Honorable Rebecca Otto
Ex-officio member
State Auditor, State of Minnesota

Gloria J Bostrom
Member

John DeCramer
Member

George Garnett
Member

Stephanie Klinzing
Member

Legal and Financial Services

Bond Trustee and Bond Paying Agent
Wells Fargo Bank, National Association

Bond Counsel
Kutak Rock LLP, Atlanta

Financial Advisor
CSG Advisors Incorporated

Underwriters
RBC Capital Markets, Piper Jaffray & Co, Wells Fargo Bank National Association

Certified Public Accountants
McGladrey LLP

Location

Minnesota Housing is located at 400 Sibley Street, Suite 300, Saint Paul, Minnesota 55101-1998.

For further information, please write, call or visit our web site.

(651) 296-7608 (general phone number)

(800) 657-3769 (toll free)

(651) 296-8139 (fax number)

www.mnhousing.gov

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

Minnesota Housing does not discriminate on the basis of race, color, status with regard to receipt of public assistance, creed, marital status, sexual orientation, familial status, national origin, sex, religion, age, or disability in employment or the provision of services or resources. Information contained in this publication will be made available in an alternative format upon request.

APPENDIX B

**CERTAIN FINANCIAL STATEMENTS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF MARCH 31, 2015
AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)**

AS PREPARED BY THE AGENCY'S ACCOUNTING DEPARTMENT

DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance ("RHFB") excluding Pool 3, and RHFB Pool 3 (the "Funds") as of March 31, 2015 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, 2015 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 B should be read in connection with the audited financial statements included in Appendix A, including the notes to those financial statements.

General Reserve & Bond Funds
Statement of Net Position
as of
March 31, 2015
(unaudited)
(with comparative totals as of March 31, 2014)
(in thousands)

	Bond Funds										
	Residential Housing Finance									Fiscal 2015 General Reserve and Bond Funds as of March 31, 2015	Fiscal 2014 General Reserve and Bond Funds as of March 31, 2014
	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		
Assets											
Cash and cash equivalents	\$ 57,836	\$ 17,387	\$ 98,242	\$ 21,081	\$ 23,568	\$ 860	\$ -	\$ 218,974	\$ 6,636	\$ 225,610	\$ 240,103
Investments-program mortgage-backed securities	-	-	294,074	-	855,782	-	-	1,149,856	-	1,149,856	837,050
Investment securities-other	30,005	3,029	42,624	65,628	2,070	449	30,717	174,522	46,513	221,035	255,928
Loans receivable, net	-	146,336	853,978	306,997	-	14,514	-	1,321,825	36,840	1,358,665	1,483,258
Interest receivable on loans and program mortgage-backed securities	-	706	6,490	1,372	2,577	53	-	11,198	72	11,270	11,754
Interest receivable on investments	71	21	437	183	1	3	77	793	138	931	1,133
FHA/VA insurance claims, net	-	-	2,643	113	-	-	-	2,756	-	2,756	4,400
Real estate owned, net	-	-	6,471	72	-	-	-	6,543	-	6,543	13,576
Capital assets, net	2,758	-	-	-	-	-	-	2,758	-	2,758	3,019
Other assets	983	1	8	2	5	-	-	999	-	999	986
Total assets	91,653	167,480	1,304,967	395,448	884,003	15,879	30,794	2,890,224	90,199	2,980,423	2,851,207
Deferred Outflows of Resources											
Deferred loss on refundings	-	-	290	-	-	-	-	290	-	290	1,159
Deferred loss on interest rate swap agreements	-	-	14,515	-	-	-	-	14,515	-	14,515	22,076
Total deferred outflows on resources	-	-	14,805	-	-	-	-	14,805	-	14,805	23,235
Total assets and deferred outflows of resources	\$ 91,653	\$ 167,480	\$ 1,319,772	\$ 395,448	\$ 884,003	\$ 15,879	\$ 30,794	\$ 2,905,029	\$ 90,199	\$ 2,995,228	\$ 2,874,442
Liabilities											
Bonds payable, net	\$ -	\$ 42,930	\$ 1,130,946	\$ -	\$ 814,373	\$ 14,490	\$ 29,612	\$ 2,032,351	\$ -	\$ 2,032,351	\$ 1,964,503
Interest payable	-	305	11,625	-	3,743	37	77	15,787	-	15,787	16,718
Interest rate swap agreements	-	-	14,515	-	-	-	-	14,515	-	14,515	22,076
Accounts payable and other liabilities	3,869	3	441	195	39	-	-	4,547	-	4,547	8,067
Interfund payable (receivable)	510	-	-	19,203	-	-	-	19,713	(20,050)	(337)	(236)
Funds held for others	71,168	-	-	-	-	-	1,105	72,273	-	72,273	70,823
Total liabilities	75,547	43,238	1,157,527	19,398	818,155	14,527	30,794	2,159,186	(20,050)	2,139,136	2,081,951
Deferred Inflows of Resources											
Deferred revenue-service release fees	-	-	-	8,824	306	-	-	9,130	-	9,130	7,142
Total deferred inflows of resources	-	-	-	8,824	306	-	-	9,130	-	9,130	7,142
Total liabilities and deferred inflows of resources	75,547	43,238	1,157,527	28,222	818,461	14,527	30,794	2,168,316	(20,050)	2,148,266	2,089,093
Commitments and Contingencies											
Net Position											
Restricted by bond resolution	-	124,242	162,245	-	65,542	1,352	-	353,381	-	353,381	291,361
Restricted by covenant	13,348	-	-	367,226	-	-	-	380,574	110,249	490,823	490,969
Invested in capital assets	2,758	-	-	-	-	-	-	2,758	-	2,758	3,019
Total net position	16,106	124,242	162,245	367,226	65,542	1,352	-	736,713	110,249	846,962	785,349
Total liabilities, deferred inflows, and net position	\$ 91,653	\$ 167,480	\$ 1,319,772	\$ 395,448	\$ 884,003	\$ 15,879	\$ 30,794	\$ 2,905,029	\$ 90,199	\$ 2,995,228	\$ 2,874,442

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the nine months ended
March 31, 2015
(unaudited)
(with comparative totals for the nine months ended March 31, 2014)
(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 2015 General Reserve and Bond Funds Nine Months Ended March 31, 2015	Fiscal 2014 General Reserve and Bond Funds nine Months Ended March 31, 2014
Revenues											
Interest earned on loans	\$ -	\$ 8,713	\$ 37,777	\$ 14,468	\$ -	\$ 480	\$ -	\$ 61,438	\$ (105)	\$ 61,333	\$ 66,474
Interest earned on investments-program mortgage-backed securities	-	-	5,634	-	19,466	-	-	25,100	-	25,100	21,682
Interest earned on investments-other	72	58	2,381	2,524	3	5	716	5,759	787	6,546	1,689
Net G/L on Sale of MBS Held for Sale	-	-	-	2,318	-	-	-	2,318	-	2,318	4,017
Administrative reimbursement	14,390	-	-	-	-	-	-	14,390	-	14,390	14,279
Fees earned and other income	8,066	246	-	1,228	5	-	-	9,545	50	9,595	8,691
Unrealized gains (losses) on investments	-	241	5,617	11,702	8,764	11	-	26,335	510	26,845	(3,424)
Total revenues	22,528	9,258	51,409	32,240	28,238	496	716	144,885	1,242	146,127	113,408
Expenses											
Interest	-	1,472	35,417	112	16,190	329	716	54,236	-	54,236	55,851
Financing, net	-	707	6,668	-	7,028	-	-	14,403	-	14,403	3,014
Loan administration and trustee fees	-	63	2,192	928	242	4	-	3,429	8	3,437	3,930
Administrative reimbursement	-	814	6,190	2,271	3,256	72	-	12,603	933	13,536	13,485
Salaries and benefits	17,017	-	-	-	-	-	-	17,017	-	17,017	15,410
Other general operating	4,812	4	28	312	14	-	-	5,170	2,417	7,587	7,417
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	-	-	-	-	-	1,102	1,102	65
Provision for loan losses	-	(2,056)	(1,850)	1,374	-	-	-	(2,532)	218	(2,314)	479
Total expenses	21,829	1,004	48,645	4,997	26,730	405	716	104,326	4,678	109,004	99,651
Revenues over (under) expenses	699	8,254	2,764	27,243	1,508	91	-	40,559	(3,436)	37,123	13,757
Other changes											
Non-operating transfer of assets between funds	(2,376)	-	7,479	(22,461)	17,358	-	-	-	-	-	-
Change in net position	(1,677)	8,254	10,243	4,782	18,866	91	-	40,559	(3,436)	37,123	13,757
Net Position											
Total net position, beginning of period	17,783	115,988	152,002	362,444	46,676	1,261	-	696,154	113,685	809,839	771,592
Total net position, end of period	\$ 16,106	\$ 124,242	\$ 162,245	\$ 367,226	\$ 65,542	\$ 1,352	\$ -	\$ 736,713	\$ 110,249	\$ 846,962	\$ 785,344

General Reserve & Bond Funds
Statement of Cash Flows
for the nine months ended
March 31, 2015
(unaudited)
(with comparative totals for the nine months ended March 31, 2014)
(in thousands)

Bond Funds											
Residential Housing Finance											
General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3		Fiscal 2015 General Reserve and Bond Funds Nine Months Ended March 31, 2015	Fiscal 2014 General Reserve and Bond Funds Nine Months Ended March 31, 2014
Cash flows from operating activities:											
Principal repayments on loans and program mortgage-backed securities	\$ -	\$ 19,747	\$ 95,380	\$ 23,530	\$ 55,947	\$ 121	\$ -	\$ 194,725	\$ 2,462	\$ 197,187	\$ 191,688
Investment in loans and program mortgage-backed securities	-	-	(79,830)	(40,470)	(190,439)	-	-	(310,739)	(13,159)	(323,898)	(132,513)
Interest received on loans and program mortgage-backed securities	-	6,410	42,279	13,550	19,961	480	-	82,680	282	82,962	86,847
Other operating	-	-	(28)	(312)	-	-	-	(340)	(2,417)	(2,757)	(2,685)
Fees and other income received	8,148	246	-	10,052	67	-	-	18,513	50	18,563	15,804
Salaries, benefits and vendor payments	(19,916)	(73)	(2,700)	(8,061)	(374)	(4)	-	(31,128)	(33)	(31,161)	(29,418)
Administrative reimbursement from funds	15,148	(814)	(6,190)	(2,271)	(3,256)	(72)	-	2,545	(933)	1,612	1,330
Deposits into funds held for others	21,895	-	-	-	-	-	-	21,895	-	21,895	23,713
Disbursements made from funds held for others	(19,894)	-	-	-	-	-	-	(19,894)	-	(19,894)	(22,032)
Interfund transfers and other assets	(1,260)	-	-	732	(1)	-	-	(529)	(10)	(539)	(195)
Net cash provided (used) by operating activities	4,121	25,516	48,911	(3,250)	(118,095)	525	-	(42,272)	(13,758)	(56,030)	132,539
Cash flows from noncapital financing activities:											
Proceeds from sale of bonds and notes	-	-	233,289	456,000	187,008	-	-	876,297	-	876,297	248,637
Principal repayment on bonds and notes	-	(24,550)	(320,760)	(456,000)	(59,190)	(170)	(1,765)	(862,435)	-	(862,435)	(413,497)
Interest paid on bonds and notes	-	(2,323)	(49,140)	(62)	(19,131)	(329)	(721)	(71,706)	-	(71,706)	(78,008)
Financing costs paid related to bonds issued	-	(17)	(3,737)	-	(1,672)	-	-	(5,426)	-	(5,426)	(2,254)
Agency contribution to program funds	-	-	1,819	(7,562)	5,743	-	-	-	-	-	-
Transfer of cash between funds	(3,826)	-	-	3,243	-	-	-	(583)	583	-	-
Net cash provided (used) by noncapital financing activities	(3,826)	(26,890)	(138,529)	(4,381)	112,758	(499)	(2,486)	(63,853)	583	(63,270)	(245,122)
Cash flows from investing activities:											
Investment in real estate owned	-	-	(3,371)	(12)	-	-	-	(3,383)	-	(3,383)	(3,367)
Interest received on investments	381	93	2,016	2,542	3	3	721	5,759	264	6,023	4,798
Net gain(loss) on Sale of MBS Held for Sale and HOMES SM Certificates	-	-	-	(5,634)	-	-	-	(5,634)	-	(5,634)	4,398
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	26,229	298	-	-	-	26,527	-	26,527	42,169
Proceeds from maturity, sale or transfer of investment securities	-	7,597	17,848	350,401	340	-	1,765	377,951	9,649	387,600	338,209
Purchase of investment securities	-	-	(87)	(392,610)	-	-	-	(392,697)	(3,006)	(395,703)	(380,114)
Purchase of loans between funds	-	(17,956)	15	17,956	-	-	-	15	2,739	2,754	2,052
Net cash provided (used) by investing activities	381	(10,266)	42,650	(27,059)	343	3	2,486	8,538	9,646	18,184	8,145
Net increase (decrease) in cash and cash equivalents	676	(11,640)	(46,968)	(34,690)	(4,994)	29	-	(97,587)	(3,529)	(101,116)	(104,438)
Cash and cash equivalents:											
Beginning of period	57,160	29,027	145,210	55,771	28,562	831	-	316,561	10,165	326,726	344,541
End of period	\$ 57,836	\$ 17,387	\$ 98,242	\$ 21,081	\$ 23,568	\$ 860	\$ -	\$ 218,974	\$ 6,636	\$ 225,610	\$ 240,103

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the nine months ended
March 31, 2015
(unaudited)
(with comparative totals for the nine months ended March 31, 2014)
(in thousands)

	Bond Funds								Fiscal 2015 General Reserve and Bond Funds Nine Months Ended March 31, 2015	Fiscal 2014 General Reserve and Bond Funds Nine Months Ended March 31, 2014
	General Reserve	Rental Housing	Residential Housing Finance		Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	
			Bonds	Pool 2						
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:										
Revenues over (under) expenses	\$ 699	\$ 8,254	\$ 2,764	\$ 27,243	\$ 1,508	\$ 91	\$ -	\$ 40,559	\$ (3,436)	\$ 37,123
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of (discounts) premiums and fees on loans and program mortgage-backed securities	-	-	210	(1,019)	905	-	-	96	387	483
Amortization of premium (discounts) and fees on sale of HOMES SM Certificates	-	-	-	-	-	-	-	-	-	583
Depreciation	1,594	-	-	-	-	-	-	1,594	-	1,287
(Loss) on sale of MBS held for sale and HOMES SM certificates	-	-	-	(2,318)	-	-	-	(2,318)	-	(4,600)
Realized losses (gains) on securities, net	-	27	(20)	4	-	-	-	11	(222)	2,958
Unrealized losses (gains) losses on securities, net	-	(241)	(5,617)	(11,702)	(8,764)	(11)	-	(26,335)	(510)	3,424
Provision for loan losses	-	(2,056)	(1,850)	1,374	-	-	-	(2,532)	218	479
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-	-	-	-	-	-	-	1,102	65
Capitalized interest on loans and real estate owned	-	(10)	(1,925)	(18)	-	-	-	(1,953)	-	(4,275)
Interest earned on investments	(72)	(71)	(1,755)	(2,528)	(3)	(5)	(716)	(5,150)	(565)	(4,503)
Interest expense on bonds and notes	-	1,472	35,417	112	16,190	329	716	54,236	-	55,851
Financing expense in bonds	-	707	6,668	-	7,028	-	-	14,403	-	3,014
Changes in assets and liabilities:										
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	19,747	15,550	(16,940)	(134,492)	121	-	(116,014)	(10,697)	59,175
Decrease (increase) in interest receivable on loans	-	7	583	119	(410)	-	-	299	-	3,102
(Decrease) increase in arbitrage rebate liability	-	(2,314)	(606)	-	-	-	-	(2,920)	-	(4,503)
(Decrease) increase in accounts payable	-	(9)	(533)	1,686	(71)	-	-	1,073	(26)	376
Increase (decrease) in interfund payable, affecting operating activities only	762	-	-	10	-	-	-	772	(10)	593
Increase (decrease) in funds held for others	2,001	-	-	-	-	-	-	2,001	-	1,681
Other	(863)	3	25	727	14	-	-	(94)	1	(151)
Total	3,422	17,262	46,147	(30,493)	(119,603)	434	-	(82,831)	(10,322)	118,782
Net cash provided (used) by operating activities	\$ 4,121	\$ 25,516	\$ 48,911	\$ (3,250)	\$ (118,095)	\$ 525	\$ -	\$ (42,272)	\$ (13,758)	\$ 132,539

**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, 2015 (in thousands):

<u>Funds</u>	<u>Deposits</u>	<u>Money Market Funds</u>	<u>State Investment Pool</u>	<u>Investment Agreements</u>	<u>Combined Totals</u>
General Reserve	\$ -	\$ -	\$ 57,836	\$ -	\$ 57,836
Rental Housing	-	17,387	-	-	17,387
Residential Housing Finance:					
Bonds	783	91,011	-	6,448	98,242
Pool 2	447	20,634	-	-	21,081
Homeownership Finance	-	23,568	-	-	23,568
Multifamily Housing	-	860	-	-	860
HOMES SM	-	-	-	-	-
Subtotal	1,230	153,460	57,836	6,448	218,974
Residential Housing Finance:					
Pool 3	25	6,611	-	-	6,636
Total	<u>\$ 1,255</u>	<u>\$ 160,071</u>	<u>\$ 57,836</u>	<u>\$ 6,448</u>	<u>\$ 225,610</u>

**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, 2015 (in thousands):

<u>Funds</u>	<u>Amortized Cost</u>	<u>Unrealized Appreciation in Fair Market Value</u>	<u>Estimated Fair Market Value</u>
General Reserve	\$ 29,644	\$ 361	\$ 30,005
Rental Housing	2,811	218	3,029
Residential Housing Finance:			
Bonds	324,220	12,478	336,698
Pool 2	64,230	1,398	65,628
Homeownership Finance	818,663	39,189	857,852
Multifamily Housing	450	(1)	449
HOMES SM	29,612	1,105	30,717
Subtotal	1,269,630	54,748	1,324,378
Residential Housing Finance:			
Pool 3	45,123	1,390	46,513
Total	<u>\$ 1,314,753</u>	<u>\$ 56,138</u>	<u>\$1,370,891</u>

*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, 2015 consist of the following (in thousands):

<u>Funds</u>	Gross Loans Receivable	Allowance for Loan Losses	Loans Receivable, net
General Reserve	\$ -	\$ -	\$ -
Rental Housing	150,486	(4,150)	146,336
Residential Housing Finance:			
Bonds	861,250	(7,272)	853,978
Pool 2	329,771	(22,774)	306,997
Homeownership Finance	-	-	-
Multifamily Housing	14,587	(73)	14,514
HOMES SM	-	-	-
Subtotal	1,356,094	(34,269)	1,321,825
Residential Housing Finance:			
Pool 3	156,877	(120,037)	36,840
Total	<u>\$ 1,512,971</u>	<u>\$ (154,306)</u>	<u>\$ 1,358,665</u>

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, 2015 consist of the following (in thousands):

<u>Funds</u>	<u>Par Bonds Outstanding</u>	<u>Premiums on Bonds</u>	<u>Bonds Payable, Net</u>
General Reserve	\$ -	\$ -	\$ -
Rental Housing	42,930	-	42,930
Residential Housing Finance:			
Bonds	1,123,810	7,136	1,130,946
Pool 2	-	-	-
Homeownership Finance	814,373	-	814,373
Multifamily Housing	14,490	-	14,490
HOMES SM	29,612	-	29,612
Subtotal	2,025,215	7,136	2,032,351
Residential Housing Finance:			
Pool 3	-	-	-
Total	<u>\$ 2,025,215</u>	<u>\$ 7,136</u>	<u>\$ 2,032,351</u>

APPENDIX C

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 H to the Official Statement relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds; information of the type set forth in Appendix I to the Official Statement relating to liquidity facilities for outstanding Bonds; and information of the type set forth in the chart labeled “Investment Agreement Providers” 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.

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

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*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 C.

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, 2015, 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 Resolution. 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 Resolution 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 Resolution 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.

APPENDIX D

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 2014/2015 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 February 1, 2017, unless extended by the Agency pursuant to the 2014/2015 Series Resolutions; provided the Delivery Period may not be extended beyond January 1, 2019.

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.

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 forty five (45) days of the date of such settlement.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account or combination thereof, and the Trustee shall inform the Agency of the detail of all such investments. The Trustee shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary to provide moneys to meet any payment from a Fund or Account. The Trustee shall not be liable for any depreciation of the value of any investment on the redemption, sale and maturity thereof, and in the absence of any direction from the Agency, the Trustee shall not be required to invest such funds.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, any Investment Obligations. The Trustee shall advise the Agency in writing monthly, unless otherwise directed by Agency

Certificate, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Bond Resolution as of the end of the preceding month.

In computing the amount in any Fund or Account, Investment Obligations shall be valued at par or, if purchased at a price other than par, at their Amortized Value, in either event exclusive of accrued interest purchased.

Except as otherwise specifically provided in the Bond Resolution or in a Series Resolution, the income or interest earned, or gain, shall be transferred by the Trustee upon receipt thereof to the appropriate Revenue Account.

The Trustee shall not be liable or responsible for the making of any investment authorized by the Bond Resolution in the manner provided in the Bond Resolution or for any loss resulting from any such investment so made, except for its own negligence.

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 E

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 J 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% of the loan is guaranteed (for loans with an original principal balance of \$45,000 and not more than \$56,250, the guaranty will not exceed \$22,500); (b) for home and condominium loans of more than \$56,250 but less than or equal to \$144,000, 40% of the loan is guaranteed subject to a maximum guaranty of \$36,000; (c) for home and condominium loans of more than \$144,000, 25% of the principal amount of the loan is guaranteed subject to a maximum guarantee amount hereinafter described; and (d) for loans for manufactured homes, 40% of the loan is guaranteed (with a maximum guaranty of \$20,000). The maximum guaranty amount for loans greater than \$144,000 is generally 25% of the Freddie Mac conforming loan limit (currently \$417,000); however, pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the maximum guaranty amount for loans originated in 2009 through 2011 is 25% of the greater of (i) the Freddie Mac conforming loan limit or (ii) 125% of the area median price for a single family residence in the county in which the property securing the loan is located. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

Rural Development (RD) Insured Program

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

Private Mortgage Insurance Programs

Under outstanding Series Resolutions, all Program Loans insured by a private mortgage insurance company are to be in any amount not exceeding the Market Value of the Home, provided that the Agency is issued a mortgage insurance policy under which the minimum insured percentage of any claim filed is at least equal to that percentage of the Market Value or sale price of the Home, whichever is less, by which the original principal amount of the mortgage exceeds 80% of 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 Standard & Poor's Ratings Services, or that is approved to insure mortgages purchased by Fannie Mae and Freddie Mac, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase Program Loans; and (c) that, by insuring Program Loans financed by the Agency, does not cause the Rating on the Bonds to be adversely

affected. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

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

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

Freddie Mac also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than \$5 million; (b) an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis; if a greater unearned premium reserve is required by the state where the insurer is licensed, then that greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50% of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages 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% 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% or 75%, depending on the initial loan-to-value ratio of the mortgage loan) and allowing the insured lender to retain title to the property.

The private mortgage insurance companies providing mortgage insurance on outstanding Program Loans under the Bond Resolution are identified in Appendix H 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 F

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 C) 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 2014/2015 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 2014/2015 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 2014/2015 Series Resolutions.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

[to be dated the date of issuance of the Series Bonds]

_____, 2015

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2015 Series A
2015 Series B
2015 Series C
2015 Series D

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, 2015 Series A, in the aggregate principal amount of \$43,070,000 (the “2015 Series A Bonds”), its Residential Housing Finance Bonds, 2015 Series B, in the aggregate principal amount of \$1,475,000 (the “2015 Series B Bonds”), its Residential Housing Finance Bonds, 2015 Series C, in the aggregate principal amount of \$61,780,000 and its Residential Housing Finance Bonds, 2015 Series D, in the aggregate principal amount of \$18,225,000 (the “2015 Series D Bonds” and, together with the 2015 Series A Bonds, the 2015 Series B Bonds and the 2015 Series C Bonds, the “2015 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 2015 Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2015 Series Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and the 2015 Series D 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 the Series Resolutions relating to the 2015 Series Bonds adopted November 20, 2014, June 25, 2015 and July 23, 2015 (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.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the delivery of the 2015 Series Bonds in order that interest on the 2015 Series Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolutions to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond Resolution and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond 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 2015 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 2015 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 2015 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; and (5) the interest payable on the 2015 Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the 2015 Series A Bonds and the 2015 Series D Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2015 Series B Bonds and the 2015 Series C Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2015 Series B Bonds will be included in the calculation of adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on corporations and interest on the 2015 Series C Bonds will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. Interest on the 2015 Series B Bonds and the 2015 Series C Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2015 Series Bonds. All owners of 2015 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 2015 Series Bonds.

The interest rate on all or a portion of the 2015 Series D Bonds may be converted from a variable rate mode to a different interest rate mode on a Conversion Date (as defined in the Series Resolution), subject to the terms and conditions set forth in the Series Resolutions, including the requirement of delivery to the Agency and the Trustee of an opinion of nationally-recognized bond counsel to the effect that the change in interest rate period will not adversely affect the exemption of interest on the 2015 Series D Bonds from federal income taxation. We express no opinion as to the exemption from federal or State of Minnesota income taxation of interest on any 2015 Series D Bond on or after the initial Conversion Date, if and when it occurs.

The opinions expressed above are qualified only to the extent that the enforceability of the 2015 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 H

CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO

[THIS PAGE INTENTIONALLY LEFT BLANK]

Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of March 31, 2015

Series	FHA	VA	Rural Development	MGIC	Genworth	Other Private Mortgage Insurers*	Uninsured	Total
Retired	\$ 10,793,729	\$ 646,852	\$ 3,509,152	\$ 261,614	\$ 195,823	\$ 83,811	\$ 1,655,979	\$ 17,146,960
03AB	9,132,191	165,675	5,229,631	134,968	-	250,419	5,635,270	20,548,154
03IJ	5,291,219	202,265	4,007,757	91,198	327,895	595,984	3,330,586	13,846,904
04EFG	6,306,498	558,994	9,810,851	2,786,649	251,024	463,586	11,593,027	31,770,629
06ABC	6,242,964	640,620	5,540,444	3,938,058	1,405,416	3,788,648	8,931,306	30,487,456
06FGH	4,211,104	249,012	5,872,007	3,355,076	1,373,832	4,149,793	6,772,951	25,983,775
06FGH-40 Year	-	-	-	612,373	-	1,781,850	800,117	3,194,340
06IJ	5,186,772	175,241	10,863,913	8,171,903	3,249,488	3,993,004	7,924,204	39,564,525
06IJ-40 Year	-	-	287,708	4,353,531	2,012,971	2,926,450	2,189,845	11,770,505
06LMN	1,706,573	153,075	4,362,697	6,130,284	3,522,829	2,382,539	3,241,450	21,499,447
06LMN-40 Year	-	-	-	2,587,997	775,194	1,045,361	875,669	5,284,221
07CDE	2,531,522	97,261	5,600,421	10,329,192	6,361,764	3,950,332	3,335,599	32,206,091
07CDE-40 Year	-	-	-	3,969,702	1,117,209	3,255,664	1,784,278	10,126,853
07HIJ	2,363,443	565,670	6,737,947	18,251,395	10,118,200	6,389,611	3,827,236	48,253,502
07HIJ-40 Year	-	-	-	7,721,144	2,630,303	2,599,726	2,331,038	15,282,211
07LM	4,827,607	435,566	7,586,105	17,345,931	11,787,074	9,657,347	4,977,406	56,617,036
07LM-40 Year	-	-	-	9,287,319	1,703,424	3,825,381	1,645,099	16,461,223
07PQRST	5,001,903	104,707	4,986,038	11,194,304	3,354,962	7,566,544	3,097,709	35,306,167
07PQRST-40 Year	-	-	-	6,060,129	2,479,075	1,980,871	989,818	11,509,893
08ABC	14,372,570	-	7,932,524	3,215,859	1,276,302	2,502,718	4,100,294	33,400,267
08ABC-40 Year	-	-	-	5,402,026	720,385	1,954,185	2,307,396	10,383,992
09ABC	20,646,863	571,612	6,991,233	2,607,134	1,120,055	1,748,251	3,293,193	36,978,341
09ABC-40 Year	-	-	122,000	3,078,099	235,338	1,667,241	2,078,297	7,180,975
09DEF	46,302,916	565,188	7,204,630	445,390	68,771	164,092	8,788,558	63,539,545
12ABCD	30,223,091	665,509	13,993,054	1,430,362	1,159,089	706,540	11,780,268	59,957,913
13ABC	11,304,200	727,150	7,658,205	1,645,278	728,807	809,858	9,125,278	31,998,776
14A	7,474,486	457,529	2,834,574	19,362	101,216	110,150	2,618,530	13,615,847
14B	8,166,988	358,709	2,566,700	253,561	291,268	119,554	2,460,015	14,216,795
14CDE	31,458,168	1,835,858	35,950,228	17,679,274	3,731,229	11,256,208	39,840,673	141,751,638
Total	\$ 233,544,807	\$ 9,176,493	\$ 159,647,819	\$ 152,359,112	\$ 62,098,943	\$ 81,725,718	\$ 161,331,089	\$ 859,883,981
	27.16%	1.07%	18.57%	17.72%	7.22%	9.50%	18.76%	100.00%
Republic 4.42%, United 2.44%, PMI 1.45%, Radian Guarantee Fund 0.53%, Commonwealth 0.40%, Triad 0.17%, Amerin 0.09%.								

RHFB Whole Loan Mortgage Portfolio

Delinquency and Foreclosure Statistics as of March 31, 2015

Bond Financed:	Number of Loans	Balance Outstanding	Payments Past Due as a Percentage of the Number of Loans Outstanding								
			30-59 Days		60-89 Days		90-119 Days		120 Days and Greater and Foreclosures ⁽¹⁾		Total ⁽²⁾
			#	%	#	%	#	%	#	%	%
Retired	399.0	\$17,146,960	46.0	11.53	8.0	2.01	4.0	1.00	38.0	9.52	12.53
03AB	277.5	20,548,154	6.0	2.16	4.0	1.44	-	-	6.0	2.16	3.60
03IJ	180.0	13,846,904	5.0	2.78	3.0	1.67	1.0	0.56	6.0	3.33	5.56
04EFG	356.5	31,770,629	13.0	3.65	4.0	1.12	2.0	0.56	11.0	3.09	4.77
06ABC	314.5	30,487,456	14.0	4.45	1.0	0.32	3.5	1.11	12.0	3.82	5.25
06FGH	258.0	25,983,775	10.0	3.88	4.0	1.55	2.0	0.78	15.0	5.81	8.14
06FGH-40 Year	21.0	3,194,340	3.0	14.29	-	-	-	-	4.0	19.05	19.05
06IJ	427.5	39,564,525	13.0	3.04	5.0	1.17	3.0	0.70	21.5	5.03	6.90
06IJ-40 Year	78.0	11,770,505	-	-	-	-	1.0	1.28	9.0	11.54	12.82
06LMN	213.5	21,499,447	6.0	2.81	2.5	1.17	-	-	6.5	3.04	4.22
06LMN-40 Year	36.0	5,284,221	1.0	2.78	-	-	-	-	3.0	8.33	8.33
07CDE	303.0	32,206,091	13.0	4.29	2.5	0.83	1.0	0.33	11.0	3.63	4.79
07CDE-40 Year	71.0	10,126,853	4.0	5.63	1.0	1.41	1.0	1.41	3.0	4.23	7.04
07HIJ	414.0	48,253,502	20.5	4.95	2.5	0.60	6.0	1.45	18.5	4.47	6.52
07HIJ-40 Year	102.0	15,282,211	2.0	1.96	1.0	0.98	-	-	9.0	8.82	9.80
07LM	515.0	56,617,036	18.5	3.59	5.5	1.07	-	-	24.0	4.66	5.73
07LM-40 Year	111.0	16,461,223	5.0	4.50	1.0	0.90	-	-	7.0	6.31	7.21
07PQRST	305.5	35,306,167	6.0	1.96	3.0	0.98	2.5	0.82	13.0	4.26	6.06
07PQRST-40 Year	81.0	11,509,893	3.0	3.70	-	-	-	-	6.0	7.41	7.41
08ABC	336.0	33,400,267	12.0	3.57	2.0	0.60	2.0	0.60	11.0	3.27	4.46
08ABC-40 Year	79.0	10,383,992	1.0	1.27	3.0	3.80	1.0	1.27	4.0	5.06	10.13
09ABC	395.5	36,978,341	11.5	2.91	8.5	2.15	2.5	0.63	28.5	7.21	9.99
09ABC-40 Year	59.0	7,180,975	1.0	1.69	-	-	-	-	2.0	3.39	3.39
09DEF	952.5	63,539,545	34.0	3.57	9.5	1.00	4.0	0.42	50.5	5.30	6.72
12ABCD	988.5	59,957,913	43.0	4.35	9.0	0.91	4.0	0.40	26.0	2.63	3.95
13ABC	524.5	31,998,776	28.5	5.43	5.5	1.05	4.0	0.76	11.5	2.19	4.00
14A	340.0	13,615,847	6.0	1.76	1.0	0.29	-	-	3.0	0.88	1.18
14B	390.0	14,216,795	5.0	1.28	4.0	1.03	2.0	0.51	-	-	1.54
14CDE	1,513.0	141,751,638	54.0	3.57	8.5	0.56	9.5	0.63	55.0	3.64	4.82
Total Bond Financed	10,042.0	\$ 859,883,981	385.0	3.83	99.0	0.99	56.0	0.56	415.0	4.13	5.68
All Loans are serviced by US Bank Home Mortgage.											
If the number of loans allocated to a series of Bonds in the table is expressed in an increment of 0.5, the allocation reflects the fact that proceeds of Bonds of the series were used, with an equal amount of funds from another source (which may be another series of Bonds) to purchase the mortgage loan. In such cases, while principal repayments and prepayments are allocated equally to each funding source, interest payments on the mortgage loan are not allocated pro rata.											
(1) Included in "Foreclosures" are loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed in addition to those customarily included in delinquency statistics.											
(2) 30-59 days not included in total.											
See page H-3 for comparative delinquency and foreclosure statistics.											

continued from page H-2.

Comparative 60+ Day Delinquency Statistics⁽¹⁾

At 12/31/2014

At 3/31/2015

Residential Housing Finance Bond Resolution Loan Portfolio

4.22%

3.47%

Mortgage Bankers Association of America, Minnesota⁽²⁾

2.12%

not yet available

Mortgage Bankers Association of America, National⁽²⁾

3.47%

not yet available

Comparative Foreclosure Statistics⁽³⁾

At 12/31/2014

At 3/31/2015

Residential Housing Finance Bond Resolution Loan Portfolio

1.56%

1.56%

Mortgage Bankers Association of America, Minnesota⁽²⁾

0.99%

not yet available

Mortgage Bankers Association of America, National⁽²⁾

1.82%

not yet available

(1) This table compares 60+ day delinquency statistics. The delinquency rates do not include those delinquent loans referred to an attorney, where the first legal documents have been filed, or where any further foreclosure proceedings have occurred. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio differs from that in the table on page H-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 12/31/14 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.48% Minnesota and 2.45% national. The unadjusted 12/31/14 Mortgage Banker Association of America foreclosure rate is 0.66% Minnesota and 1.47% 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 H-2.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

**CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES
FOR BONDS OUTSTANDING**

as of June 30, 2015

(unaudited)

<u>Liquidity Provider</u>	<u>Related Bond Series</u>	<u>Bonds Outstanding</u>	<u>Expiration Date</u>
Royal Bank of Canada	2003 Series B	\$ 10,660,000	7/16/2018
	2003 Series J	8,710,000	7/16/2018
	2004 Series G	<u>18,670,000</u>	7/15/2016
		\$38,040,000	
Wells Fargo Bank, National Association	2006 Series C	19,760,000	3/11/2016
	2007 Series E	6,890,000	3/10/2017
	2007 Series J	10,375,000	3/10/2017
	2007 Series S	18,975,000	3/10/2017
	2007 Series T	<u>15,630,000</u>	3/10/2017
		\$71,630,000	
Federal Home Loan Bank of Des Moines	2008 Series C	\$36,400,000	10/06/2015
	2009 Series C	40,000,000	2/12/2016
	2009 Series F	<u>12,545,000</u>	12/1/2016
		\$88,945,000	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX J

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 the GNMA Securities outstanding. In compliance with the Government National Mortgage Association regulations and policies, the total of these servicing and guaranty fees equals 0.25%, calculated on the principal balance of each GNMA Security outstanding on the last day of the month preceding the calculation. Each GNMA Security carries an interest rate that is fixed at 0.25% 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 of one-twelfth of 0.25% of the outstanding principal balance. In addition, each payment is required to include any mortgage prepayments on mortgage loans underlying the GNMA Security.

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

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

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

Information on Fannie Mae and its financial condition is contained in Fannie Mae’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the Securities and Exchange Commission (the “SEC”). Fannie Mae files reports, proxy statements and other

information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The 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 Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The Fannie Mae Prospectus is updated from time to time.

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

Pool Purchase Contract

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

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

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

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

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

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of \$250,000 (or, in each case, 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 pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Securities are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each Freddie Mac Security represents an undivided interest in a pool of mortgage loans. Payments by borrowers on the mortgage loans in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Securities representing interests in that pool.

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

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

than the payment date that occurs in the month by which the last monthly payment on the Freddie Mac Security is scheduled to be made.

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

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

Mortgage Purchase and Servicing Standards

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

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

In the event of an existing or impending delinquency or other default on a mortgage loan, Freddie Mac may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage loan and when to initiate 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 March 31, 2015, the Servicer serviced 231,096 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately \$21.1 billion. The 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 March 31, 2015, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately \$410.2 billion and a net worth of \$44.3 billion. For the three months ending March 31, 2015, the Servicer, through its U.S. Bank U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately \$1.9 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX K

CERTAIN DEFINITIONS WITH RESPECT TO THE 2015 SERIES D 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 2015 Series D 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 2015 Series D Bonds, Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 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 2015 Series D Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility, other than Self Liquidity.

“Bank Rate” means the rate of interest, if any, on any Bank Bonds held by and payable to the Bank at any time as determined and calculated in accordance with the provisions of the Liquidity Facility.

“Bank Purchase Date” means any Purchase Date on which the Bank purchases 2015 Series D Bonds.

“Business Day” means any day that is not a Saturday, Sunday, legal holiday or a day on which banks in the City of New York, New York, or Minneapolis, Minnesota, are authorized or required by law or executive order to remain closed and that is not a day on which the New York Stock Exchange is closed.

“Conversion Date” means the Business Day on which the interest rate on any of the 2015 Series D 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 2015 Series D Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the 2015 Series D Resolution.

“Liquidity Expiration Event” means either (i) the Agency has determined to terminate a Liquidity Facility in accordance with its terms, (ii) the Bank has delivered notice to the Trustee on or prior to 45 days prior to the scheduled expiration of a Liquidity Facility that 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 2015 Series D Resolution that provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the 2015 Series D 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 2015 Series D Bonds (other than Bank Bonds) 12% per annum, unless the Agency directs in writing that the rate be increased to a higher rate and delivers to the Trustee (a), with respect to the 2015 Series D Bonds, an opinion of Bond Counsel to the effect that the amendment will not adversely affect the exclusion of interest on the Series Bonds, including the 2015 Series D Bonds, from gross income of the owners thereof for federal income tax purposes, (b) an Agency Certificate to the Trustee to the effect that the increase will not impair the Ratings on the 2015 Series D Bonds by each Rating Agency; and (c) 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) or (ii) above, exceed the lesser of (a) 12% or that 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 2015 Series D 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 2015 Series D 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 2015 Series D Bonds.

“*Non-Conforming Liquidity Facility*” means a liquidity facility delivered by the Agency pursuant to the 2015 Series D Resolution that does not meet the requirements for an Alternate Liquidity Facility.

“*Purchase Date*” means any date that 2015 Series D Bonds are to be purchased pursuant to the 2015 Series D Resolution.

“*Purchase Price*” means an amount equal to the principal amount of any 2015 Series D Bond tendered or deemed tendered for purchase as provided herein, plus, if the Purchase Date is not an Interest Payment Date, accrued interest from the previous Interest Payment Date to the day preceding the Purchase Date.

“*Record Date*” means, with respect to Variable Rate Bonds, the Business Day immediately prior to the applicable Interest Payment Date and, in all other cases, the fifteenth day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then 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 RBC Capital Markets, LLC, with respect to the 2015 Series D 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 2015 Series D Bonds.

“*Self-Liquidity*” means a liquidity facility provided by the Agency’s own funds pursuant to the 2015 Series D Resolution, other than a Non-Conforming Liquidity Facility.

“*SIFMA Index*” means, for any date of determination, the level of the index that is issued weekly and that is compiled from the weekly interest rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data that meet specific criteria established from time to time by SIFMA and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the immediately succeeding Business Day. If the SIFMA Index is no longer published, then “SIFMA Index” means the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then “SIFMA Index” means an index selected by the Remarketing Agent meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which the SIFMA ceased publication of the SIFMA Index.

“*Tender Agent*” means the Trustee appointed pursuant to the Bond Resolution.

“*Variable Rate Bonds*” means 2015 Series D Bonds 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 2015 Series D Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds).

APPENDIX L

**SUMMARY OF CERTAIN PROVISIONS OF AND RELATING TO
THE STANDBY BOND PURCHASE AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

General

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

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 Resolution, in each case, to the extent those Eligible Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on August 11, 2022 (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

The Initial Liquidity Provider will purchase from time to time during the period prior to the Expiration Date or earlier termination of the Initial Liquidity Facility, Eligible Bonds tendered or deemed tendered from time to time, to and including the Expiration Date (unless earlier terminated pursuant to the terms of the Initial Liquidity Facility) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Resolution, in each case, to the extent the Eligible Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement (as defined in the 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.

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 or Suspension

(a) *Payments.* The Agency fails to pay (i) when due certain amounts owed by the Agency to the Initial Liquidity Provider; 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 perform or observe (i) any covenant under Section 6.01, 6.03, 6.09, 6.14, 6.19, 6.20, 6.21, 6.24, 6.25 or Article VII of the Initial Liquidity Facility; or (ii) 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 or Suspension”) contained in the Initial Liquidity Facility or any 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.

(d) *Other Documents.* Any Event of Default under any of the other Related Documents occurs.

(e) *Downgrade.* The rating assigned to the 2015 Series D 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.

(f) *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.

(g) *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.

(h) *Invalidity or Contest of Validity.* Subject to the terms and provisions of the Initial Liquidity Facility (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 hereof or thereof 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 thereunder or under the other Related Documents or deny that the Agency has any further liability or obligation thereunder or under the other Related Documents.

(i) *Taxability.* A Tax Event (as defined in the Initial Liquidity Facility) or an Event of Taxability (as defined in the Initial Liquidity Facility) has occurred.

(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 2015 Series D 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 beyond any grace period provided with respect thereto.

(c) *Invalidity.* Subject to the terms and provisions of the Initial Liquidity Facility, (i) the Act, the 2015 Series D Bonds (including Bank Bonds), the Initial Liquidity Facility, the Resolution, any Material Debt, or any material provision hereof or thereof relating to the payment of principal of or interest on the 2015 Series D Bonds or other Material Debt, 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; (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 or is declared in a final, non-appealable judgment by any court of competent jurisdiction 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 2015 Series D Bonds (including Bank Bonds), the Resolution or any Material Debt finds or rules that any of the Act, the Initial Liquidity Facility, the 2015 Series D Bonds (including Bank Bonds), the Resolution or any Material Debt, as the case may be, or any provision hereof or thereof relating to (A) the payment of principal of or interest on the 2015 Series D 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.* Subject to the terms and provisions of the Initial Liquidity Facility, 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 2015 Series D 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 2015 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2015 Series D 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 2015 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2015 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility is not valid or not binding on the Agency; (iv) has taken or permitted to be taken any official action, or has duly enacted any statute, that would materially adversely affect the enforceability of any of the provisions that provide (A) for the payment of principal of or interest on the 2015 Series D Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the 2015 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility.

(e) *Investment Grade Rating.* The unenhanced rating of the 2015 Series D 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, 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 certain events of default thereunder:

(a) *Immediate Termination.* Upon the occurrence of any Event of Default described in Sections (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 (as defined in the Initial Liquidity Facility), 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 or Suspension**”, the Initial Liquidity Provider may terminate the Available Commitment and Purchase Period 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 thereunder.

(c) *Suspension Events.* In the case of (i) the occurrence of any event or the existence of any condition which constitutes an Event of Default under the Initial Liquidity Facility or which, with the giving of notice, the passage of time, or both, would constitute an Event of Default under the Initial Liquidity Facility specified in clause (a) under the sub-caption “Events of Default Permitting Immediate Termination or Suspension” relating to the occurrence of an event described in clause (b)(i) of the definition of Event of Insolvency or (ii) 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) (each 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 pursuant to 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 (x) the Agency consents to that case or other proceeding described in clause (b)(i) of the definition of Event of Insolvency at any time, or that case or other proceeding remains uncontested by the Agency for a period of 60 days or that case or proceeding results in an order for that relief or (y) 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 (x) the case or proceeding described in clause (b)(i) of the definition of Event of Insolvency is terminated prior to the entry of an order granting the relief sought in that case or proceeding or (y) 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 case or proceeding described in clause (b)(i) of the definition of Event of Insolvency or 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 Sections (a), (b) and (c) above, upon the occurrence and during the continuation of any Event of Default specified herein, 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; 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 "Event 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 herein.

(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 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX M

CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER

[THIS PAGE INTENTIONALLY LEFT BLANK]

Information Concerning Royal Bank of Canada

Royal Bank of Canada (referred to in this section as “Royal Bank”) is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank’s corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, an Underwriter of the Series Bonds and the Remarketing Agent for the 2015 Series D Bonds.

Royal Bank is Canada’s largest bank, and one of the largest banks in the world, based on market capitalization. Royal Bank is one of North America’s leading diversified financial services companies and provides personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. Royal Bank and its subsidiaries employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 39 other countries.

Royal Bank had, on a consolidated basis, as at April 30, 2015, total assets of C\$1,032.2 billion (approximately US\$855.6 billion*), equity attributable to shareholders of C\$56.4 billion (approximately US\$46.8 billion*) and total deposits of C\$651.6 billion (approximately US\$540.1 billion*). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank’s unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended April 30, 2015.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (negative outlook) by Standard & Poor’s Ratings Services, Aa3 (negative outlook) by Moody’s Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank’s common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol “RY.” Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Official Statement is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations**.

The delivery of this Official Statement does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

*As at April 30, 2015: C\$1.00 = US\$0.828912

** This website URL is an inactive textual reference only, and none of the information on the website is incorporated in this Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com