NEW ISSUE **RATINGS:** Moody's: 2019 Series ABC: "Aa1" 2019 Series D: "Aa1/VMIG 1"
S&P: 2019 Series ABC: "AA+" 2019 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.

MINNESOTA HOUSING

$188,560,000
MINNESOTA HOUSING FINANCE AGENCY
$7,865,000 Residential Housing Finance Bonds, 2019 Series A (AMT)[1]
$98,195,000 Residential Housing Finance Bonds, 2019 Series B (Non-AMT)[1]
$37,500,000 Residential Housing Finance Bonds, 2019 Series C (Taxable)[1]
$45,000,000 Residential Housing Finance Bonds, 2019 Series D (Non-AMT)[2]

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

Tax Exemption	Interest on the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series D Bonds (collectively, the "Tax-Exempt Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for state of Minnesota (the "State") income tax purposes. (For additional information, including on the application of federal and state alternative minimum tax provisions to the Tax-Exempt Series Bonds, see "Tax Exemption and Related Considerations" herein.) *Interest on the 2019 Series C Bonds is includable in gross income for purposes of federal income taxation and is includable in the taxable net income of individuals, trusts and estates for State income tax purposes.*
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 2019 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 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 2019 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, 10281. See "Liquidity Facility" and "Security for the Bonds" herein.
Interest Payment Dates	January 1 and July 1, commencing July 1, 2019, 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 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series C Bonds, and $100,000 or any integral multiple of $5,000 in excess thereof for the 2019 Series D Bonds.
Closing/Settlement	April 11, 2019 through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriters' Counsel	Dorsey & Whitney LLP.
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, Bond Counsel, as to the validity of the Series Bonds, and tax exemption of interest on the Tax-Exempt Series Bonds.

RBC Capital Markets

J.P. Morgan **Piper Jaffray & Co.** **Wells Fargo Securities**

The date of this Official Statement is March 7, 2019.

RBC Capital Markets is the initial Remarketing Agent for the 2019 Series D Bonds.

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[1] Long-term fixed rate.
[2] Long-term variable rate.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

2019 Series A Bonds (AMT)

$7,865,000 Serial Bonds

Due	Principal Amount	Interest Rate	CUSIP*	Due	Principal Amount	Interest Rate	CUSIP*
July 1, 2019	$ 100,000	1.850%	60416SK82	July 1, 2023	$1,395,000	2.400%	60416SL40
July 1, 2020	1,350,000	1.950	60416SK90	July 1, 2024	1,410,000	2.450	60416SL57
July 1, 2021	1,360,000	2.150	60416SL24	July 1, 2025	875,000	2.625	60416SL65
July 1, 2022	1,375,000	2.250	60416SL32				

Price of Serial Bonds — 100%

2019 Series B Bonds (Non-AMT)

$32,180,000 Serial Bonds

Due	Principal Amount	Interest Rate	CUSIP*	Due	Principal Amount	Interest Rate	CUSIP*
July 1, 2019	$ 240,000	1.600%	60416SL73	January 1, 2027	$1,470,000	2.500%	60416SM98
January 1, 2020	1,345,000	1.650	60416SL81	July 1, 2027	1,485,000	2.550	60416SN22
January 1, 2021	1,355,000	1.750	60416SL99	January 1, 2028	1,470,000	2.650	60416SN30
January 1, 2022	1,365,000	1.800	60416SM23	July 1, 2028	1,460,000	2.700	60416SN48
January 1, 2023	1,380,000	1.950	60416SM31	January 1, 2029	2,430,000	2.850	60416SN55
January 1, 2024	1,400,000	2.050	60416SM49	July 1, 2029	2,405,000	2.900	60416SN63
January 1, 2025	1,415,000	2.150	60416SM56	January 1, 2030	2,375,000	3.000	60416SN71
July 1, 2025	550,000	2.200	60416SM64	July 1, 2030	2,355,000	3.000	60416SN89
January 1, 2026	1,440,000	2.350	60416SM72	January 1, 2031	2,400,000	3.100	60416SN97
July 1, 2026	1,450,000	2.375	60416SM80	July 1, 2031	2,390,000	3.150	60416SP20

Price of Serial Bonds — 100%

$8,565,000 3.300% Term Bonds Due July 1, 2033 at 100% (CUSIP 60416SP38*)

$57,450,000 4.250% PAC Term Bonds Due July 1, 2049 at 108.196% (CUSIP 60416SP46*)

2019 Series C Bonds (Taxable)

$21,590,000 Serial Bonds

Due	Principal Amount	Interest Rate	CUSIP*	Due	Principal Amount	Interest Rate	CUSIP*
January 1, 2020	$ 915,000	2.625%	60416SH29	January 1, 2025	$1,190,000	3.207%	60416SJ43
July 1, 2020	940,000	2.675	60416SH37	July 1, 2025	1,220,000	3.237	60416SJ50
January 1, 2021	965,000	2.725	60416SH45	January 1, 2026	1,250,000	3.317	60416SJ68
July 1, 2021	990,000	2.775	60416SH52	July 1, 2026	1,285,000	3.367	60416SJ76
January 1, 2022	1,015,000	2.847	60416SH60	January 1, 2027	1,315,000	3.471	60416SJ84
July 1, 2022	1,040,000	2.897	60416SH78	July 1, 2027	1,350,000	3.521	60416SJ92
January 1, 2023	1,070,000	2.942	60416SH86	January 1, 2028	1,385,000	3.571	60416SK25
July 1, 2023	1,095,000	2.992	60416SH94	July 1, 2028	1,420,000	3.621	60416SK33
January 1, 2024	1,125,000	3.042	60416SJ27	January 1, 2029	425,000	3.671	60416SK41
July 1, 2024	1,155,000	3.092	60416SJ35	July 1, 2029	440,000	3.721	60416SK58

Price of Serial Bonds — 100%

$5,055,000 3.971% Term Bonds Due July 1, 2034 at 100% (CUSIP 60416SK66*)

$10,855,000 4.204% Term Bonds Due July 1, 2042 at 100% (CUSIP 60416SK74*)

2019 Series D Bonds (Non-AMT)

$45,000,000 Variable Rate Demand Term Bonds Due January 1, 2042 (CUSIP 60416SG87*)
(The initial interest rate on the 2019 Series D Bonds will be set forth
in a certificate of the Remarketing Agent delivered to the Trustee at closing.)
Price of 2019 Series D Bonds — 100%

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

None of Minnesota Housing Finance Agency, Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 10281 (the "Initial Liquidity Provider"), or any of the Underwriters has authorized any dealer, broker, salesperson or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency or the Initial Liquidity Provider since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, its Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

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

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

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
relating to
$188,560,000
MINNESOTA HOUSING FINANCE AGENCY
RESIDENTIAL HOUSING FINANCE BONDS,
2019 SERIES A, 2019 SERIES B, 2019 SERIES C AND 2019 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, 2019 Series A (the "2019 Series A Bonds"), 2019 Series B (the "2019 Series B Bonds"), 2019 Series C (Taxable) (the "2019 Series C Bonds" or the "Taxable Series Bonds" and, collectively with the 2019 Series A Bonds and the 2019 Series B Bonds, the "2019 Series ABC Bonds"), and 2019 Series D (the "2019 Series D Bonds," collectively with the 2019 Series ABC Bonds, the "Series Bonds," and collectively with the 2019 Series A Bonds and the 2019 Series B Bonds, the "Tax-Exempt Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted as amended and restated on August 24, 1995, and as further amended and supplemented in accordance with its terms (the "Bond Resolution"), and a series resolution of the Agency adopted on November 1, 2018, as amended, with respect to the 2019 Series ABC Bonds (the "2019 Series ABC Resolution") and a series resolution adopted on February 21, 2019 with respect to the 2019 Series D Bonds (the "2019 Series D Resolution" and, collectively with the 2019 Series ABC Resolution, the "Series Resolutions"). (The Bond Resolution and the Series Resolutions are herein sometimes referred to as the "Resolutions.")

The Residential Housing Finance Bonds Outstanding in the aggregate principal amount of $1,207,970,000 as of January 31, 2019 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 "State"). The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of purchasing, making or otherwise participating in the making of long-term mortgage loans to persons and families of low and moderate income for the purchase of residential housing upon the determination by the Agency that those loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Bond Resolution. Please refer to the information in the notes to the financial statements included in Appendix A to this Official Statement at pages 58 and 59 under the heading "Net Position — Restricted by Covenant."

Prior to the fall of 2009, the Agency implemented its single-family mortgage lending program by purchasing "whole loans" from lenders and financing purchases of the loans with proceeds of its bonds. In September 2009, the Agency began acquiring mortgage-backed securities guaranteed as to timely payment of principal and interest by a Federal Mortgage Agency (as defined in the Resolutions, "Program Securities") instead of directly acquiring mortgage loans from lenders. (See "The Residential Housing Finance Program—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, from proceeds of the Series Bonds and from available funds associated with certain other outstanding single family mortgage bonds to be refunded by the Series Bonds, to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA Securities"), the Federal National Mortgage Association ("Fannie Mae Securities") or the Federal Home Loan Mortgage Corporation ("Freddie Mac Securities") and backed by pools of mortgage loans ("Program Loans"), that certain mortgage lending institutions (the "Lenders") have made to qualified persons or families of low and moderate income to finance the purchase of single-family residences in Minnesota. 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 have 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 2019 Series D Bonds will bear interest at a rate determined weekly (the "Weekly Mode"), unless the Agency converts the 2019 Series D Bonds to a different interest-rate-setting mode (a "Mode") as described herein. Except as otherwise provided herein, so long as the 2019 Series D Bonds are in the Weekly Mode, the owners of any 2019 Series D Bonds are entitled to demand purchase of their 2019 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 2019 Series D Bonds for purchase under certain circumstances. RBC Capital Markets, LLC will act as the initial remarketing agent for the 2019 Series D Bonds (the "Remarketing Agent"). (See "Description of the Series Bonds – Remarketing of 2019 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 2019 Series D Bonds until the date, if any, when the Agency has converted all 2019 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 2019 Series D Bonds will be a Standby Bond Purchase Agreement (the "Standby Bond Purchase Agreement"), between the Agency, the Trustee, the Tender Agent and Royal Bank of Canada, acting through its branch currently located at 200 Vesey Street, New York, New York, 10281 (the "Initial Liquidity Provider"). The Initial Liquidity Facility has a stated expiration date of July 1, 2024, 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 2019 Series D Bonds, and will provide for the purchase by the Initial Liquidity Provider on the terms and conditions specified therein of tendered 2019 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 an Immediate Termination Event thereunder) or is to be replaced with another Liquidity Facility, the 2019 Series D Bonds are subject to mandatory tender. If an Immediate Termination Event or Immediate Suspension Event (each as defined in the Standby Bond Purchase Agreement) has occurred under the Standby Bond Purchase Agreement, the Initial Liquidity Provider will have no obligation to purchase the 2019 Series D Bonds and the

Remarketing Agent will be entitled to suspend its efforts to remarket 2019 Series D Bonds. (See “Description of the Series Bonds—Optional and Mandatory Tender of Certain 2019 Series D Bonds—Agency Not Responsible to Owners for Initial Liquidity Provider’s Failure to Purchase 2019 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 2019 SERIES D BONDS WHILE THOSE SERIES BONDS ARE IN THE WEEKLY MODE AND WHILE THE INITIAL LIQUIDITY FACILITY REMAINS IN EFFECT. PROSPECTIVE INVESTORS OF 2019 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 2019 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 2019 Series D Bonds, effective on the anticipated date of delivery of the 2019 Series D Bonds. (See “The Series Bonds — Interest on the 2019 Series D Bonds – Swap Agreement” herein.)

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution), by the Agency’s pledge of all Program Obligations, Investment Obligations, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution. Under the Bond Resolution, the Agency is authorized to acquire Program Obligations in connection with Housing, which is defined to include single family loans, home improvement loans, multifamily loans and other housing related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. The Program Obligations acquired with the proceeds of Bonds have primarily consisted of Program Loans comprising single family housing loans secured by first or subordinate mortgages. In addition, the Agency has financed certain home improvement loans as Program Obligations by a single Series of Bonds issued under the Bond Resolution. The Agency intends to apply certain proceeds of the Series Bonds 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 nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of or interest on the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

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

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The 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 2020, Marshall, Minnesota – Magnetics Engineer

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

Damaris Hollingsworth, Member – Term expires January, 2022, Minneapolis, Minnesota – Architect

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

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

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

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

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*Serves until a successor is appointed and qualified.

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State provides certain legal services to the Agency.

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

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

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

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016.[†] In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

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.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

[†] After the term of the appointment of Barbara Sporlein as Deputy Commissioner ended March 8, 2019, Mr. Carpenter was named Acting Deputy Commissioner pending the commencement of the term of appointment of Rachel Robinson as Deputy Commissioner on March 25, 2019.

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 Wabasha Street North, St. Paul, Minnesota 55102, 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, 2018, included in this Official Statement as Appendix A, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2018. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix A as of and for the fiscal year ended June 30, 2018 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 60 through 63 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2018 with respect to MSRS is $47.879 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 six months ended December 31, 2018. 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 ending June 30, 2019, 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.")

During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency's Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency's State Appropriation Bonds (Housing Infrastructure), 2014 Series A.

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 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $745.53 million, representing the combined net position of these funds so calculated as of June 30, 2018. 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, 2018 appears in the Notes to Financial Statements of the Agency included in Appendix A to this Official Statement at pages 58 and 59 under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the six-month period ended December 31, 2018 (unaudited) (in thousands):

	Six months Ended December 31, 2018 (unaudited)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Revenues			
Fees earned and other income[1]	$ 5,990	$11,936	$11,077
Interest earned on investments	308	419	254
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement[2], [3]	13,466	24,479	22,482
Total revenues	19,764	36,834	33,813
Expenses			
Salaries and benefits	13,583	33,114	36,311
Other general operating expenses	2,277	6,338	7,690
Total expenses	15,860	39,452	44,001
Revenues over expenses	3,904	(2,618)	(10,188)
Non-operating transfer of assets between funds[4]	(5,788)	5,192	9,624
Change in net position	(1,884)	2,574	(564)
Net position beginning of period	14,619	12,045[5]	14,280
Net position end of period	$12,735	$14,619	$13,716

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering State appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix A to this Official Statement for additional information.
(5) Adjusted pursuant to required GASB 75 treatment of Post-Employment Benefits (other than Pension) as of July 1, 2017.

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, 2011, 2013, 2015 and 2017, the total appropriations to the Agency aggregated approximately $366.5 million. For the biennium ending June 30, 2019, the Legislature appropriated approximately $107.6 million to the Agency, including an increase of approximately 3.9 percent to the Agency's base budget for State appropriations in order to fund a program previously administered by another State agency.

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

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of January 31, 2019:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 47,595	$ 44,615
Residential Housing Finance Bonds	42	2049	1,905,580	1,207,970
Homeownership Finance Bonds	52	2049	2,235,433	1,534,632
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,580
Totals	106		$4,203,608	$2,800,797

*Does not include series of bonds or the original principal amount of any bonds that had been, as of January 31, 2019, 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 liquidity facilities is included in Appendix I – Certain Information Relating to Liquidity Facilities for Bonds Outstanding and certain other information related to variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A 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.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $255,000,000. The Agency has issued 15 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2018 in an aggregate principal amount of $155,275,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Bonds and Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust (the "2018 Revolving Credit Indenture") as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed $80,000,000 at any time and the cumulative amount of the advances made may not exceed $200,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. A portion of the proceeds of the Tax-Exempt Series Bonds will be used to repay a portion of the Bank Note and the equivalent amount released from the cash collateral fund under the 2018 Revolving Credit Indenture will be deposited in the 2019 Series A-B-C-D subaccount in the Acquisition Account. The Agency has requested advances in the aggregate principal amount of $90,240,913. Following the March 1, 2019 advance, advances in the aggregate principal amount of $6,453,910 will be outstanding.

Single Family Mortgage Production Funding Considerations

As a state housing finance agency, the Agency relies on municipal bond markets operating efficiently to fund its Program. Since the last half of 2008, these markets have not performed well, based on historical market relationships. Without subsidy of some kind (such as from an economic refunding or overcollateralization) generally the Agency cannot fully realize the benefit of tax-exempt bond financing using traditional bond structures to finance single family mortgage loans at competitive interest rates and must make use of other structures and funding sources. 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, Fannie Mae Securities and Freddie Mac Securities under the Homeownership Finance Bond Resolution, to fund current single family mortgage production by purchasing Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency from time to time sells Program Securities in the secondary market. Since 2009 the Agency has sold approximately $853 million of Program Securities in the open market as of February 26, 2019, $296 million of which would have been eligible to be financed with tax-exempt bonds. In 2013, the Agency also issued and sold three series of its Home Ownership Mortgage-Backed Exempt Securities Certificates in the aggregate principal amount of $32.5 million, each of which is a special, limited obligation of the Agency payable from, and secured solely by, all principal and interest payments made on a single Program Security. Based on market conditions and the availability of economic refunding opportunities, the Agency determines whether to issue Additional Bonds under the Bond Resolution or under its Homeownership Finance Bond Resolution or to sell Program Securities in the secondary market.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources

Principal amount of Series Bonds	$188,560,000
Original issue premium	4,708,602
Transferred Program Obligations and Revenues	40,534,055
Transferred debt service reserve funds	931,100
Agency funds	6,916
Total Sources of Funds	$234,740,673

Uses

Deposit to 2019 Series A-B-C-D Acquisition Account	
Funds to acquire Program Securities	$153,346,278
Transferred Program Obligations and Revenues	40,534,056
Redemption of Refunded Bonds	38,560,000
Deposit to Debt Service Reserve Account	931,100
Deposit to Costs of Issuance Account	200,000
Underwriters' Compensation	1,169,239
Total Uses of Funds	$234,740,673

Upon issuance of the Series Bonds and as a result of the refunding of the Refunded Bonds, the Transferred Program Obligations will be credited to the 2019 Series A-B-C-D Acquisition Account. The Transferred Program Loans, with an unpaid principal amount of approximately $31.04 million, have a weighted average maturity of approximately 210 months and a weighted average interest rate of approximately 5.54 percent per annum. The Transferred Program Securities, with an expected unpaid principal amount of approximately $9.50 million, have a weighted average maturity of approximately 246 months and a weighted average pass-through interest rate of approximately 4.61 percent per annum. Revenues from the Transferred Program Obligations 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 and expects to purchase from its own funds, the Agency expects to apply and disburse approximately $153.35 million of proceeds of the Series Bonds deposited in the 2019 Series A-B-C-D Acquisition Account, together with Agency funds to purchase Program Securities backed by Program Loans with a principal amount of approximately $150.39 million, which Program Securities are estimated to have pass-through interest rates ranging from 3.50 percent to 5.0 percent upon the issuance of the Series Bonds. Any Program Securities purchased from the Agency will be credited to the 2019 Series 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

Each of the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series C Bonds will be fully registered bonds issued in the denominations of $5,000 or any integral multiple thereof of single maturities. The 2019 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 2019 Series ABC Bonds

Interest on the 2019 Series ABC Bonds will be paid semiannually on January 1 and July 1 of each year, commencing July 1, 2019, and, in respect of any 2019 Series ABC Bond then to be redeemed, on any redemption date. The 2019 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 2019 Series ABC Bonds. Interest on the 2019 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 2019 Series ABC Bonds).

Interest on the 2019 Series D Bonds

The 2019 Series D Bonds will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The 2019 Series D Bonds will mature, subject to earlier redemption and tender as herein described, on January 1, 2042. The Record Date for 2019 Series D Bonds in the Weekly Mode (described below) is the last Business Day preceding each Interest Payment Date.

Weekly Mode. Interest on the 2019 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 July 1, 2019, and on any redemption date or Conversion Date; for the initial Interest Payment Date, from the date of delivery of the 2019 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 2019 Series D Bonds will bear interest from the date of delivery to and including April 17, 2019, at the rate set forth in a certificate delivered by the Remarketing Agent on the date of delivery of the 2019 Series D Bonds. Thereafter, the 2019 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 2019 Series D Bonds (other than Bank Bonds) bear interest at an annual rate in excess of the lesser of 12 percent or the maximum rate permitted by law (the "Maximum Rate").

The Weekly Rate applicable to the 2019 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 2019 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. In determining the Weekly Rate for any 2019 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 2019 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 2019 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 2019 Series D Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2019 Series D Bonds (other than Bank Bonds) will be conclusive and binding on the Owners of those 2019 Series D Bonds. If the Remarketing Agent or the Trustee fails to give any notice required under the 2019 Series D Resolution, or there is any defect in a notice, it will not affect the interest rate on any 2019 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 2019 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 percent 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 2019 Series D Bonds (each change is a "Mode Change" with respect to the 2019 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 2019 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 2019 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 2019 Series D Bonds to bear interest at fixed rates to their maturity or to bear interest at an index rate (with respect to the 2019 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 2019 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 2019 Series D Bonds in any Mode other than a Weekly Mode or while an Alternate Liquidity Facility is in effect**.

For additional information with respect to the 2019 Series D Bonds, see also "Optional Redemption of 2019 Series D Bonds" below, "Appendix K – Certain Definitions With Respect to the 2019 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 (the "Swap Agreement") with Royal Bank of Canada (the "Swap Counterparty") effective on the anticipated date of issuance of the 2019 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 2019 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, 2042.

Royal Bank of Canada is the parent company of RBC Capital Markets, LLC, an underwriter of the Series Bonds and the initial Remarketing Agent for the 2019 Series D Bonds.

Sinking Fund Redemption

The Agency is required to redeem the 2019 Series B Bonds with a stated maturity of July 1, 2033 in part on January 1, 2032 and on each July 1 and January 1 thereafter to and including January 1, 2033, 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, 2032	$2,330,000	January 1, 2033	$2,350,000
July 1, 2032	2,300,000	July 1, 2033 (maturity)	1,585,000

The Agency is required to redeem the 2019 Series B Bonds with a stated maturity of July 1, 2049 (the "PAC Bonds") in part on January 1, 2042 and on each July 1 and January 1 thereafter to and including January 1, 2049, at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
January 1, 2042	$ 800,000	January 1, 2046	$3,875,000
July 1, 2042	2,850,000	July 1, 2046	3,975,000
January 1, 2043	3,325,000	January 1, 2047	4,080,000
July 1, 2043	3,410,000	July 1, 2047	4,185,000
January 1, 2044	3,500,000	January 1, 2048	4,295,000
July 1, 2044	3,585,000	July 1, 2048	4,410,000
January 1, 2045	3,680,000	January 1, 2049	4,525,000
July 1, 2045	3,775,000	July 1, 2049 (maturity)	3,180,000

The Agency is required to redeem the 2019 Series C Bonds with a stated maturity of July 1, 2034 in part on January 1, 2030 and on each July 1 and January 1 thereafter to and including January 1, 2034, 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, 2030	$450,000	July 1, 2032	$510,000
July 1, 2030	460,000	January 1, 2033	525,000
January 1, 2031	475,000	July 1, 2033	535,000
July 1, 2031	485,000	January 1, 2034	550,000
January 1, 2032	500,000	July 1, 2034 (maturity)	565,000

The Agency is required to redeem the 2019 Series C Bonds with a stated maturity of July 1, 2042 in part on January 1, 2035 and on each July 1 and January 1 thereafter to and including January 1, 2042, 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, 2035	$580,000	January 1, 2039	$710,000
July 1, 2035	595,000	July 1, 2039	730,000
January 1, 2036	610,000	January 1, 2040	750,000
July 1, 2036	625,000	July 1, 2040	770,000
January 1, 2037	640,000	January 1, 2041	785,000
July 1, 2037	660,000	July 1, 2041	810,000
January 1, 2038	675,000	January 1, 2042	830,000
July 1, 2038	695,000	July 1, 2042 (maturity)	390,000

The Agency is required to redeem the 2019 Series D Bonds with a stated maturity of January 1, 2042 in part on July 1, 2033 and on each July 1 and January 1 thereafter to and including July 1, 2041, 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, 2033	$ 820,000	January 1, 2038	$2,970,000
January 1, 2034	2,460,000	July 1, 2038	3,040,000
July 1, 2034	2,510,000	January 1, 2039	3,115,000
January 1, 2035	2,570,000	July 1, 2039	3,110,000
July 1, 2035	2,630,000	January 1, 2040	2,375,000
January 1, 2036	2,695,000	July 1, 2040	2,190,000
July 1, 2036	2,765,000	January 1, 2041	2,220,000
January 1, 2037	2,830,000	July 1, 2041	2,270,000
July 1, 2037	2,900,000	January 1, 2042 (maturity)	1,530,000

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 January 1, 2030 (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 2019 Series 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 2019 Series 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 and expects to purchase from its own funds, the Agency expects to apply and disburse all of the proceeds of the Series Bonds credited to the 2019 Series A-B-C-D Acquisition Account to purchase Program Securities with a principal amount of approximately $150.39 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 February 26, 2019.)

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 "Repayments and Prepayments"), on deposit in the Revenue Fund received in excess of (i) the maturing principal and sinking fund installments and any required mandatory redemptions, together with interest from time to time payable, on Bonds Outstanding under the Bond Resolution, (ii) amounts needed to maintain the Debt Service Reserve Fund and the Insurance Reserve Fund at their respective Requirements, and (iii) amounts required by the Agency to pay fees and other costs in connection with the Bonds associated with maintaining the Program, including amounts to be paid under swap agreements, liquidity facilities, remarketing agreements and other similar instruments.

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 Tax-Exempt Series Bonds and (i) with respect to proceeds of the Tax-Exempt 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 Tax-Exempt Series Bonds, received 10 years or more after the issue date of the Tax-Exempt Series Bonds (collectively, the "Tax-Restricted Receipts"), to pay at maturity or redeem Tax-Exempt 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 Tax-Exempt Series Bonds is less than $250,000. Prepayments and scheduled repayments of mortgage principal from Transferred Program Obligations and Program Securities allocable to the Tax-Exempt Series Bonds (collectively, the "Tax-Exempt Receipts") received on or after the following dates in the following approximate percentages constitute the "Tax-Restricted Receipts:"

Dates	Percentages
April 11, 2019 to June 30, 2020	28.92%
July 1, 2020 to June 30, 2021	29.41
July 1, 2021 to June 30, 2022	29.90
July 1, 2022 to June 30, 2023	30.36
July 1, 2023 to June 30, 2024	31.51
July 1, 2024 to June 30, 2025	33.07
July 1, 2025 to June 30, 2026	34.90
July 1, 2026 to June 30, 2027	35.15
July 1, 2027 to April 10, 2029	36.12
April 11, 2029 and thereafter	100.00

Repayments and Prepayments. To the extent not needed to make regularly scheduled principal payments on the Taxable Series Bonds, either at maturity or pursuant to sinking fund installments, all prepayments and scheduled repayments of mortgage principal from Program Securities allocable to the Taxable Series Bonds will be applied (a) first, in the event that the Tax-Exempt Receipts available and applied to the redemption of the PAC Bonds were insufficient to redeem the PAC Bonds on a cumulative basis up to the Maximum Cumulative Amounts set forth in the table above, to redeem the PAC Bonds up to those amounts, (b) second to redeem Taxable Series Bonds of the maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium and (c) then, if no Taxable Series Bonds are Outstanding, to redeem any Outstanding Bonds (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), including any Tax-Exempt Series Bonds other than PAC Bonds in excess of the Maximum Cumulative Amounts shown in the table below, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium, or for any other purpose authorized under the Resolutions.

To the extent not needed to make regularly scheduled principal payments on the Tax-Exempt Series Bonds, either at maturity or pursuant to sinking fund installments, or not required to be applied to redemption of the PAC Bonds as described below, the Tax-Restricted Receipts will be applied to redeem Tax-Exempt Series Bonds of the Series and maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; provided, however, that those redemptions will not be required: (1) if there is a change in the Code or any temporary, proposed or final Treasury Regulations, or notices or similar announcements from time to time, that have the effect of removing or reducing the requirement of such redemptions of Tax-Exempt Series Bonds; and (2) if there shall be delivered to the Trustee an opinion of Bond Counsel that those changes in these redemption provisions will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Series Bonds.

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 Tax-Exempt Receipts received by or on behalf of the Agency 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†
July 1, 2019	$ 165,000	January 1, 2025	$37,695,000
January 1, 2020	1,605,000	July 1, 2025	40,665,000
July 1, 2020	3,855,000	January 1, 2026	43,405,000
January 1, 2021	6,875,000	July 1, 2026	45,925,000
July 1, 2021	10,540,000	January 1, 2027	48,230,000
January 1, 2022	14,850,000	July 1, 2027	50,320,000
July 1, 2022	19,245,000	January 1, 2028	52,220,000
January 1, 2023	23,390,000	July 1, 2028	53,920,000
July 1, 2023	27,290,000	January 1, 2029	55,325,000
January 1, 2024	30,955,000	July 1, 2029	56,750,000
July 1, 2024	34,405,000	January 1, 2030	57,450,000

†Based on an approximation of 100 percent PSA prepayment speed on the Program Loans backing Program Securities financed with the proceeds of the Series Bonds, the Transferred Program Loans and the Program Loans backing the Transferred Program Securities. (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 Tax-Exempt Receipts 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 Tax-Exempt Receipts (a) to redeem Outstanding Tax-Exempt Series Bonds (other than PAC Bonds) from the Series and maturities the Agency selects, or (b) if no Tax-Exempt 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 Tax-Exempt Series Bonds, the Agency, at its option, may use any excess Tax-Exempt Receipts 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, the Program Loans backing the Transferred

Program Securities 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 $31.04 million with a weighted average maturity of approximately 210 months and a weighted average interest rate of approximately 5.54 percent per annum, (ii) the Transferred Program Securities have an unpaid principal amount of approximately $9.50 million with a weighted average maturity of approximately 246 months and a weighted average pass-through interest rate of approximately 4.61 percent per annum, (iii) the Series Bond Program Loans prepay at the indicated percentages of the PSA Prepayment Model, (iv) all proceeds of the Series Bonds in the 2019 Series A-B-C-D Acquisition Account are used to purchase Program Securities, (v) the Program Securities financed with the proceeds of the Series Bonds will have a weighted average pass-through rate of not less than 3.50 percent and will be acquired by May 1, 2019, (vi) 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, (vii) the PAC Bonds are redeemed only on regularly scheduled interest payment dates, and (viii) 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%	25.21 years
50	13.25
75	8.03
100	5.00
200	5.00
300	5.00
400	5.00
500	5.00

†The weighted average life may be affected if, among other things, the Series Bonds, including the PAC 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 2019 Series ABC Bonds

The Agency may redeem 2019 Series ABC Bonds with stated maturities on or after January 1, 2029 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 July 1, 2028 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 2019 Series ABC Bonds

Except as otherwise provided in the 2019 Series ABC Resolution, any 2019 Series ABC 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 2019 Series ABC Bonds to be redeemed and (b) the maturities and amounts from which 2019 Series ABC Bonds are to be redeemed. If less than all 2019 Series ABC Bonds of a Series and maturity are to be redeemed, the 2019 Series ABC 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 2019 Series ABC 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 2019 Series ABC 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 2019 Series D Bonds

Optional Redemption. The Agency may redeem 2019 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 percent of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

Notice of Redemption. While 2019 Series D Bonds are in the Weekly Mode, the Trustee must give a copy of the notice of redemption identifying 2019 Series D Bonds to be redeemed by Immediate Notice not less than 20 days prior to the date fixed for redemption to the Owners of 2019 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 2019 Series D Bonds to be redeemed on an optional or mandatory tender date.

Subject to the terms of the 2019 Series D Resolution, any 2019 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 of the 2019 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 2019 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 2019 Series D Bonds that are Bank Bonds must be selected for redemption before other 2019 Series D Bonds.

Optional and Mandatory Tender of 2019 Series D Bonds

Optional Tender. Owners of 2019 Series D Bonds in the Weekly Mode may elect to tender their 2019 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 2019 Series D Bonds are to be purchased on the purchase date specified in the notice at a price equal to 100 percent of the principal amount thereof plus accrued interest to but not including the purchase date (the "Purchase Price"). The notice of optional tender for purchase of 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Series D Bonds subject to that mandatory tender are deemed to have tendered their 2019 Series D Bonds upon that date.

This paragraph is applicable to the 2019 Series D Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2019 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 2019 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 2019 Series D Bonds will be issued in place of those untendered 2019 Series D Bonds pursuant to the 2019 Series D Resolution, and, after the issuance of the replacement 2019 Series D Bonds, the untendered 2019 Series D Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Remarketing of 2019 Series D Bonds

General. On each date on which 2019 Series D Bonds are required to be purchased, the Remarketing Agent must use its best efforts to sell those 2019 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 percent of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2019 Series D Bonds so tendered while the Initial Liquidity Facility is in effect, the Initial Liquidity Provider has agreed to purchase those 2019 Series D Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent is not required to remarket the 2019 Series D Bonds (i) after the occurrence of an Event of Default under the Resolution; (ii) after the occurrence of an Immediate Termination Event under the Initial Liquidity Facility and the Initial Liquidity Provider's termination of its commitment to purchase 2019 Series D Bonds thereunder; (iii) during an Immediate Suspension Event under the Initial Liquidity Facility and the Initial Liquidity Provider's suspension of its commitment to purchase the 2019 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 2019 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 2019 Series D Resolution, including remarketing of tendered 2019 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 2019 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 2019 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 2019 Series D Bonds for its own account and, in its sole discretion, may acquire tendered 2019 Series D Bonds in order to achieve a successful remarketing of the 2019 Series D Bonds (i.e., because there otherwise are not enough buyers to purchase the 2019 Series D Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2019 Series D Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2019 Series D Bonds by purchasing and selling 2019 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 2019 Series D Bonds. The purchase of 2019 Series D Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2019 Series D Bonds in the market than is actually the case. The Remarketing Agent may also sell any 2019 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 2019 Series D Bonds. The practices described above also may result in fewer 2019 Series D Bonds being tendered for purchase pursuant to the 2019 Series D Resolution.

2019 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 2019 Series D Bonds on the Effective Rate Date (without taking into account accrued interest thereon) being 100 percent of the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the 2019 Series D Bonds (including whether the Remarketing Agent is willing to purchase 2019 Series D Bonds for its own account). There may or may not be 2019 Series D Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2019 Series D Bonds tendered for purchase on that date at the principal amount thereof and the Remarketing Agent may sell 2019 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 2019 Series D Bonds at the remarketing price. In the event the Remarketing Agent owns any 2019 Series D Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer those 2019

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 2019 Series D Bonds Other Than Through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2019 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 2019 Series D Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2019 Series D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2019 Series D Bonds other than by tendering the 2019 Series D Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2019 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 2019 Series D Bonds as described in the 2019 Series D Resolution.

Agency Not Responsible to Owners for Initial Liquidity Provider's Failure To Purchase 2019 Series D Bonds. Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of 2019 Series D Bonds is payable from moneys furnished in connection with the remarketing of the 2019 Series D Bonds or from the Initial Liquidity Facility. Upon the occurrence of certain Immediate Termination Events or Immediate Suspension Events under the Initial Liquidity Facility, the Initial Liquidity Provider's obligation to purchase 2019 Series D Bonds under the Initial Liquidity Facility will immediately terminate or suspend without notice or other action on the part of the Initial Liquidity Provider. (See "Appendix 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 2019 Series D Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2019 Series D Resolution or upon the occurrence of an Immediate Termination Event or a Suspension Event.**

If a Termination Event or Immediate Suspension Event has occurred resulting in the termination or suspension of the Initial Liquidity Facility or if the Initial Liquidity Provider does not purchase any 2019 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 percent or (ii) the Maximum Rate. Owners will not have the right to tender their 2019 Series D Bonds during that period and may be required to hold their 2019 Series D Bonds to maturity or prior redemption.

LIQUIDITY FACILITY

General Provisions

The Agency has agreed in the 2019 Series D Resolution to maintain a Liquidity Facility in effect at all times when any 2019 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 2019 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 2019 Series D Bonds, with another liquidity facility meeting the requirements of the 2019 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 2019 Series D Bonds at that Owner's registered address not less than 15 days prior to the date the 2019 Series D Bonds are subject to mandatory tender. If the Agency elects to replace the Liquidity Facility, the 2019 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 2019 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 2019 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 2019 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. **The Initial Liquidity Provider has no responsibility for the form and content of this Official Statement, other than solely with respect to the information describing itself set forth in "APPENDIX M – Certain Information Regarding the Initial Liquidity Provider", and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, other than solely with respect to the information describing itself set forth in "APPENDIX M – Certain Information Regarding the Initial Liquidity Provider", or omitted herefrom.**

SECURITY FOR THE BONDS

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

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

Cash Flow Certificate

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

Fund or Account (other than those excluded above) will not be taken into account when preparing the Cash Flow Certificate. The Cash Flow Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions will be based upon the Agency's reasonable expectations at the time the Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a Series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of that Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of that Series. As set forth more fully in "Appendix 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 and the types of Program Obligations that have been and are expected to be financed with the proceeds of the Series Bonds is provided below under the heading "The Residential Housing Finance Program." The Agency expects that approximately $150.39 million in aggregate principal amount of Program Securities will be acquired with proceeds of the Series Bonds and approximately $40.53 million in aggregate unpaid principal amount of Transferred Program Obligations will be transferred within the Bond Resolution and credited to the 2019 Series 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 that investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. As of December 31, 2018, $546,450 on deposit in the Debt Service Reserve Fund held in respect of Bonds under the Bond Resolution is invested in an investment agreement with Transamerica Life Insurance Co.

There is no assurance that the providers of Investment Obligations held under the Bond Resolution will be able to pay principal of and interest on those Investment Obligations as provided therein. No representation is made as to the creditworthiness of any provider.

The failure of a provider to pay principal and interest when due under an Investment Obligation pertaining to the Acquisition Account could result in the Agency's inability to acquire Program Obligations in an amount necessary to fully secure the Bonds. A failure by a provider to pay amounts due under an Investment Obligation pertaining to the other Funds could result in the Agency's inability to pay debt service on the Bonds. All of the Agency's investment agreements contain "downgrade" provisions giving the Agency the right to withdraw all invested funds early if the provider's credit ratings are downgraded below specified levels and remedial action is not taken by the provider. Funds withdrawn from investment agreements under those circumstances will be invested in alternate Investment Obligations at the direction of the Agency.

Revenues

When Revenues are greater than the amount necessary to pay maturing principal of and interest on the Bonds, the Agency may use the excess, to the extent permitted by applicable federal tax law, to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay maturing principal of the Bonds, then either the Agency at its option may provide the amount necessary for that payment from (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 initially equal to $931,100.12, being an amount equal to three percent of the expected aggregate unpaid principal amount of the Transferred Program Loans as of April 11, 2019; that amount equals 0.4938 percent of the initial principal amount of the Series Bonds. Thereafter, the Debt Service Reserve Requirement with respect to the Series Bonds, as of the date of calculation, is equal to 0.4938 percent of the aggregate principal amount of the then Outstanding Series Bonds. The balance in the Debt Service Reserve Fund on January 31, 2019, was $22,918,544, 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 Obligations will be credited to the 2019 Series 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 Series Resolutions and, consequently, the following general description is subject to change*. The following description does not apply to the Transferred Program Loans that will be credited to the 2019 Series A-B-C-D Acquisition Account as a result of the refunding of the Refunded Bonds with certain proceeds of the Series Bonds.

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 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. 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 its single-family mortgage lending program from a "whole loan" model to an "MBS" (mortgage-backed securities) model. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights), 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

The Agency has purchased with its own funds Program Securities that are eligible to be financed with Bonds of approximately $79 million in unpaid principal balance of mortgage loans as of February 26, 2019, at pass-through interest rates ranging from 3.5 percent to 5.5 percent. The Agency expects that all funds credited to the 2019 Series A-B-C-D Acquisition Account will be disbursed by April 30, 2019 to purchase, or reimburse the Agency for the purchase of, Program Securities.

Procedures for Origination, Purchase and Pooling

Application

The Agency has published, and revises from time to time, its Start Up 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, currently HDS SF Web Application ("HDS"). Upon the Agency's implementation of the Enterprise Lending Center ("ELC"), estimated to occur in April 2019, new loan commitments will be processed in ELC. Each commitment request is subject to a review of the Agency's eligibility rules that are a part of HDS or ELC, as applicable. 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 HDS or ELC. 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***	**Dodge and Olmsted Counties**	**Balance of State**
1 or 2 Persons	$94,300	$90,500	$84,200
3 or more Persons	$108,400	$104,000	$96,800

*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 percent 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 percent 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 12 months and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the 12th month, does not become current and remains delinquent for four consecutive months thereafter. To date, Fannie Mae has requested that the Agency repurchase 12 loans. Currently, the Agency has authority to purchase HFA Preferred Risk Sharing loans under an agreement with Fannie Mae that does not have an expiration date. 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 2019 Series 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 between 101.5 percent and 103.5 percent of the principal amount of each Program Security acquired from the Master Servicer, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor.

The Agency may at any time transfer any proceeds of the Series Bonds in the 2019 Series 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 2019 Series 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 2019 Series 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 2019 Series 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 2019 Series 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 2019 Series 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 mortgaged is located in:	
Twin Cities Metropolitan Area	$328,200
Balance of State	$271,100

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 percent/12 of the outstanding principal amount of Program Loans they service.

The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency's procedures, to bring a delinquency current in the shortest practicable time. Servicers use the following tools in an effort to bring delinquencies current: borrowers may be referred to foreclosure prevention counselors, Servicers may, in some cases, accept partial payments, set up repayment plans with borrowers, enter into forbearance agreements, 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 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 December 31, 2018, the Agency had outstanding Program Loans receivable of $422,987,000 gross, which were financed from the proceeds of Bonds. As of December 31, 2018, 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 December 31, 2018, the following Program Securities (comprised of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

	Principal Amount Outstanding	Percentage
GNMA II	$398,640,000	46.64%
GNMA I	118,473,000	13.86
FNMA	322,555,000	37.73
FHLMC	15,093,000	1.77
Total	$854,761,000	100.00%

OTHER PROGRAMS

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

For example, as of December 31, 2018, the Homeownership Finance Bond Fund had $1,536,213,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's homeownership finance bonds. As of December 31, 2018, the Agency had outstanding home improvement loans receivable of $68,332,000 gross. *None of these loans secure or are available for the payment of principal of or interest on the Bonds*.

Step Up Program

The Agency has initiated its Step Up program in 2012 under which the Agency purchases mortgage loans made to mortgagors who do not qualify for its Start Up Program, including in connection with refinancing of an existing mortgage loan. Down payment and closing cost assistance is available under the Step Up Program as described under "Monthly Payment Loans" below. The Agency causes Step Up mortgage loans to be securitized and then sold on the secondary market or retained in the Agency's portfolio.

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 in an amount of up to $8,000.

Mortgagors who meet the requirements for a Deferred Payment Loan and additional targeting criteria are eligible for a Deferred Payment Loan Plus in an amount of up to $10,000. 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

In connection with the introduction of the Start Up program and the Step Up program, the Agency added another down payment and closing cost loan option, the Monthly Payment Loan. A Monthly Payment Loan is a junior lien loan made by the Agency. The interest-bearing, amortizing loan has a ten-year term with an interest rate equal to the interest rate of the applicable first mortgage. Borrowers can receive a Monthly Payment Loan in an amount up to $15,000.

TAX EXEMPTION AND RELATED CONSIDERATIONS

The Tax-Exempt Series Bonds

The Code establishes certain requirements that must be met subsequent to the issuance of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Series Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the Tax-Exempt 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 Tax-Exempt 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 percent 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 percent 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 percent 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 Tax-Exempt Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the Tax-Exempt Series Bonds will 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 Tax-Exempt Series Bonds to ensure that interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Series Bonds, on the date of issuance of the Tax-Exempt 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 Tax-Exempt 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 2019 Series A Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code and (ii) interest on the 2019 Series B Bonds and the 2019 Series D Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code.

In addition, in the opinion of Bond Counsel, interest on the Tax-Exempt Series Bonds is not includable in the taxable net income of individuals, trusts and estates for State income tax purposes. Interest on the Tax-Exempt Series Bonds is includable in the income of corporations and financial institutions for purposes of the State franchise tax. Interest on the 2019 Series B Bonds and the 2019 Series D Bonds is not includable in the State alternative minimum taxable income of individuals, estates and trusts.

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

Although Bond Counsel is rendering an opinion that the interest on the Tax-Exempt Series Bonds, as described above, is not included in gross income for federal, and in some cases, State, income tax purposes, the accrual or receipt of interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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

The State, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, the State enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of State governmental units and Indian tribes be included in the net income of individuals, estates and trusts for State income tax purposes if a court determines that the State'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 Tax-Exempt 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 the State's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If the State'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 State bond interest, application of the 1995 statute to subsequent years could cause interest on the Tax-Exempt Series Bonds to become taxable by the State and the market value of the Tax-Exempt 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 Tax-Exempt Series Bonds from realizing the full current benefit of the tax treatment of the Tax-Exempt Series Bonds or adversely affect the market value of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Tax-Exempt 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 Tax-Exempt 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.

The Taxable Series Bonds

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

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Taxable Series Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Taxable Series Bond that is not a U.S. person. For these purposes, a "U.S. Person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

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

Characterization as Indebtedness

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

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

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

Taxation of Interest Income of the Taxable Series Bonds

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

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

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

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

Sale or Exchange of the Taxable Series Bonds

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

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

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

Backup Withholding

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

Tax Treatment of Original Issue Discount

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

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

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

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

Tax Treatment of Bond Premium

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

State, Local or Foreign Taxation

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

Tax-Exempt Investors

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

Certain ERISA Considerations

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

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

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

State Law Considerations

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

LITIGATION

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

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

LEGAL MATTERS

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

RATINGS

The 2019 Series ABC Bonds are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), and "AA+" by S&P Global Ratings, Inc. ("S&P"), and the 2019 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 2019 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 J.P. Morgan Securities LLC (collectively, the "Underwriters") will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds for the public offering prices stated on the inside front cover of this Official Statement. The Agency will pay the Underwriters a fee of $1,169,239.34 with respect to their purchase of the Series Bonds. The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than those public offering prices.

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

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

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

WFBNA is also serving as Trustee for the Series Bonds. WFBNA will be compensated separately for serving in each capacity.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

RBC Capital Markets, LLC, an underwriter of the Series Bonds and the initial Remarketing Agent for the 2019 Series D Bonds, is a subsidiary of Royal Bank of Canada, the Initial Liquidity Provider and the Swap Counterparty.

MISCELLANEOUS

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

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

MINNESOTA HOUSING FINANCE AGENCY

By /s/ Jennifer Ho
Commissioner

Dated: March 7, 2019.

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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TABLE OF CONTENTS

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MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report

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

Economic conditions in the State of Minnesota remain robust, with very low unemployment and strong job growth. With a relatively stable inventory of homes statewide, significant upward pressure on home sales prices remains, as evidenced by the fact that the average sales price again increased by more than 6% from a year ago. In addition, the demand for affordable rental housing options remains substantial. In this economic environment, Minnesota Housing has capitalized on these market conditions and continuing low long-term interest rates to improve both its product offerings and its financial condition with positive programmatic results:

- Minnesota Housing continues to support strong single-family home mortgage production levels. First time homebuyers continue to enter the market in large numbers, putting pressure on housing inventory in the lower price ranges, as existing homes with values below $250,000 currently represent a less than two month supply in the Twin Cities metropolitan area. Minnesota Housing financed a high volume of home mortgages last year, with almost 4,400 loans purchased and nearly $750 million in lending. To support this large volume of home mortgage production, Minnesota Housing increased the amount of related lending for down payment and closing cost assistance to almost $34 million this year, roughly 40% more than last year. Over 95% of homebuyers using Minnesota Housing homeownership programs also use our down payment and closing cost assistance programs. About 90% of overall homeownership mortgage loans originated through the Agency went to first time homebuyers and more than 35% of these loans were for households of color and Hispanic ethnicity (up from 32% last year).

- Minnesota Housing continues to fund its single-family home mortgage production using a "best execution" strategy, using bond sales as well as selling loans directly into the capital markets. As the demand for tax-exempt bonding authority to be used for multifamily transactions has grown, the Agency has increased the amount of taxable bonds used to support single family bond transactions. These and other strategies allow the Agency to address the growing demand for mortgages from first time homebuyers while also supporting an increasing number of transactions by Minnesota Housing and local communities that finance new construction or preservation of rental housing by using tax exempt bonds, as well as 4% housing tax credits.

- Minnesota Housing saw delinquency and foreclosure rates across its entire single-family portfolio remain relatively steady, with loans 60+ days delinquent at 3.54% and foreclosures at 0.84%. The Agency has remained focused on monitoring its small REO portfolio, which stood at only 25 loans at year end, and we continue to see a strong market for disposing, at reasonable prices, of REO properties we acquire. To mitigate future real estate ownership risk, the Agency continues its strategy of placing virtually all new home mortgage loan production into mortgage-backed securities.

- The demand for affordable rental housing in Minnesota is very high as investors are able to continue to raise rents in market rate properties under current market conditions. In response, Minnesota Housing continues to develop its multifamily first mortgage lending capacity, as well as seeing increased interest in our deferred loan and tax credit programs to support senior and workforce housing, as well as supportive housing. The Agency continues to bring new multifamily loans, generally insured under the FHA Risk Share program, onto its balance sheet, as well as continuing to process loans under the FHA MAP (Multifamily Accelerated Processing) program and the FFB/Risk Share program.

- Last year, Minnesota Housing closed almost $88 million of loans that provided capital for approximately 2,000 units of affordable rental housing, including units designated specifically to serve long-term homeless households. Overall, the loan quality of the Agency's multifamily loan portfolio remains quite strong, with a diminishing number of properties on the watch list, and no payment defaults in the first mortgage rental loan portfolio.

- Minnesota Housing continues to enjoy strong support from the State Legislature, with the Agency receiving over $100 million in state appropriations for Agency programs for the 2018-2019 biennium. In addition, the 2018 State Legislative session included an additional authorization for $80 million in Housing Infrastructure bonds and also broadened the eligible uses for these bonds to include senior housing, manufactured home park improvements and permanent supportive housing for individuals with behavioral health issues. The State also authorized an additional $10 million in State general obligations bonds for public housing renovations.
- Financially, Minnesota Housing's results for the fiscal year ended June 30, 2018 were impressive. Overall assets and deferred outflows grew by 8% to almost $3.9 billion. Excluding the Appropriated Funds which are not part of the Agency's "sustainable core", net position remains strong, at $678.7 million. Overall, our annual net interest income remained constant at $49.1 million.

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

- Moved into our new office space in downtown Saint Paul, bringing all Agency employees onto a single floor and offering enhanced technology to support our work.
- Continued to work with the State's Interagency Council on Homelessness to implement the Statewide Plan to Prevent and End Homelessness.
- Through the Olmstead Subcabinet and the Olmstead Implementation Office, shepherded the implementation of the State's Olmstead Plan that seeks to increase opportunities for individuals with disabilities to live and work in integrated settings.
- Made significant investments in the redesign of business processes and the technology to support them, including in particular advancing towards the implementation of a new mortgage origination system for our single family division.

We thank our partners throughout the state and our employees for their continuing commitment to helping Minnesotans have safe, stable homes they can afford in communities of their choice. We look forward to another strong year in 2019.

Mary Tingerthal, Commissioner
Minnesota Housing
September 27, 2018

Independent Auditor's Report

To the Board of Directors
Minnesota Housing Finance Agency

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), a component unit of the State of Minnesota, as of and for the year ended June 30, 2018, 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.

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, a component unit of the State of Minnesota, as of June 30, 2018, 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.

Other Matters

Emphasis of Matters
As explained in the Summary of Significant Accounting Policies note to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the Agency restating net position for recognition of the Agency's postemployment benefits-related activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

As explained in the State Appropriation-Backed Debt Obligation note to the financial statements, the beginning net position for the business-type activities and State Appropriated Fund have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Agency's financial statements for the year ended June 30, 2017, from which such summarized information was derived.

Required Supplementary Information

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

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 are not a required part of the basic financial statements.

The 2018 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 2018 supplementary information is fairly stated, in all material respects, in relation to the 2018 basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Agency's 2017 basic financial statements (not presented herein), and have issued our report thereon dated August 31, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended June 30, 2017, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The accompanying 2017 supplementary information has been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements, or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 supplementary information is fairly stated in all material respects in relation to the 2017 basic financial statements taken 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.

RSM US LLP

Minneapolis, Minnesota
September 27, 2018

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: Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

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

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

Discussion of Financial Statements

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

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

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

The basic financial statements also include comparative totals as of and for the year ended June 30, 2017. 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 2018 in comparison to the prior fiscal year.

General Overview

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Homeownership Finance, Multifamily Housing, and HOMES[SM] (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board. 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.

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.

Discussion of Individual Funds (continued)

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, 2018. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, the limited obligation drawdown index bonds and the 2018 Index Bank Note issued under a separate bond trust indenture and the restricted by covenant, Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3). The Alternative Loan Fund is not pledged as security for any bonds of the Agency but is available to pay debt service on any bonds except 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 2018.

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 2018 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before those securities are permanently financed by issuing bonds, or sold into the 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, contributions for drawdown index bond and index bank note expenses, and for bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of 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 2018 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.

Discussion of Individual Funds (continued)

Homeownership Finance

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

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

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

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

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

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Condensed Financial Information

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

		Agency-wide Total		
		Fiscal 2018	**Fiscal 2017**	**Change**
Assets and Deferred Outflows	Cash and Investments	$2,796,213	$2,416,942	$379,271
	Loans receivable, Net	992,733	1,071,058	(78,325)
	Interest Receivable	12,063	11,646	417
	Deferred Pension and OPEB Expense	38,618	53,275	(14,657)
	Total Assets and Deferred Outflows	3,859,078	3,568,338	290,740
Liabilities and Deferred Inflows	Bonds Payable	2,828,697	2,502,508	326,189
	Interest Payable	23,984	24,523	(539)
	Pension and OPEB Liability	47,879	76,077	(28,198)
	Accounts Payable & Other Liabilities	31,020	12,397	18,623
	Funds Held for Others	78,493	78,345	148
	Deferred Pension and OPEB Credit	27,699	5,554	22,145
	Total Liabilities and Deferred Inflows	3,061,113	2,718,661	342,452
Net Position	Restricted by Bond Resolution	318,512	360,383	(41,871)
	Restricted by Covenant	465,169	471,700	(6,531)
	Restricted by Law	149,466	146,734	2,875
	Unrestricted - State Appropriation-backed Debt	(140,892)	(132,985)	(7,907)
	Total Net Position	797,965	849,677	(51,712)

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

		Agency-wide Total		
		Fiscal 2018	**Fiscal 2017**	**Change**
Revenues	Interest Earned	$ 126,677	$ 119,321	$ 7,356
	Appropriations Received	258,071	243,897	14,174
	Fees and Reimbursements	18,060	14,929	3,131
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificates	2,240	2,521	(281)
	Total Revenues (1)	367,840	363,272	4,568
Expenses	Interest Expense	80,172	71,394	8,778
	Appropriations Disbursed	231,313	218,151	13,162
	Fees	3,872	3,898	(26)
	Payroll, Gen. & Admin.	44,655	51,083	(6,428)
	Loan Loss/Value Adjust’s	26,130	12,456	13,674
	Total Expenses (1)	409,469	378,983	30,486
	Revenues Over/Under Expenses	(41,629)	(15,711)	(25,918)
	Beginning Net Position, as restated	847,501	880,006	(32,505)
	Ending Net Position	797,965	849,677	(51,712)

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2018							
Excluding Pool 3	Pool 3	Total	Fiscal 2017	Change	Fiscal 2018	Fiscal 2017	Change
$2,633,988	$ 36,545	$2,670,533	$2,294,451	$376,082	$125,680	$122,491	$ 3,189
884,827	66,067	950,894	1,031,614	(80,720)	41,839	39,444	2,395
11,630	131	11,761	11,391	370	302	255	47
38,618	-	38,618	53,275	(14,657)	-	-	-
3,587,188	102,744	3,689,932	3,405,837	284,095	169,146	162,501	6,645
2,687,792	-	2,687,792	2,369,523	318,269	140,905	132,985	7,920
23,984	-	23,984	24,523	(539)	-	-	-
47,879	-	47,879	76,077	(28,198)	-	-	-
25,226	112	25,338	10,265	15,073	5,682	2,132	3,550
66,515	-	66,515	65,308	1,207	11,978	13,037	(1,059)
27,699	-	27,699	5,554	22,145	-	-	-
2,908,537	(7,996)	2,900,541	2,569,909	330,632	160,572	148,752	11,820
318,512	-	318,512	360,383	(41,871)	-	-	-
354,429	110,740	465,169	471,700	(6,531)	-	-	-
-	-	-	-	-	149,466	146,734	2,732
-	-	-	-	-	(140,892)	(132,985)	-
678,651	110,740	789,391	835,928	(46,537)	8,574	13,749	(5,175)

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2018							
Excluding Pool 3	Pool 3	Total	Fiscal 2017	Change	Fiscal 2018	Fiscal 2017	Change
$122,200	$ 1,326	$ 123,526	$ 117,276	$ 6,250	$ 3,151	$ 2,045	$ 1,106
-	-	-	-	-	258,071	243,897	14,174
19,601	(1,171)	17,607	15,628	1,979	1,730	842	888
2,240	-	2,240	2,521	(281)	-	-	-
104,307	914	104,398	117,028	(12,630)	262,619	246,244	16,375
80,172	-	80,172	71,394	8,778	-	-	-
-	-	-	-	-	231,313	218,151	13,162
3,763	16	3,779	3,772	7	93	126	(33)
40,465	2,339	42,804	48,992	(6,188)	1,851	2,091	(240)
(147)	2,309	2,162	898	1,264	23,968	11,558	12,410
144,164	5,980	150,144	145,516	4,628	259,325	233,467	25,858
(39,857)	(5,066)	(45,746)	(28,488)	(17,258)	3,294	12,777	(9,483)
724,162	110,095	834,257	862,372	(28,115)	13,244	17,634	(4,390)
678,651	110,740	788,568	835,928	(47,360)	8,574	28,369	(19,795)

FINANCIAL HIGHLIGHTS

General Reserve and Bond Funds-Statement of Net Position

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements as well as supplementary information in this 2018 Financial Report.

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

Investments- MBS is the single largest category of bond fund assets. Those assets are pledged as security for the payment of certain Agency mortgage revenue bonds held in acquisition accounts pledged to bond holders as security for bonds. This category of investments increased 25.8% to $2,151.4 million. Single Family production was very strong in FY2018.

Mortgage-backed Securities Portfolio Delinquency
Actual Loan Count

	June 30, 2018		June 30, 2017	
Current	20,683	97.7%	18,144	98.0%
60-89 Days	233	1.1%	186	1.0%
90-119 Days	111	0.5%	66	0.4%
120+ Days	152	0.7%	140	0.8%
Total Count	21,179		18,536	
Total Past Due	496	2.3%	392	2.1%

The 60+ day delinquency rate as of June 30, 2018 for the MBS portfolio was approximately 0.8 points below the delinquency rates benchmark at the HFA division of US Bank.

Cash and cash equivalents are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. This category decreased 2.6% to $340.3 million. Cash and Cash equivalents can fluctuate based on the timing of bond sales, the rate of production, debt repayments, purchase of investments and loan transactions.

Investments securities-other consists of MBS that are held by the Agency as investments, MBS held in the warehouse for future bond sales and MBS held for sale in the TBA market as well as other quality investments such as US agency, US treasuries, municipal bonds and government backed investment pools at the trustee, Wells Fargo, and the State Board of Investments. This category decreased by 23.7% to $178.9 million.

Loans receivable, net is another large single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net, decreased 7.8% to $950.9 million at June 30, 2018 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 2018 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio increased slightly. The reserve

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

for loan loss for the home improvement loan portfolio increased due to a slight increase in the 120 day category. Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2018		June 30, 2017	
Current	6,093	94.5%	7,025	94.7%
60-89 Days	138	2.1%	99	1.3%
90-119 Days	49	0.8%	41	0.6%
120+ Days	167	2.6%	250	3.4%
Total Count	6,447		7,415	
Total Past Due	354	5.5%	390	5.3%

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2018		June 30, 2017	
Current	4,906	97.9%	5,363	98.3%
60-89 Days	24	0.5%	37	0.7%
90-119 Days	21	0.4%	27	0.5%
120+ Days	53	1.1%	31	0.6%
Total Count	5,004		5,458	
Total Past Due	98	2.0%	95	1.7%

The 60+ day delinquency rate as of June 30, 2018 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately two percentage points the delinquency rates of similar loan data available as of March 31, 2018 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 16.9% to $1.3 million at June 30, 2018 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 increased 61.5% to $2.0 million at June 30, 2018 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2018.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2018, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2018, 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.

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

No loans reside in General Reserve.

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable increased 3.2% to $11.8 million at June 30, 2018. The increase is mainly a result of an increase in interest receivable on Program MBS homeownership loans. Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 13.4% to $2,687.8 million at June 30, 2018 because new bonding issuance outpaced scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 2.2% to $24.0 million at June 30, 2018, due to 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 and HOMES^{SM} increased in .3% in FY18 to $65.5 million at June 30, 2018.

On the statement of net position there are three accounts that report the overall pension picture. The Net Pension Liability decreased by $28.2 million to $47.9 million as of June 30, 2018 from $76.1 million on June 30, 2017. Deferred Pension Expense (Deferred Outflow) decreased by $14.7 million to $38.6 million as of June 30, 2018 from $53.3 million at June 30, 2017. Deferred Pension Credit (Deferred Inflow) increased by $22.1 million to $27.7 million as of June 30, 2018 from $5.6 million at June 30, 2017. This increase was due to MSRS making changes to the assumptions that were used for the plans actuarial reports. GASB 68 prescribed how these accounts will be recorded and how income and expense will be recognized. With the decrease in Deferred Pension Expense (Deferred Outflow) of $14.7 million, the decrease in Net Pension Liability of $28.2 million and the increase in Deferred Pension Credit (Deferred Inflow) of $22.1 million the result is an overall decrease of $8.6 million to the net position. GASB 75 prescribes that other Post Retirement Employee Benefits (OPEB) are now included in these numbers. The total amount of OPEB expense in fiscal year 2018 was $1.7 million.

Accounts payable and other liabilities increased to $25.3 million at June 30, 2018. During FY 2018 the increase is due to the closing of two FFB loans and outstanding development disbursements in Rental Housing.

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

General Reserve and Bond Funds-Revenues over Expenses

Revenues over expenses of General Reserve and bond funds decreased 57.7% to ($44.9) million. Revenues over expenses excluding unrealized gains and losses increased 47.4% to $15.3 million for fiscal year 2018.

Total Revenues decreased 10.5% to $105.2 million. Revenue excluding unrealized gains and losses on investments increased 6.1% to $165.4 million.

Total expenses increased 3.2% to $150.1 million.

The largest revenue component, interest earned on MBS and investments increased 23.6% to $72.4 million. This is due to the increase in production as well as interest rate increases. Loan interest revenue decreased 12.9% to $51.2 million as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model during fiscal year 2010.

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

When excluding pool 3 and unrealized gains or losses revenues increased 5.9% to $163.9 million. Expenses decreased 4.8% to $144.2 million.

Administrative reimbursements to General Reserve from bond funds were $21.2 million in fiscal year 2018 compared to $20.5 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 $3.2 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2018 compared to $2.0 million during the prior fiscal year.

Other fee income to General Reserve and bond funds of $15.2 million increased by $1.6 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 $ 2.2 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.

Unrealized losses on investment securities for fiscal year 2018 are $60.2 million compared to $38.9 of unrealized gains for fiscal year 2017. The unrealized gains or losses arise due to the GASB fair value and mark-to-market pronouncements. The fair value adjustments are booked quarterly and fluctuate based on market conditions. The majority 93% of these unrealized gains or losses are related to the program MBS portfolio pledged to bond holders for payments of debt service. The Agency will hold these MBS until all requirements of the Residential Housing Finance and Homeownership Finance Bond resolution are satisfied. The Agency is not permitted by the bond resolution to sell the MBS at this time so this value fluctuation is booked as required by GASB however analysis performed on income normally excludes the unrealized gains or losses.

Interest expense of the bond funds increased 9.7% to $73.1 million compared to the prior fiscal year as a result of new bond issues outpacing scheduled redemptions and early bond redemptions of existing debt.

Financing costs increased 49.0% to $7.1 million. The majority of the increase is due to strong bonding activity.

Expenses for loan administration and trustee fees in the bond funds remained at $3.8 million for current fiscal year. Of the total administrative reimbursement revenue in General Reserve of $24.5 million, the interfund charge to the bond funds and State Appropriated fund of $23.3 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $33.1 million decreased 8.8% from the prior year. A large component of the Salaries and Benefits change is due to a decrease in pension expense to $7.6 million at June 30, 2018 from $11.0 million at June 30, 2017. Changes in assumptions by MSRS account for all of this change.

Other general operating expense in General Reserve and bond funds decreased 23.6% compared to the prior fiscal year to $9.7 million. The majority of the decrease relates to a reduction in general operating expenses.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased from $2.4 million to $1.8 million. The decrease was due to the leveling off of Pool 3 loan closings.

The provision for loan loss expense in the bond funds decreased from ($1.5) million to $.4 million. Delinquencies and foreclosures have increased over the fiscal year.

The provision for loan loss expense for the homeownership loan portfolio increased $1.9 million because the delinquencies increased.

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

The provision for loan loss expense for the home improvement loan portfolio decreased $1.5 million as a result of decreased loan delinquencies during the year, a portion of which became inactive loans.

The provision for loan loss expense for the multifamily loan portfolio decreased $0.6 million due to the mix of loans on the watch-list, when compared to the prior fiscal year and the number of loans on the watch list dropped 50% compared to prior 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 2018, $4.1 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 $5.0 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 $14.6 million in bond sale contributions to the Homeownership Finance bond fund.

Total combined net position of General Reserve and bond funds decreased 5.6% to $789.4 million as of June 30, 2018. A portion of that decrease is a result of current fiscal year unrealized gains on investments, without which the combined net position would have increased $4.1 million. Capital Assets increased by $1.9 million. 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. For fiscal year 2018 the Agency has added a new Unrestricted - State Appropriation-backed Bonds. This line shows the amount of outstanding Appropriation-backed Bonds issued by the Agency. The net position of General Reserve and bond funds is divided into two primary categories. Restricted by Bond Resolution is pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Restricted by Covenant is subject to a covenant with bondholders that the Agency will use the money in General Reserve, and money that would otherwise have been released to General Reserve, only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant.

State and Federal Appropriated Funds-Statement of Net Position

Investments, cash, and cash equivalents combined are the largest category of assets in the appropriated funds. The June 30, 2018 combined balance increased 2.6% to $125.7 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, 2018 State Appropriated fund net loans receivable decreased 6.1% to $41.8 million, reflecting the sale of deferred down payment assistance loans to Residential Housing Finance Resolution.

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, 2018 increased $0.3 million. Accounts payable and other liabilities represent amounts payable to program participants as of year-end. The balance of payables at June 30, 2018 was $5.7 million compared to $2.1 million at

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

June 30, 2017. 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, 2018 the combined net interfund payable was $2.0 million.

At June 30, 2018 the balance of funds held for others was $12.0 million. All of which represents the proceeds of state appropriation-backed housing bonds which are held for disbursement to certain multifamily affordable housing developments.

The appropriated net position is broken into two categories. 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. Unrestricted - State Appropriation-backed Bonds shows the amount of state appropriation-backed bonds outstanding. These bonds are backed solely by the State of Minnesota and the Agency's resources are not pledged or available to secure the bondholders. Per GASB, as the issuer, the Agency is required to show these bonds as bonds payable and there by the reduction in net position. The combined net position of the appropriated funds decreased from $13.7 million as June 30, 2017 to $8.7 million as of June 30, 2018. This decrease is predominately due to the appropriation-backed bonds being recorded in the state appropriated fund as a restatement of the ending balance for fiscal year 2017. There was an increase in restricted by law net position of $2.7 million for 2018. This shows that combined receipts exceeds expenses during fiscal year 2018. The principal amount outstanding of the state appropriation-backed bonds was $133.0 million as of June 30, 2017, and $140.9 million as of June 30, 2018.

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 $253.2 million in fiscal year 2017 to $258.1 million in fiscal year 2018. Federal appropriations received increased by $11.8 million. State appropriations received remained stable at net $3.5 million.

The combined interest income from investments increased 43.8% to $2.3 million for fiscal year 2018.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.9 million as relatively few loans bear interest.

Fees earned and other income, in the amount of $1.7 million were recorded in the State Appropriated fund during fiscal year 2018. This consisted mainly of private donations and the receipt of interagency transfers to support certain state housing programs.

Combined unrealized losses of $0.3 million were recorded at June 30, 2018 compared to $0.5 million of unrealized losses at June 30, 2017. The unrealized gains and losses arise due to the GASB fair value and mark-to-market pronouncements. The fair value adjustments are booked quarterly and fluctuate based on market conditions.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs increased 36.3% to $2.1 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 funds to the extent of investment earnings on unexpended state appropriations. During fiscal year 2018 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.

State and Federal Appropriated Funds-Revenues over Expenses (continued)

Combined appropriations disbursed increased 6.3% to $231.3 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $29.1 million and federal appropriations disbursed of $202.2 million.

Increased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in higher expense from reductions in carrying value of certain loans. Net reductions of carrying value increased 109.1% to $23.5 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 11.5% to $1.9 million at June 30, 2018.

Combined expenses were less than combined revenue of the appropriated funds by $3.3 million at June 30, 2018. Ultimately, the entire existing State Restricted by Law and Federal Appropriated funds' net position is likely to be expended for housing programs.

Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds (does not include state appropriation-backed bonds), having outstanding at June 30, 2018 long-term bonds totaling $2,687.8 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, 2018, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date. In addition, at year-end we had $140.9 million state appropriation-backed bonds.

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 2018 fiscal year, Minnesota Housing issued twenty-two series of bonds aggregating $935.8 million (excluding state appropriation-backed housing bonds, conduit bonds, limited obligation drawdown index bonds, and short-term borrowing against a line of credit), compared to the issuance of seventeen series totaling $523.9 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 also has converted a portion of its bonding authority to Mortgage Credit Certificate authority in another effort to support first-time homebuyers. A total of $12.7 million in state appropriation-backed bonds were issued in fiscal year 2018.

A total of $591.4 million (does not include state appropriation-backed bonds) in bond principal repayments and $80.2 million of bond-related interest expense occurred during fiscal year 2018. Of the total bond principal repayments, $285.1 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions. A total of $4.8 million in bond principal repayments for state appropriation-backed bonds were made in fiscal year 2018.

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 bond volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 10 year rule) that requires mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed those mortgage loans to be used to redeem bonds.

While most of the Agency's bonds are tax-exempt, taxable bonds have been issued to supplement limited tax-exempt private activity bond volume cap in order to meet demand for financing mortgage loans. Taxable

Significant Long Term Debt Activities (continued)

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, and again in fiscal years 2016, 2017 and 2018 and in fiscal year 2018 SIFMA Floating Rate Term Bonds were also incorporated enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. The Agency issued two new series of variable rate bonds in fiscal year 2018 in a principal amount totaling $80.0 million with an interest rate swap with the equivalent notional amount. One of the series, 2017C in the amount of $40.0 million, is also hedged with a forward starting SWAP which will become effective on January 1, 2019. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.) The Agency also issued one new series of SIFMA Floating Rate Term Bonds in the principal amount of $35.0 million. (See Floating Rate Term Bonds in the notes to financial statements for more information.)

Significant Factors that May Affect Financial Conditions and/or Operations

Legislative Actions

In even-numbered years, the Legislature typically passes a bonding bill to fund capital projects around the state. The Agency's top priority this session was to secure the Governor's Capital Budget recommendation of $100 million in Housing Infrastructure Bonds and $15 million in State of Minnesota General Obligation Bonds for public housing rehabilitation.

Minnesota Housing's recommendation was 8% of the Governor Dayton's $1.5 billion proposal. On the last day of the legislative session, the Legislature passed a bonding bill and it was signed by the Governor (Laws of 2018, Chapter 214). Overall, the bill included $90 million for affordable housing.

The bonding bill included $80 million in new Housing Infrastructure Bonds authority to increase the supply of and preserve affordable housing in communities throughout the state. Housing Infrastructure Bond proceeds historically have been used for loans for:

- New construction or acquisition and rehabilitation of permanent supportive housing
- Preservation of federally-assisted housing
- Land acquisition for single family homes to be sold as part of a community land trust

The Legislature authorized two new uses of Housing Infrastructure Bond proceeds. This includes making loans to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing and making loans to the improvement and infrastructure of manufactured home parks.

In addition, of the $80 million that was authorized for Housing Infrastructure proceeds, $30 million must be used to make loans to finance permanent supportive housing for people with behavioral health needs.

With the exception of the new uses for manufactured home parks, loans to be funded with the proceeds of authorized Housing Infrastructure Bonds are expected to be awarded to housing projects as part of Minnesota Housing's consolidated Request for Proposal (RFP) in 2018 and 2019.

The bonding bill also included $10 million in State of Minnesota General Obligation Bonds for rehabilitation of existing public housing. Funds will be used for health, safety and energy efficiency improvements in existing public housing in all 87 counties. These funds are expected to be awarded to public housing agencies through a separate RFP process in the upcoming year.

Additional Information

Questions and inquiries may be directed to Mr. Terry Schwartz at Minnesota Housing Finance Agency, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102 (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, 2018 (with comparative totals as of June 30, 2017)

		Agency-wide Total as of June 30, 2018	Agency-wide Total as of June 30, 2017
Assets	Cash and cash equivalents	$ 414,280	$ 439,184
	Investments-program mortgage-backed securities	2,151,385	1,710,715
	Investment securities-other	230,548	267,043
	Loans receivable, net	992,733	1,071,058
	Interest receivable on loans and program mortgage-backed securities	10,771	10,381
	Interest receivable on investments	1,292	1,265
	Interest rate swap agreements	4,623	-
	FHA/VA insurance claims, net	1,309	1,575
	Real estate owned, net	1,985	1,229
	Capital assets, net	5,710	3,845
	Other assets	3,870	3,367
	Total assets	3,818,506	3,509,662
Deferred Outflows of Resources	Deferred loss on refunding	1,785	137
	Deferred loss on interest rate swap agreements	169	5,264
	Deferred pension and OPEB expense	38,618	53,275
	Total deferred outflows of resources	40,572	58,676
Liabilities	Bonds payable, net	2,828,697	2,502,508
	Interest payable	23,984	24,523
	Interest rate swap agreements	1,862	5,264
	Net pension and OPEB liability	47,879	76,077
	Accounts payable and other liabilities	31,020	12,397
	Funds held for others	78,493	78,345
	Total liabilities	3,011,935	2,699,114
Deferred Inflows of Resources	Deferred gain on interest rate swap agreements	4,623	-
	Deferred service release fee	16,856	13,993
	Deferred pension and OPEB credit	27,699	5,554
	Total deferred inflows of resources	49,178	19,547
Net Position	Restricted by bond resolution	318,512	360,383
	Restricted by covenant	465,169	471,700
	Restricted by law	149,466	146,734
	Unrestricted - State Appropriation-Backed Debt	(140,892)	(132,985)
	Invested in capital assets	5,710	3,845
	Total net position	797,965	849,677
	Total liabilities, deferred inflows of resources, and net position	$3,859,078	$3,568,338

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2018 (with comparative total for year ended June 30, 2017)

		Agency-wide Total for Year Ended June 30, 2018	Agency-wide Total for Year Ended June 30, 2017
Revenue	Interest earned on loans	$ 52,054	$ 59,183
	Interest earned on investments-program mortgage-backed securities	61,996	50,825
	Interest earned on investments-other	12,627	9,313
	Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	2,240	2,521
	Appropriations received	258,071	243,897
	Administrative reimbursement	1,152	481
	Fees earned and other income	16,908	14,448
	Unrealized gains/losses on investments	(60,535)	(39,397)
	Total revenues	344,513	341,271
Expenses	Interest	73,057	66,620
	Financing, net	7,115	4,774
	Loan administration and trustee fees	3,872	3,898
	Salaries and benefits	33,114	36,311
	Other general operating	11,541	14,772
	Appropriations disbursed	231,313	218,151
	Reduction in carrying value of certain low interest rate deferred loans	25,219	13,626
	Provision for loan losses	911	(1,170)
	Total expenses	386,142	356,982
	Revenues over (under) expenses	(41,629)	(15,711)
	Non-Operating Expenses	(7,907)	(14,618)
Net Position	Change in Net Position	(49,536)	(30,329)
	Total net position, beginning of period, as restated	847,501	880,006
	Total net position, end of year	$797,965	$849,677

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, 2018 (with comparative totals as of June 30, 2017)

		Bond Funds	
		General Reserve	Rental Housing
Assets	Cash and cash equivalents	$ 56,385	$ 28,926
	Investments-program mortgage-backed securities	-	-
	Investment securities-other	29,706	20,636
	Loans receivable, net	-	140,234
	Interest receivable on loans and program mortgage-backed securities	-	625
	Interest receivable on investments	130	112
	Interest rate swap agreements	-	-
	FHA/VA insurance claims, net	-	-
	Real estate owned, net	-	-
	Capital assets, net	5,710	-
	Other assets	2,183	4
	Total assets	94,114	190,537
Deferred Outflows of Resources	Deferred loss on refunding	-	-
	Deferred loss on interest rate swap agreements	-	-
	Deferred pension and OPEB expense	38,618	-
	Total deferred outflows of resources	38,618	-
Liabilities	Bonds payable, net	-	39,530
	Interest payable	-	498
	Interest rate swap agreements	-	-
	Net pension and OPEB liability	47,879	-
	Accounts payable and other liabilities	4,840	6,864
	Interfund payable (receivable)	(27,812)	122
	Funds held for others	65,507	-
	Total liabilities	90,414	47,014
Deferred Inflows of Resources	Deferred gain on interest rate swap agreements	-	-
	Deferred service release fee	-	-
	Deferred pension and OPEB credit	27,699	-
	Total deferred inflows of resources	27,699	-
Net Position	Restricted by bond resolution	-	143,523
	Restricted by covenant	8,909	-
	Restricted by law	-	-
	Unrestricted - State Appropriation-backed Debt	-	-
	Invested in capital assets	5,710	-
	Total net position	$ 14,619	$143,523

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, 2018	Total as of June 30, 2017
$ 210,567	$ 42,916	$ 1,468	$ -	$ 67,294	$ 6,724	$ 414,280	$ 439,184
747,700	1,403,685	-	-	-	-	2,151,385	1,710,715
110,314	-	-	18,230	47,312	4,350	230,548	267,043
796,716	-	13,944	-	41,839	-	992,733	1,071,058
5,699	4,366	51	-	30	-	10,771	10,381
687	41	2	48	260	12	1,292	1,265
4,623	-	-	-	-	-	4,623	-
1,309	-	-	-	-	-	1,309	1,575
1,985	-	-	-	-	-	1,985	1,229
-	-	-	-	-	-	5,710	3,845
325	33	-	-	-	1,325	3,870	3,367
1,879,925	1,451,041	15,465	18,278	156,735	12,411	3,818,506	3,509,662
1,785	-	-	-	-	-	1,785	137
169	-	-	-	-	-	169	5,264
-	-	-	-	-	-	38,618	53,275
1,954	-	-	-	-	-	40,572	58,676
1,200,197	1,415,873	13,720	18,472	140,905	-	2,828,697	2,502,508
17,506	5,898	34	48	-	-	23,984	24,523
1,862	-	-	-	-	-	1,862	5,264
-	-	-	-	-	-	47,879	76,077
13,557	77	-	-	4,555	1,127	31,020	12,397
25,683	-	-	-	1,801	206	-	-
1,250	-	-	(242)	11,976	2	78,493	78,345
1,260,055	1,421,848	13,754	18,278	159,237	1,335	3,011,935	2,699,114
4,623	-	-	-	-	-	4,623	-
9,921	6,935	-	-	-	-	16,856	13,993
-	-	-	-	-	-	27,699	5,554
14,544	6,935	-	-	-	-	49,178	19,547
151,020	22,258	1,711	-	-	-	318,512	360,383
456,260	-	-	-	-	-	465,169	471,700
-	-	-	-	138,390	11,076	149,466	146,734
-	-	-	-	(140,892)	-	(140,892)	(132,985)
-	-	-	-	-	-	5,710	3,845
$ 607,280	$ 22,258	$ 1,711	$ -	$ (2,502)	$11,076	$ 797,965	$ 849,677

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Year ended June 30, 2018 (with comparative totals for year ended June 30, 2017)

		Bond Funds	
		General Reserve	Rental Housing
Revenues	Interest earned on loans	$ -	$ 7,266
	Interest earned on investments-program mortgage-backed securities	-	-
	Interest earned on investments-other	419	537
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificates	-	-
	Appropriations received	-	-
	Administrative reimbursement	24,479	-
	Fees earned and other income	11,936	253
	Unrealized gains (losses) on investments	-	(180)
	Total revenues	36,834	7,876
Expenses	Interest	-	1,190
	Financing, net	-	-
	Loan administration and trustee fees	-	133
	Administrative reimbursement	-	1,129
	Salaries and benefits	33,114	-
	Other general operating	6,338	3
	Appropriations disbursed	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	-
	Provision for loan losses	-	(525)
	Total expenses	39,452	1,930
	Revenues over (under) expenses	(2,618)	5,946
Other Changes	Non-operating transfer of assets between funds and adjustments	5,192	53
	Change in net position	2,574	5,999
Net Position	Total net position, beginning of Year, as restated	12,045	137,524
	Total net position, end of Year	$14,619	$143,523

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES^{SM}	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2018	Total for the Year Ended June 30, 2017
$ 43,277	$ -	$ 616	$ -	$ 895	$ -	$ 52,054	$ 59,183
16,527	45,469	-	-	-	-	61,996	50,825
8,480	312	17	606	2,097	159	12,627	9,313
2,240	-	-	-	-	-	2,240	2,521
-	-	-	-	55,291	202,780	258,071	243,897
-	-	-	-	-	-	24,479	22,482
2,034	955	-	-	1,730	-	16,908	14,448
(13,980)	(46,042)	-	-	(324)	(9)	(60,535)	(39,397)
58,578	694	633	606	59,689	202,930	367,840	363,272
32,823	38,022	416	606	-	-	73,057	66,620
4,958	2,157	-	-	-	-	7,115	4,774
3,157	485	4	-	93	-	3,872	3,898
12,136	7,868	94	-	2,100	-	23,327	22,001
-	-	-	-	-	-	33,114	36,311
3,327	22	-	-	1,851	-	11,541	14,772
-	-	-	-	29,094	202,219	231,313	218,151
1,758	-	-	-	23,461	-	25,219	13,626
930	-	(1)	-	507	-	911	(1,170)
59,089	48,554	513	606	57,106	202,219	409,469	378,983
(511)	(47,860)	120	-	2,583	711	(41,629)	(15,711)
(19,822)	14,634	-	-	(7,907)	(57)	(7,907)	(14,618)
(20,333)	(33,226)	120	-	(5,324)	654	(49,536)	(30,329)
627,613	55,484	1,591	-	2,822	10,422	847,501	880,006
$607,280	$ 22,258	$1,711	$ -	$ (2,502)	$ 11,076	$797,965	$849,677

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2018 (with comparative totals for year ended June 30, 2017)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$ 29,846
	Investment in loans/loan modifications and program mortgage-backed securities	-	(10,151)
	Interest received on loans and program mortgage-backed securities	-	7,178
	Fees and other income received	11,548	253
	Salaries, benefits and other operating	(32,332)	(134)
	Appropriations received	-	-
	Appropriations disbursed	-	-
	Administrative reimbursement from funds	24,467	(1,129)
	Deposits into funds held for others	30,420	-
	Disbursements made from funds held for others	(30,831)	-
	Interfund transfers and other assets	(5,147)	4
	Net cash provided (used) by operating activities	(1,875)	25,867
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	14,675
	Principal repayment on bonds and notes	-	(12,485)
	Interest paid on bonds and notes	-	(1,180)
	Financing costs paid related to bonds issued	-	-
	Interest paid/received between funds	54	-
	Agency contribution to program funds	-	175
	Transfer of cash between funds	198	-
	Net cash provided (used) by noncapital financing activities	252	1,185
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	1,222	454
	Net gain (loss) on Sale of MBS Held for Sale and HOMES[SM] Certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	20,000	177
	Purchase of investment securities	(29,689)	(19,014)
	Purchase of loans between funds	-	(24,601)
	Net cash provided (used) by investing activities	(8,467)	(42,984)
	Net increase (decrease) in cash and cash equivalents	(10,090)	(15,932)
Cash and cash equivalents	Beginning of period	66,475	44,858
	End of period	$ 56,385	$ 28,926

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2018	Total for the Year Ended June 30, 2017
$ 205,157	$ 150,465	$ 185	$ -	$ 14,292	$ -	$ 399,945	$ 396,786
(391,767)	(400,100)	-	-	(29,873)	-	(831,891)	(579,455)
59,755	47,444	617	-	895	-	115,889	111,131
12,890	-	-	-	1,730	-	26,421	23,986
(14,069)	(563)	(4)	-	(1,940)	-	(49,042)	(47,889)
-	-	-	-	55,291	201,766	257,057	253,479
-	-	-	-	(29,289)	(201,209)	(230,498)	(228,933)
(12,198)	(7,868)	(94)	-	(1,908)	-	1,270	788
1,250	-	-	-	14,806	-	46,476	45,872
-	-	-	-	(16,554)	-	(47,385)	(83,106)
133	(1)	-	-	-	-	(5,011)	(2,752)
(138,849)	(210,623)	704	-	7,450	557	(316,769)	(110,093)
1,481,342	392,432	-	-	-	-	1,888,449	1,524,846
(1,404,550)	(146,355)	(240)	(2,749)	-	-	(1,566,379)	(1,457,294)
(37,122)	(37,947)	(417)	(614)	-	-	(77,280)	(74,115)
(5,425)	(3,083)	-	-	-	-	(8,508)	(5,314)
(54)	-	-	-	-	-	-	-
(11,934)	11,770	-	-	-	(11)	-	-
(198)	-	-	-	-	-	-	-
22,059	216,817	(657)	(3,363)	-	(11)	236,282	(11,877)
(2,030)	-	-	-	-	-	(2,030)	(2,198)
8,347	288	15	614	2,122	159	13,221	9,870
4,040	-	-	-	-	-	4,040	3,532
10,697	-	-	-	-	-	10,697	19,653
825,381	1,400	-	2,749	20,000	190	869,897	604,905
(752,079)	-	-	-	(39,460)	-	(840,242)	(604,780)
31,481	-	-	-	(6,880)	-	-	-
125,837	1,688	15	3,363	(24,218)	349	55,583	30,982
9,047	7,882	62	-	(16,768)	895	(24,904)	(90,988)
201,520	35,034	1,406	-	84,062	5,829	439,184	530,172
$ 210,567	$ 42,916	$1,468	$ -	$ 67,294	$ 6,724	$ 414,280	$ 439,184

(Continued)

Statement of Cash Flows (in thousands)

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

	Bond Funds	
	General Reserve	Rental Housing
Revenues over (under) expenses	$(2,618)	$ 5,946
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	-	(58)
Amortization of proportionate share-Pension	54	-
Depreciation	2,241	-
Gain (loss) on sale of MBS held for sale and HOMES[SM] Certificates	-	-
Realized losses (gains) on sale of securities, net	-	-
Unrealized losses (gains) on securities, net	-	180
Salaries and Benefits-Pensions	6,879	-
Provision for loan losses	-	(525)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-
Capitalized interest on loans and real estate owned	-	-
Interest earned on investments	(419)	(537)
Interest expense on bonds and notes	-	1,190
Financing expense on bonds	-	-
Decrease (increase) in appropriated disbursed	-	-
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	19,695
Decrease (increase) in interest receivable on loans	-	(30)
Increase (decrease) in accounts payable	(1,241)	2
Increase (decrease) in interfund payable, affecting operating activities only	(1,266)	-
Increase (decrease) in funds held for others	(411)	-
Other	(5,094)	4
Total	743	19,921
Net cash provided (used) by operating activities	$(1,875)	$25,867

See accompanying notes to financial statements

Bond Funds				Appropriated Funds			
Residential Housing Finance	Homeownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2018	Total for the Year Ended June 30, 2017
$ (511)	$ (47,860)	$120	$ -	$ 2,583	$ 711	$ (41,629)	$ (15,709)
929	2,744	-	-	-	-	3,615	2,431
-	-	-	-	-	-	54	(12)
-	-	-	-	-	-	2,241	2,370
(2,240)	-	-	-	-	-	(2,240)	(2,521)
(229)	-	-	-	-	-	(229)	(65)
13,980	46,042	-	-	324	9	60,535	39,397
-	-	-	-	-	-	6,879	11,042
930	-	(1)	-	507	-	911	(1,170)
1,758	-	-	-	23,461	-	25,219	13,626
(1,386)	-	-	-	-	-	(1,386)	(1,742)
(8,251)	(312)	(17)	(606)	(2,097)	(159)	(12,398)	(9,226)
32,823	38,022	416	606	-	-	73,057	66,620
4,927	2,157	-	-	-	-	7,084	4,772
-	-	-	-	-	(46)	(46)	(1,736)
(186,610)	(249,635)	185	-	(15,581)	-	(431,946)	(182,669)
408	(769)	1	-	-	-	(390)	435
3,302	(1,011)	-	-	(191)	-	861	2,222
(62)	-	-	-	192	42	(1,094)	(292)
1,250	-	-	-	(1,748)	-	(909)	(37,234)
133	(1)	-	-		-	(4,958)	(632)
(138,338)	(162,763)	584	-	4,867	(154)	(275,140)	(94,384)
$(138,849)	$(210,623)	$704	$ -	$ 7,450	$ 557	$(316,769)	$(110,093)

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 HOMES^{SM} fund which carries limited obligations of the Agency and is therefore not supported by General Reserve.

Rental Housing

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

Residential Housing Finance

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

The bond resolution within Residential Housing Finance, along with the Homeownership Finance bond resolution were the principal sources of financing for bond-financed homeownership programs (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family first mortgage loans, some related 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

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 2018 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before these securities are permanently financed by issuing bonds, or sold into the 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 2018 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. The limited obligation drawdown index bonds and index bank note trust indentures prescribes the application of debt proceeds and permitted investments.

Homeownership Finance

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

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

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

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

Nature of Business and Fund Structure (continued)

costs associated with appropriation-backed housing bonds, and other housing-related program costs. The net position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds or creditors of the Agency. State appropriations received for debt service payments on State appropriation-backed bonds is restricted for that use only and is not pledged or available for any other purpose. The unrestricted – state appropriated-backed bonds will be eliminated through future appropriations from the State.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. 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 June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. The provisions of statement were adopted for fiscal year ended June 30, 2018. The effects on the agency financials are as follows: The beginning net position was adjusted by $1.671 million, a net OPEB liability of $1.742 million was added and a deferred OPEB expense of $.087 million were added. Details can be found in the footnote for Post-Employment Benefits Other than Pensions. With respect to the comparative information as of and for the year ended June 30, 2017, 2017 balances could not be restated as information required to adopt the standard is not available to the Agency.

In May 2017, the GASB issued Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in

Summary of Significant Accounting Policies (continued)

financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

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

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April 2018, the GASB issued Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements for this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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 HOMES^{SM} fund,

Summary of Significant Accounting Policies (continued)

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.

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, 2018.

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.

Interest Rate Swap Agreements

Agency interest rate swap agreements with positive fair value as of the end of fiscal year 2018 are recorded here as an asset.

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 Refunding

The Agency's interest rate swap agreement that is still effective without associated bonds, requires that the fair value of these swaps be recorded as a deferred loss on refunding. This loss will reduce over time until the swap is terminated.

Deferred Loss on Interest Rate Swap Agreements

The Agency's interest rate swap agreements with a negative fair value as of the end of fiscal year 2018. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

Deferred Pension Expense and Credits

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

Summary of Significant Accounting Policies (continued)

Bonds Payable

Bonds payable are carried at their unpaid principal balances. Because the Agency is the issuer of the state appropriation-backed bonds they are included in this category but are not pledged or available to secure bondholders or creditors of Minnesota Housing.

Interest Rate Swap Agreements

Agency interest rate swap agreements with a negative fair value as of the end of fiscal year 2018 are recorded here as a liability.

Net Pension Liability

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

Pension

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

Post Employment Benefits Other than Pension

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

Interfund Payable (Receivable)

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

Funds Held for Others

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

Undisbursed proceeds, appropriations received for the payment of debt service and expense of state appropriation-backed 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 HOMES^{SM} 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.

Summary of Significant Accounting Policies (continued)

Deferred Gain on Interest Rate Swap

The Agency's interest rate swap agreements with a positive fair value as of the end of fiscal year 2018. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the positive fair value is recorded as a deferred gain.

Deferred Service Release Fees

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

Fair Value Reporting

To the extent available, the Minnesota Housing investments are recorded at fair value as of June 30, 2018. GASB No. 72-Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the market place.

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

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

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

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

Restricted by Bond Resolution

The Restricted by Bond Resolution portion of Net Position represents the amount restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

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

Restricted by Law

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

Unrestricted - State Appropriation-backed Bonds

The Unrestricted by State Appropriation-backed Bond Net Position represents outstanding non-profit housing and housing infrastructure bonds that are not a general obligation of the Agency and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

Summary of Significant Accounting Policies (continued)

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, 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 2017 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 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 $1.152 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $23.327 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.

Summary of Significant Accounting Policies (continued)

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. In the appropriated fund this account is used to record the receipt of bond sale proceeds, debt service receipts from the State and disbursements to bond holders.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2018 were $9.1 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

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

Rebatable Arbitrage

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

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, Cash Equivalents and Investment Securities

Cash and Cash Equivalents are generally stated at cost, which approximates fair value. The balances were composed of the following at June 30, 2018 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$ 56,385	$ -	$ 56,385
Rental Housing	-	28,926	-	-	28,926
Residential Housing Finance	1,611	208,055	-	901	210,567
Homeownership Finance Bonds	-	42,916	-	-	42,916
Multifamily Housing Bonds	-	1,468	-	-	1,468
HOMES℠	-	-	-	-	-
State Appropriated Accounts	171	10,432	56,691	-	67,294
Federal Appropriated Accounts	-	3,712	3,012	-	6,724
Combined Totals	$1,782	$295,509	$116,088	$901	$414,280

Cash, Cash Equivalents and Investment Securities (continued)

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.

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, 2018 (in thousands):

Investment Securities

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve Account	$ 29,706	$ -	$ -	$ 29,706
Rental Housing	20,646	-	(10)	20,636
Residential Housing Finance	112,114	755,913	(10,013)	858,014
Homeownership Finance Bonds	-	1,420,139	(16,454)	1,403,685
Multifamily Housing Bonds	-	-	-	-
HOMES[SM]	18,472	-	(242)	18,230
State Appropriated Accounts	46,988	-	324	47,312
Federal Appropriated Accounts	4,350	-	-	4,350
Combined Totals	$232,276	$2,176,052	$(26,395)	$2,381,933

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, 2018 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa2
U.S. Agencies	$2,273,645	$2,273,645	$ -
Municipal Bonds	26,165	-	26,165
Agency-wide Totals	$2,299,810	$2,273,645	$26,165
U.S. Treasuries	76,110		
Agency-wide Totals	$2,375,920		

Cash, Cash Equivalents and Investment Securities (continued)

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized depreciation of $26.396 million and net discounts of $32.409 million), along with the weighted average maturities (in years) as of June 30, 2018, consisted of the following (in thousands):

		Weighted Average Maturity, in Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated
Deposits	$ 1,782	-	-	-	-	-	-	-	-
Money market fund	295,509	-	-	-	-	-	-	-	-
State investment pool	116,088	-	-	-	-	-	-	-	-
Investment agreements	901	-	-	-	-	-	-	-	-
US agencies	2,273,645	-	10.0	28.0	27.0	-	25.2	-	-
US treasuries	76,110	0.5	-	3.5	-	-	-	0.6	-
Municipal bonds	26,165	-	-	-	-	-	-	6.7	-
Agency-wide Totals	$2,790,200								
Weighted Average Maturity		0.2	4.2	22.0	26.2	-	25.2	0.6	-

Investments in any one issuer, excluding $1,456 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, 2018 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	$756,702

The Agency maintained certain deposits and investments throughout fiscal year 2018 that were subject to custodial credit risk. As of June 30, 2018, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $295,509 in a money market fund and $116,088 in the State investment pool)	$ 413,379
Investment securities uninsured, uncollateralized.	2,376,821
Agency-wide Total	$2,790,200

Net realized gain on sale of investment securities of $0.229 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, 2018 were as follows (in thousands).

Funds	Amount
Rental Housing	$ 1,386
Residential Housing Finance	24,360
Multifamily Housing	488
Combined Totals	$26,234

Cash, Cash Equivalents and Investment Securities (continued)

The following table summarizes Minnesota Housing's investments with in the fair value hierarchy at June 30, 2018:

Investments at par	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ 1,991	$2,271,654	$ -	$2,273,645
U.S. Treasuries	76,110	-	-	76,110
Municipal Bonds	-	26,165	-	26,165
Total	$78,101	$2,297,819	$ -	$2,375,920
Prem/Disc & Unrealized Appr/Depr				6,013
Fair Market Value				$2,381,933

Loans Receivable, Net

Loans receivable, net at June 30, 2018 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Loans Receivable, Net
General Reserve	$ -	$ -	$ -
Homeownership Finance	-	-	-
Rental Housing	143,197	(2,963)	140,234
HOMES℠	-	-	-
Residential Housing Finance	804,418	(7,702)	796,716
Multifamily Housing	14,014	(70)	13,944
State Appropriated	43,029	(1,190)	41,839
Federal Appropriated	-	-	-
Agency-wide Totals	$1,004,658	$(11,925)	$992,733

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. A significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. The principal amount of loans with such characteristics originated during fiscal year 2018 aggregated $4.843 million in the Residential Housing Finance Housing Affordability Fund (Pool 3) and $33.517 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and below. The Agency also has deferred and/or forgivable loans with net carrying values of zero in the Federal Appropriated, HOME and HOPWA programs. These loans are tracked for affordability by staff. The balance of these loans at June 30, 2017 was $53.8 million compared to $54.3 million on June 30, 2018.

Loans Receivable, Net (continued)

Loans receivable, net and gross in Residential Housing Finance at June 30, 2018 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	$458,965	$460,442
Other homeownership loans, generally secured by a second mortgage	824	853
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	66,414	67,545
Homeownership, first mortgage loans	28,597	29,018
Other homeownership loans, generally secured by a second mortgage	32,687	33,698
Multifamily, first mortgage loans	143,162	144,241
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	65,426	67,977
Multifamily, other	641	644
Residential Housing Finance Totals	$796,716	$804,418

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

Other Assets

Other assets, including receivables, at June 30, 2018 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	$2,183	$ -	$2,183
Rental Housing	-	4	4
Residential Housing Finance	-	325	325
Homeownership Finance	-	33	33
Multifamily Housing	-	-	-
HOMES℠	-	-	-
State Appropriated	-	-	-
Federal Appropriated	1,325	-	1,325
Combined Totals	$3,508	$362	$3,870

Bonds Payable

Summary of bonds payable activity at June 30, 2018 is as follows (in thousands):

Funds	June 30, 2017 Bonds Outstanding	Bonds Issued	Bonds Repaid	June 30, 2018 Bonds Outstanding
Rental Housing	$ 37,340	$ 14,675	$ 12,485	$ 39,530
Residential Housing Finance	1,058,905	397,565	271,375	1,185,095
Homeownership Finance Bonds	1,169,796	392,432	146,355	1,415,873
Multifamily Housing Bonds	13,960	-	240	13,720
HOMES[SM]	21,221	-	2,749	18,472
Drawdown Index Bonds	27,070	106,585	133,655	-
2018 Index Bank Note	-	24,520	24,520	-
Total	$2,328,292	$935,777	$591,379	$2,672,690
Bond Premium-Residential Housing Finance				15,102
State Appropriation-backed Bonds	132,985	12,690	4,770	140,905
				$2,828,697

The Drawdown Index Bonds, Index Bank Note and notes payable are part of the Residential Housing Finance Fund. State appropriation-backed bonds are included in the State Appropriated fund.

Bonds payable at June 30, 2018 were as follows (in thousands):

Series	Interest Rate	Final Maturity	Original Amount	Outstanding Amount
Rental Housing Bonds				
2010 Series A-1	3.75% to 5.25%	2040	$ 3,605	$ 3,395
2011 Series A	3.40% to 5.45%	2041	8,890	6,780
2012 Series A-1	3.75%	2048	4,175	3,930
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,570
2013 Series B-1	3.65% to 5.30%	2044	2,040	1,935
2016 Series C	1.60%	2018	5,245	5,245
2017 Series A	1.20%	2019	5,750	5,750
2017 Series B	1.35%	2019	2,250	2,250
2017 Series C	1.80%	2019	3,565	3,565
2018 Series A	1.95%	2020	3,110	3,110
			$ 42,340	$ 39,530
Residential Housing Finance Bonds				
2006 Series N	5.76%	2037	$ 18,000	$ 730
2007 Series M	6.345%	2038	70,000	19,790
2009 Series D	3.875% to 4.05%	2020	19,830	3,235
2009 Series E	4.15% to 5.10%	2040	103,960	42,895
2012 Series A	2.85% to 3.90%	2023	50,945	14,820
2012 Series B	3.30% to 3.45%	2024	8,830	4,840
2012 Series C	3.625% to 3.85%	2029	30,975	16,985
2012 Series D	3.90% to 4.00%	2040	60,000	19,630
2013 Series A	3.00%	2031	33,305	8,190
2013 Series B	1.55% to 1.80%	2019	9,555	3,275
2013 Series C	1.80% to 3.90%	2043	42,310	32,645
2014 Series A	1.35% to 4.00%	2038	50,000	23,080

Bonds Payable (continued)

Series	Interest Rate	Final Maturity	Original Amount	Outstanding Amount
Residential Housing Finance Bonds (continued)				
2014 Series B	1.35% to 4.00%	2038	$ 50,000	$ 22,775
2014 Series C	1.40% to 4.00%	2045	143,145	79,390
2014 Series D	3.00% to 3.10%	2026	6,585	4,685
2014 Series E	2.00% to 3.50%	2032	76,000	53,870
2015 Series A	4.00%	2041	43,070	28,495
2015 Series C	1.20% to 3.60%	2031	61,780	38,935
2015 Series D	Variable	2046	18,225	18,225
2015 Series E	1.35% to 3.50%	2046	96,930	62,535
2015 Series F	2.35% to 3.30%	2029	39,515	27,545
2015 Series G	Variable	2034	35,000	35,000
2016 Series A	1.10% to 3.20%	2033	63,135	48,000
2016 Series B	3.10% to 3.50%	2046	74,985	57,140
2016 Series C	1.85% to 4.20%	2037	15,590	9,765
2016 Series D	1.50% to 2.30%	2021	11,340	7,310
2016 Series E	2.00% to 4.00%	2047	75,005	64,955
2016 Series F	Variable	2041	50,000	50,000
2017 Series A	1.10% to 3.20%	2030	43,455	36,365
2017 Series B	3.4% to 4.00%	2047	37,390	34,930
2017 Series C	Variable	2038	40,000	40,000
2017 Series D	1.45% to 3.30%	2030	41,145	40,570
2017 Series E	3.30% to 4.00%	2048	63,075	61,990
2017 Series F	Variable	2041	40,000	40,000
2018 Series A	1.8% to 3.625%	2032	28,820	28,820
2018 Series B	1.70% to 4.00%	2048	43,680	43,680
2018 Series C	2.65% to 4.45%	2040	25,000	25,000
2018 Series D	Variable	2045	35,000	35,000
			$1,755,580	$1,185,095
Homeownership Finance Bonds				
2009 Series A-1	3.01%	2041	$ 108,000	$ 47,260
2009 Series A-4A	2.48%	2041	21,910	10,200
2009 Series A-4B	2.48%	2041	13,090	6,160
2009 Series A-5	2.49%	2041	21,990	11,960
2010 Series A	2.75% to 4.25%	2028	72,000	12,245
2011 Series B	3.375% to 5.00%	2031	63,760	23,400
2011 Series C	3.10% to 3.850%	2022	8,310	1,755
2011 Series D	2.90% to 4.70%	2034	33,690	12,445
2011 Series E	2.60% to 4.45%	2035	65,000	23,030
2011 Series F	2.70% to 3.45%	2022	13,575	3,600
2011 Series G	4.00% to 4.40%	2035	29,110	13,560
2012 Series A	2.60%	2042	50,000	24,366
2012 Series B	2.25%	2042	75,000	40,728
2013 Series A	2.35%	2043	75,000	43,060
2013 Series B	2.70%	2041	85,148	36,654
2013 Series C	3.00%	2043	37,000	20,801
2014 Series A	3.00%	2044	38,527	20,229

Bonds Payable (continued)

Series	Interest Rate	Final Maturity	Original Amount	Outstanding Amount
Homeownership Finance Bonds (continued)				
2014 Series B	2.95%	2044	$ 18,868	$ 11,331
2014 Series C	3.25%	2044	13,663	8,205
2014 Series D	2.88%	2044	39,934	24,995
2015 Series A	2.80%	2045	60,013	44,025
2015 Series B	3.00%	2045	54,530	39,574
2015 Series C	3.05%	2045	40,226	27,802
2015 Series D	2.90%	2045	52,365	43,827
2016 Series A	2.95%	2046	97,274	79,133
2016 Series B	2.70%	2046	50,971	43,650
2016 Series C	2.33%	2046	35,390	31,594
2016 Series D	2.73%	2046	35,390	31,732
2016 Series E	2.35%	2046	35,495	32,841
2016 Series F	2.68%	2046	65,918	61,494
2016 Series G	2.30%	2046	20,445	18,708
2016 Series H	2.65%	2046	30,668	28,410
2017 Series A	2.93%	2047	24,966	23,618
2017 Series B	3.25%	2047	24,966	23,850
2017 Series C	3.08%	2047	23,904	22,705
2017 Series D	3.43%	2047	23,904	22,887
2017 Series E	2.85%	2047	39,283	38,000
2017 Series F	3.20%	2047	19,349	18,606
2017 Series G	2.65%	2047	84,998	83,348
2017 Series H	3.00%	2047	64,998	63,736
2017 Series I	2.80%	2047	69,238	68,247
2017 Series J	3.10%	2047	46,159	45,467
2018 Series A	3.30%	2048	38,247	38,083
2018 Series B	3.65%	2048	38,247	38,082
2018 Series C	3.30%	2048	30,326	30,282
2018 Series D	3.65%	2048	20,217	20,188
			$2,011,062	$1,415,873
Multifamily Housing Bonds				
2009	3.01%	2051	$ 15,000	$ 13,720
			$ 15,000	$ 13,720
HOMES℠				
2013 Series A-1	3.50%	2043	$ 3,359	$ 1,927
2013 Series B-1	3.00%	2043	24,471	13,631
2013 Series C-1	3.50%	2043	4,713	2,914
			$ 32,543	$ 18,472
Drawdown Index Bonds				
2016 Draw Down Index Bonds	Variable	2046	$ -	$ -
2018 Index Bank Note		2021	-	-
			$ -	$ -
Combined Totals			$3,856,525	$2,672,690

Bonds Payable (continued)

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, 2018, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2019	$ 5,595	$ 1,185	$ 31,345	$ 34,850
2020	15,045	1,073	34,190	36,102
2021	385	917	35,190	35,373
2222	395	902	36,440	34,543
2023	415	886	37,745	33,585
2024-2028	2,435	4,118	202,830	150,518
2029-2032	3,105	3,471	245,515	114,000
2033-2038	4,070	2,591	256,135	75,328
2039-2043	5,495	1,271	163,925	39,106
2044-2048	2,150	370	138,075	12,973
2049-2053	440	20	3,705	74
Total	$39,530	$16,804	$1,185,095	$ 566,452

	Multifamily Housing		Homeownership Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2019	$ 240	$ 410	$ 5,480	$ 41,600
2020	240	402	5,620	41,429
2021	240	395	5,740	41,241
2222	240	388	5,835	41,038
2023	240	381	6,270	40,821
2024-2028	1,290	1,794	33,555	199,939
2029-2032	1,790	1,558	36,815	192,251
2033-2038	1,950	1,285	36,340	186,227
2039-2043	2,400	950	174,767	177,713
2044-2048	2,910	556	1,105,451	110,140
2049-2053	2,180	114	-	-
Total	$13,720	$ 8,233	$1,415,873	$1,072,399

Bonds Payable (continued)

	HOMES℠		DDIB/IBN	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ -	$ 578	$ -	$ -
2020	-	578	-	-
2021	-	579	-	-
2222	-	578	-	-
2023	-	578	-	-
2024-2028	-	2,892	-	-
2029-2032	-	2,892	-	-
2033-2038	-	2,892	-	-
2039-2043	-	2,892	-	-
2044-2048	18,472	97	-	-
2049-2053	-	-		
Total	$ 18,472	$ 14,556	$ -	$ -

	Combined Totals	
Fiscal Year	**Principal**	**Interest**
2019	$ 42,660	$ 78,623
2020	55,095	79,584
2021	41,555	78,505
2222	42,910	77,449
2023	44,670	76,251
2024-2028	240,110	359,261
2029-2032	287,225	314,172
2033-2038	298,495	268,323
2039-2043	346,587	221,932
2044-2048	1,267,058	124,136
2049-2053	6,325	208
Total	$2,672,690	$1,678,444

Residential Housing Finance Bonds Series 2015 D and G; Series 2016 F and Series 2017 C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Residential Housing Finance Bonds 2018 Series D accrues interest at a rate equal to the SIFMA (Securities Industry and Financial Markets Association) Index plus 0.43%. The 2018 Index Bank Note accrues interest at a rate equal to one month LIBOR (London Inter-Bank Offered Rate) plus 0.30%. 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, 2018 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The income and assets of each of the bond funds, except for the HOMES℠ 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, 2018, 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.

Bonds Payable (continued)

Call notices were issued on or before June 30, 2018 for the redemption of certain bonds thereafter. See Subsequent Events.

On June 30, 2018 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of zero.

Demand Bonds

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

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

The Agency is required to pay to liquidity providers a fee of between 0.40 and 0.65 percent per annum of the liquidity provider's available commitment equal to the outstanding principal amount of the bonds and approximately six months interest on the bonds at the rate of 12% per annum.

The Agency has paid $1.136 million to the liquidity provider for fiscal year 2018.

In addition, the remarketing agent receives a fee of 0.1 percent of the outstanding principal amount of the bonds. The Agency has paid a fee of $0.218 million to the remarketing agent for fiscal year 2018.

As of June 30, 2018, the following demand bonds were outstanding:

Demand Bonds

Variable Rate Series	Principal Amount Outstanding at par	Liquidity Facility Maturity-SBPA[1]	Liquidity Fee	Remarketing Agent Fee
Residential Housing Finance Series 2015D	$ 18,225,000	8/11/2022	0.650%	0.100%
Residential Housing Finance Series 2015G	35,000,000	1/2/2023	0.650%	0.100%
Residential Housing Finance Series 2016F	50,000,000	1/2/2024	0.550%	0.100%
Residential Housing Finance Series 2017C	40,000,000	7/19/2024	0.600%	0.100%
Residential Housing Finance Series 2017F	40,000,000	1/2/2023	0.400%	0.100%
Combined Totals	$183,225,000			

[1]- SBPA-Stand By Purchase Agreement

Floating Rate Term Bonds

The Agency has issued the Residential Housing Finance Bonds 2018 Series D as floating rate term bonds in the principal amount of $35,000,000. The interest rate on the bonds is reset weekly based on the SIFMA Index plus 0.43%. The bonds are subject to mandatory purchase on July 3, 2023 at a price equal to principal plus accrued interest. On or after January 1, 2023, the Agency may redeem the bonds or may remarket the bonds with new terms.

Derivative Instruments-Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under 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, 2018. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2018. Under GASB 53, instruments, in whole or in part, such as interest rate swaps and similar

Derivative Instruments- Interest Rate Swaps (continued)

transactions that fall under the definition of Derivative Instruments must be reported on the statement of net assets, the classification of which depends on whether they represent assets or liabilities, and Derivative Instruments generally should be measured at "Fair Value". Fair Values were determined pursuant to GASB 72: Fair Value Measurement and Application. The fair value hierarchy of interest rate swap agreements is determined to be level 2. The fair values exclude accrued interest. As of June 30, 2018, 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, 2018 is included under deferred outflows of resources as "Deferred loss on interest rate swap agreements," or under deferred inflows of resources as "Deferred gain on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from calendar year 2003 through 2009, and 2015 through 2018. 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, 2018, 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.

Date	Principal	Interest	Interest Rate Swaps, Net
6/30/2019	$ 0	$ 2,830	$ 2,085
6/30/2020	0	3,201	2,408
6/30/2021	0	3,201	2,477
6/30/2022	0	3,201	2,478
6/30/2023	0	3,200	2,478
6/30/2028	0	16,004	12,395
6/30/2033	53,045	14,939	11,851
6/30/2038	83,880	9,494	7,904
6/30/2043	60,750	3,934	3,761
6/30/2048	20,550	423	401

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the three counterparties thereto as of June 30, 2018, are contained in the three tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps 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 the right to terminate the swaps at par at approximately the 7-year anniversary

Derivative Instruments-Interest Rate Swaps (continued)

date for the 2015D , 2015G, 2016F, 2017C, 2017F and 2018D swaps and the 5-year anniversary date for the 2017F and 2018D swaps. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Counterparty: The Bank of New York Mellon

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

Associated Bond Series	Notional Amount as of June 30, 2018 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2018 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2017 (in thousands)
RHFB 2018D	$35,000	June 28, 2018	January 1, 2045	3.188%	70% of 1 month LIBOR + 0.43%	$(171)	$171
Counterparty Total	$35,000					$(171)	$171

Counterparty: Royal Bank of Canada

Moody's* A1 (Negative outlook) / Standard & Poor's** AA- (Stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2018 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2018 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2017 (in thousands)
RHFB 2009C/2017C	$ 40,000	February 12, 2009	July 1, 2036	4.215%	64% of 3 month LIBOR*** plus 0.30% per annum	$(1,039)	$1,392
RHFB 2015D	18,225	August 11, 2015	January 1, 2046	2.343%	67% of 1 month LIBOR	280	605
RHFB 2015G	35,000	December 8, 2015	January 1, 2034	1.953%	67% of 1 month LIBOR	773	1,134
RHFB 2016F	50,000	December 22, 2016	January 1, 2041	2.175%	67% of 1 month LIBOR	520	1,913
Counterparty Total	$143,225					$ 534	$5,044

Derivative Instruments-Interest Rate Swaps (continued)

Counterparty: Wells Fargo Bank

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

Associated Bond Series	Notional Amount as of June 30, 2018 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2018 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2017 (in thousands)
RHFB 2017C	$ -	January 1, 2019	January 1, 2038	2.180%	67% of 1 month LIBOR	$ 657	$ 898
RHFB 2017F	40,000	December 27, 2017	January 1, 2041	2.261%	67% of 1 month LIBOR	714	714
Counterparty Total	$40,000					$1,371	$1,612
Combined Totals	$218,225					$1,734	$6,827

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.

* 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, 2018, the Agency did not have a net credit risk exposure to any of its three counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $5 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, 2018, 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

Derivative Instruments-Interest Rate Swaps (continued)

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, in some cases, a specified spread.. Basis risk will vary over time due to inter-market conditions. As of June 30, 2018, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.83% to 1.85% per annum while the variable interest rate on the associated swaps ranged from 0.82% to 1.52% 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, 2018, are as follows: (in thousands):

	Counter Party Short-term Rating	Number of Contracts	Notional Amount	Original Price	Market Price	Fair Value
Bank of Oklahoma	A-2*/F1**	9	$ 44,000	$ 44,873	$ 45,109	$ (236)
ED&F Man Capital Markets	A-1*/F1+**	13	94,500	96,378	96,717	(339)
Fannie Mae	Not rated*/F1+**	26	125,500	128,424	128,988	(565)
Janney Montgomery Scott	Not Rated*/Not Rated**	16	72,000	73,958	74,298	(340)
Multi-Bank Securities	A-1*/F1+**	1	4,000	4,056	4,064	(8)
Piper Jaffray	A-1*/F1+**	1	4,000	3,966	4,011	(45)
		66	$344,000	$351,655	$353,187	$(1,533)

* Standard and Poor's Rating Services, Inc.
** Fitch Ratings, Ltd

State Appropriation-Backed Debt Obligation

The Agency has outstanding bonds under two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing and other purposes. As of June 30, 2018, $140.905 million of bonds were outstanding. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency including any loan repayments. These bonds are payable solely from the appropriations the Agency 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, 2012, 2014, 2015 and 2017.

State Appropriation-Backed Debt Obligation (continued)

State Appropriation-Backed Bonds at June 30, 2018 consisted of the following (in thousands):

Series	Interest Rate	Final Maturity	Original Amount	Outstanding Amount
State Appropriated				
2009 Series	3.00% to 4.00%	2029	$ 13,270	$ 7,915
2011 Series	3.375% to 5.25%	2031	21,750	16,805
2013 Series AB	2.00% to 5.00%	2033	15,460	12,185
2014 Series AB	2.375% to 5.00%	2035	14,540	13,295
2015 Series AB	2.15% to 5.00%	2035	37,570	30,395
2015 Series C	3.25% to 5.00%	2037	31,095	29,630
2016 Series ABC	2.00% to 4.00%	2038	18,625	17,990
2017 Series A	3.00% to 5.00%	2037	12,690	12,690
			$165,000	$140,905

State Appropriation-Backed bond debt service requirements at June 30, 2018 consisted of the following:

	State Appropriated	
Fiscal Year	Principal	Interest
2019	$ 5,365	$ 5,816
2020	5,545	5,631
2021	5,740	5,437
2222	5,970	5,216
2023	6,200	4,971
2024-2028	34,975	20,904
2029-2032	40,830	12,649
2033-2038	35,840	3,997
2039-2043	440	6
2044-2048	-	-
2049-2053	-	-
Total	$140,905	$64,627

As the issuer of the state appropriation-backed debt, the Agency is required to record these bonds as bonds payable with the correlating reduction in net position. Net position of the State Appropriated Fund and the Business-type activities as of July 1, 2016 was restated by a reduction of $118.365 million and the change in net position for the year ended June 30, 2017 was reduced by $14.620 million.

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, 2018, $25.535 million of the bonds were outstanding.

On March 1, 2016, the Agency issued a long-term tax-exempt multifamily revenue note on a conduit basis that will be purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sale were lent to the owner to pay for a portion of the costs of the acquisition, construction, and equipping of a multifamily senior rental housing development. As of June 30, 2018, $27.045 million of the bonds were outstanding.

Conduit Debt-Obligation (continued)

On April 20, 2016 and May 11, 2016, the Agency issued long-term tax-exempt multifamily revenue notes on a conduit basis that will be purchased by Freddie Mac under their Tax Exempt Loan Program. The proceeds of the sales were lent to the owner to pay for a portion of the costs of the acquisition and rehabilitation of three HUD Section 8 multifamily housing developments. As of June 30, 2018, $32.364 million of the bonds were outstanding.

On December 28, 2017, the Agency issued long-term conduit tax-exempt revenue bonds and a short-term conduit tax exempt revenue note. The proceeds of the sales were used to finance the acquisition, rehabilitation and equipping of two multi-family rental housing development projects that will preserve units with federal rental assistance. As of June 30, 2018, $5.335 million of bonds and $2.779 million of the note was outstanding.

The total outstanding conduit debt as of June 30, 2018, was $93.1 million.

Accounts Payable

Accounts payable and other liabilities at June 30, 2018 consisted of the following (in thousands):

Funds	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve Account	$3,857	$ 983	$ 4,840
Rental Housing	-	6,864	6,864
Residential Housing Finance	-	13,557	13,557
Homeownership Finance	-	77	77
Multifamily Housing	-	-	-
HOMES℠	-	-	-
State Appropriated	-	4,555	4,555
Federal Appropriated	-	1,127	1,127
Combined Totals	$3,857	$27,163	$31,020

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2018 consisted of the following (in thousands):

		Due from								
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES℠	State Appropriated	Federal Appropriated	Total
Due to	General Reserve	$-	$ -	$25,805	$-	$-	$-	$1,801	$206	$27,812
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	122	-	-	-	-	-	-	122
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES℠	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$-	$122	$25,805	$-	$-	$-	$1,801	$206	$27,934

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

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2018 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	$ -	$ 1,129	$12,252	$7,868	$94	$-	$1,908	$1,270	$24,521
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	24,601	-	-	-	-	6,936	-	31,537
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]	-	-	-	-	-	-	-	-	-
	State Appropriated	38	-	56	-	-	-	-	-	94
	Federal Appropriated	60	-	46	-	-	-	-	-	106
	Agency-wide Totals	$98	$25,730	$12,354	$7,868	$94	$-	$8,844	$1,270	$56,258

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 $6.880 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated.

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2018, 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	$-	$ -	$ 5,192	$-	$-	$-	$-	$ -	$ 5,192
	Rental Housing	-	-	175	-	-	-	-	-	175
	Residential Housing Finance	-	122	-	-	-	-	-	57	179
	Homeownership Finance	-	-	14,634	-	-	-	-	-	14,634
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$-	$122	$20,001	$-	$-	$-	$-	$57	$20,180

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

Net 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.

Net Position (continued)

Restricted by Covenant

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

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

The $464.346 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 $724.162 million as of June 30, 2017 and $745.533 million as of June 30, 2018.

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, 2018 (in thousands):

Net Position — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Position Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve			
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriation-funded loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 8,909	$ -	$ 8,909
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	8,909	-	8,909
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount that causes the combined net position in the General Reserve and bond funds (exclusive of: Pool 3, unrealized gains/losses on investments, and realized gains/losses from the sale of investments between Agency funds) to be at least equal to the combined net position of the same funds for the immediately preceding audited fiscal year end (after restatements, if any, required by generally accepted accounting principles). During fiscal year 2017, $3.0 million was transferred from Pool 2 to Pool 3 in compliance with these Board guidelines. Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	347,613	-	347,613
Unrealized appreciation in fair market value of investments	-	(2,093)	(2,093)
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	347,613	(2,093)	345,520
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.	110,661	-	110,661
Unrealized appreciation in fair market value of investments	-	79	79
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	110,661	79	110,740
Agency-wide Total	$467,183	$(2,014)	$465,169

Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Restricted by Law under Net Position. The $11.076 million balance of Restricted by Law in the Federal Appropriated fund as of June 30, 2018 is restricted by federal requirements that control the use of the funds. The $138.390 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2018 is restricted by the state laws appropriating such funds.

Unrestricted - State Appropriation-Backed Bonds

The $140.892 million balance of Unrestricted - State Appropriation-backed Bonds as of June 30, 2018 does not represent a general obligation of the Agency and is not payable from any funds or assets of the Agency.

Defined Benefit Pension Plan

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

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

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

Benefits Provided

MSRS provides retirement, disability, and death benefits through the SERF. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.5 percent increase. If, after reverting to 2.5% increase, the funding ratio declines to less than 80% for the most recent actuarial valuation year or 85% for two consecutive years, the benefit increase will decrease to 2%.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers are required to contribute 5.5 percent of their annual covered salary in fiscal year 2018. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2018 was $1.018 million. These contributions were equal to the contractually required contributions for each year as set by state statute.

Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.0 percent every January 1st.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2016, with an update of economic assumptions in 2017.

The long-term expected rate of return on pension plan investments is 7.5 percent. The rate assumption was selected as the result of a review of inflation and investment return assumptions dated September 11, 2014, September 2017 and a recent liability study. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI).

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

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	20%	0.00%

Changes in Actuarial Assumptions

The Combined Service Annuity (CSA) loads were 1.20% for active member liability and 40% for vested and non-vested deferred member liability. The revised CSA loads are no 9.99% for active member liability, 4.00% for vested deferred member liability, and 5.00% for non-vested deferred member liability. The Single Discount Rate was changed from 4.17% per annum to 5.42% per annum.

Single Discount Rate

A Single Discount Rate of 5.42% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.50% and a municipal bond rate of 3.56%. The projection of cash flows used to determine this Single Discount Rate assumed that employees and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year ending June 30, 2049. As a result, the long-term expected rate of

Defined Benefit Pension Plan (continued)

return on pension plan investments was applied to projected benefit payments through the year ending June 30, 2049, and the municipal bond rate was applied to all benefit payments after that point of asset depletion.

Net Pension Liability

At June 30, 2018, the Agency reported a liability of $46.137 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2017, the Agency's proportionate share of the entire plan was 0.62197 percent.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (4.42%)	Discount Rate (5.42%)	1% Increase in Discount Rate (6.42%)
Agency proportionate share of the net pension liability:	$64,644	$46,137	$31,015

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2018, the Agency recognized pension expense of $7.518 million. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 326	$ 1,282
Changes of assumptions	36,987	25,180
Net difference between projected and actual earnings on investments	-	1,108
Changes in proportion and differences between actual contributions and proportionate share of contributions	187	48
Contributions paid to MSRS subsequent to the measurement date	1,018	-
Total	$38,518	$27,618

Defined Benefit Pension Plan (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	Pension Expense Amount
2019	$3,674
2020	5,771
2021	6,397
2022	(5,960)

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 $1.742 million for fiscal year 2018.

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

Net OPEB Liability

The Total OPEB Liability, Net OPEB Liability (Total OPEB Liability minus Fiduciary Net Position), OPEB expense, and certain sensitivity information shown are based on actuarial valuations performed as of July 1, 2016. The Total OPEB Liability was rolled-forward from the valuation date to the Measurement Date of June 30, 2017 using generally accepted actuarial principles.

As of July 1, 2016 the following assumptions were used for the actuarial valuation. The actuarial cost method was updated from Entry Age Normal as a level dollar amount to Entry Age Normal as a level percentage of pay.

Inflation	2.75 percent per year
Initial Medical Trend Rate	3.9 to 6.4 percent per year
Ultimate Medical Trend Rate	3.8 percent
Salary Increases	14.0 percent with one year of service to 3.50 percent with 25 or more years of service
Mortality Rate	Refer to the RP-2014 Employee Mortality tables

The majority of the State of Minnesota employees are participants in the Minnesota State Retirement System (MSRS), Minnesota Teacher's Retirement Association (TRA), or the Minnesota Public Employees' Retirement System (PERA). For this reason, the aggregate payroll growth, individual salary increase, mortality, withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the respective plans' Actuarial Valuation Reports as of June 30, 2016.

Post-Employment Benefits Other Than Pensions (continued)

OPEB Sensitivity Based on Trend Rate

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

	1% Decrease in Trend Rate (2.90%)	Trend Rate (3.90%)	1% Increase in Trend Rate (4.90%)
Agency proportionate share of the net pension liability:	$1,956	$1,742	$1,559

Single Discount Rate

The State of Minnesota elected to change its discount rate methodology to be consistent with the requirements of GASB 75 which will be in effect for the fiscal year ending June 30, 2018. Since the State's retiree health benefits are not funded by assets in a separate trust the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date, as prescribed by GASB No. 75. The State of Minnesota elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 2.85% as of June 30, 2016.

OPEB Sensitivity Based on Discount Rate

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

	1% Decrease in Discount Rate (1.85%)	Discount Rate (2.85%)	1% Increase in Discount Rate (3.85%)
Agency proportionate share of the OPEB liability:	$1,620	$1,742	$1,870

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

For the year ended June 30, 2018, the Agency recognized OPEB expense of $.170 million. At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	81
Net difference between projected and actual earnings on investments	-	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
Contributions paid to OPEB subsequent to the measurement date	100	-
Total	$100	$81

Post-Employment Benefits Other Than Pensions (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	OPEB Expense Amount
2018	$(12.8)
2019	(12.8)
2020	(12.8)
2021	(12.8)
2022	(12.8)
Thereafter	(16.7)

Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $2,500 deductible per claim for the following coverage limits (in thousands):

Type of Coverage	Coverage Limits
Real and personal property loss	$ 4,880
Business interruption/loss of use/extra expense	500
Bodily injury and property damage per person	500
Bodily injury and property damage per occurrence	1,500
Faithful performance/commercial crime	14,000
Employee dishonesty	250

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

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

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

Commitments

As of June 30, 2018, 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	27,578
Residential Housing Finance	250,792
Homeownership Finance	-
Multifamily Housing	-
HOMES[SM]	-
State Appropriated	97,009
Federal Appropriated	12,330
Agency Wide Totals	$387,709

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 2028 and for parking through August 2028, totaling $16.780 million. Combined office facilities and parking lease expense for fiscal year 2017 was $1.236 million.

Line of Credit Federal Home Loan Bank

On June 30, 2018 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, 2018, $47.905 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2018 were used to purchase and warehouse mortgage-backed securities in Pool 2.

The line of credit activity for the year ended June 30, 2018, is summarized as follows (in thousands):

Beginning Balance	Cumulative Draws	Cumulative Repayments	Ending Balance
$30,000	$945,000	$975,000	$-

Litigation

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

Subsequent Events

The Agency called for redemption or repayment subsequent to June 30, 2018 the following bonds (in thousands):

Program	Scheduled Retirement Date	Par
Homeownership Finance	July 1, 2018	$ 1,490
Residential Housing Finance	July 1, 2018	17,965
Homeownership Finance	August 1, 2018	750
Residential Housing Finance	August 1, 2018	5,550
Homeownership Finance	September 1, 2018	2,365
Residential Housing Finance	September 1, 2018	5,515

Subsequent Events (continued)

On April 26, 2018, the Board of the Agency adopted a resolution authorizing the issuance of up to $200 million in cumulative principal amount of Index Bank Notes, Series 2018, of which no more than $80 million may be outstanding at any time, for the purpose of refunding portions of the Agency's RHFB and HFB Bonds. That refunding will preserve tax-exempt bonding authority for the Agency's homeownership programs until the Index Bank Note can be refunded with long-term Residential Housing Finance Bonds or Homeownership Finance Bonds. On June 1, 2018, the Agency made an advance in the principal amount of $24.520 million. On June 28, 2018, the Agency repaid the advance of $24.520 million.

On July 26, 2018, the Board of the Agency adopted a series resolution authorizing the issuance of bonds in the aggregate principal amount of $300 million for the purpose of providing funds for certain of the Agency's homeownership programs. The Home Ownership Finance Bonds, 2018 Series E and 2018 Series F (Taxable) in the aggregate principle amount of $100.330 million were delivered on August 28, 2018 pursuant to that authorization. The Agency repaid $9.663 million of the Index Bank Note from the proceeds of those bonds.

On August 30, 2018, the Board of the Agency adopted a resolution authorizing the issuance of additional State Appropriation Bonds (Housing Infrastructure) in the aggregate principal amount of not to exceed $40 million for the purpose of providing funds to make loans for certain statutorily-authorized purposes. The State Appropriation Bonds (Housing Infrastructure), 2018 Series ABCD in the aggregate principal amount of $24.185 million were delivered on September 25, 2018 pursuant to that authorization as well as authorizations by resolutions adopted in July 2016 and August 2017.

The Agency made, or has committed to make draws from the Index Bank notes subsequent to June 30, 2018 as shown in the table below.

Program	Series	Advance Date	Par
Index Bank Note	2018 AMT	1-Aug-18	$ 976
Index Bank Note	2018 Non-AMT	1-Aug-18	9,663
Index Bank Note	2018 AMT	1-Sep-18	1,203

The Agency has evaluated subsequent events through September 27, 2018, the date on which the financial statements were available to be issued.

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

	2014	2015	2016	2017
Employer Unit's Proportion of the Net Pension Liability	0.775%	0.781%	0.822%	0.830%
Employer Unit's Proportionate Share of the Net Pension Liability	$ 9,313	$ 8,979	$76,077	$46,137
Employer Unit's Covered-Employee Payroll	21,016	22,438	23,836	19,693
Employer Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.314%	40.017%	319.168%	234.281%
Plan fiduciary net position as a percentage of the total pension liability	87.640%	88.320%	47.51%	62.73%

The measurement date is June 30 of each fiscal year.

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

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

	2014	2015	2016	2017
Contractually Required Contribution	$ 735	$ 874	$ 968	$ 1,018
Contributions in relation to the contractually required contribution	735	874	968	1,018
Contribution deficiency (excess)	-	-		
Employer Unit's covered-employee payroll	21,016	22,438	23,836	19,693
Contributions as a percentage of covered-employee payroll	3.497%	3.895%	4.061%	5.169%

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

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

	2018
Total OPEB Liability	
Service Cost	$ 144
Interest	52
Change in Benefit Term	-
Difference Between Expected And Actual Experience	-
Change in Assumptions - Discount rate	(94)
Change in Assumptions - Other	-
Benefit Payments	
Explicit Subsidy	(43)
Implicit Subsidy	(45)
Net Change in Total OPEB Liability	15
Total OPEB Liability-Beginning	1,727
Total OPEB Liability-Ending (a)	1,742
Plan Fiduciary Net Position	
Contribution Employer	
Explicit Subsidy	43
Implicit Subsidy	45
Net Investment Income	
Expected Investment Earnings	-
Difference Between Projected And Actual Investment Earning	-
Benefit Payments	
Explicit Subsidy	(43)
Implicit Subsidy	(45)
Administrative Expense	-
Net Change In Fiduciary Net Position	-
Plan Fiduciary Net Position-Beginning	-
Plan Fiduciary Net Position-Ending(b)	-
Employer's Net OPEB Liability-Ending(a-b)	1,742
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	-
Covered Employee Payroll	19,963
Employer's Net OPEB Liability as a percentage of covered Employee Payroll	8.72%

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

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

	2018
Actuarially Required Contribution	
Explicit Subsidy	$ 43
Implicit Subsidy	45
Contributions in relation to the Actuarially required contribution	
Explicit Subsidy	43
Implicit Subsidy	45
Contribution deficiency (excess)	-
Explicit Subsidy	-
Implicit Subsidy	-
Employer Unit's covered-employee payroll	19,963
Contributions as a percentage of covered-employee payroll	
Explicit Subsidy	0.215%
Implicit Subsidy	0.225%

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

Supplementary Information
Statement of Net Position (in thousands)
General Reserve and Bond Funds
As of June 30, 2018 (with comparative totals as of June 30, 2017)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Assets	Cash and cash equivalents	$ 56,385	$ 28,926	$ 137,923	$ 66,744
	Investments-program mortgage-backed securities	-	-	747,700	-
	Investment securities-other	29,706	20,636	19,909	59,760
	Loans receivable, net	-	140,234	459,788	270,861
	Interest receivable on loans and program mortgage-backed securities	-	625	4,479	1,164
	Interest receivable on investments	130	112	384	228
	Interest Rate Swap Agreements	-	-	4,623	-
	FHA/VA insurance claims, net	-	-	1,309	-
	Real estate owned, net	-	-	1,774	211
	Capital assets, net	5,710	-	-	-
	Other assets	2,183	4	32	292
	Total assets	94,114	190,537	1,377,921	399,260
Deferred outflows of Resources	Deferred loss on refunding	-	-	1,785	-
	Deferred loss on interest rate swap agreements	-	-	169	-
	Deferred pension and OPEB expense	38,618	-	-	-
	Total deferred outflows of resources	38,618	-	1,954	-
Liabilities	Bonds payable, net	-	39,530	1,200,197	-
	Interest payable	-	498	17,499	7
	Interest rate swap agreements	-	-	1,862	-
	Net pension and OPEB liability	47,879	-	-	-
	Accounts payable and other liabilities	4,840	6,864	484	12,961
	Interfund payable (receivable)	(27,812)	122	(1)	33,792
	Funds held for others	65,507	-	-	1,250
	Total liabilities	90,414	47,014	1,220,041	48,010
Deferred inflows of Resources	Deferred gain on interest rate swap agreements	-	-	4,623	-
	Deferred service release fee	-	-	4,191	5,730
	Deferred pension and OPEB credit	27,699	-	-	-
	Total deferred inflows of resources	27,699	-	8,814	5,730
Net Position	Restricted by bond resolution	-	143,523	151,020	-
	Restricted by covenant	8,909	-	-	345,520
	Invested in capital assets	5,710	-	-	-
	Total net position	14,619	143,523	151,020	345,520
	Total liabilities, deferred inflows, and net position	$132,732	$190,537	$1,379,875	$399,260

Bond Funds								
Home-ownership Finance	Multifamily Housing	HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2017	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2017
$ 42,916	$ 1,468	$ -	$ 334,362	$ 345,044	$ 5,900	$ 340,262	$ 349,293
1,403,685	-	-	2,151,385	1,710,715	-	2,151,385	1,710,715
-	-	18,230	148,241	198,428	30,645	178,886	234,443
-	13,944	-	884,827	979,771	66,067	950,894	1,031,614
4,366	51	-	10,685	10,276	56	10,741	10,351
41	2	48	945	969	75	1,020	1,040
-	-	-	4,623	-	-	4,623	-
-	-	-	1,309	1,575	-	1,309	1,575
-	-	-	1,985	1,229	-	1,985	1,229
-	-	-	5,710	3,845	-	5,710	3,845
33	-	-	2,544	2,055	1	2,545	3,056
1,451,041	15,465	18,278	3,546,616	3,253,907	102,744	3,649,360	3,347,161
-	-	-	1,785	137	-	1,785	137
-	-	-	169	5,264	-	169	5,264
-	-	-	38,618	53,275	-	38,618	53,275
-	-	-	40,572	58,676	-	40,572	58,676
1,415,873	13,720	18,472	2,687,792	2,369,523	-	2,687,792	2,369,523
5,898	34	48	23,984	24,523	-	23,984	24,523
-	-	-	1,862	5,264	-	1,862	5,264
-	-	-	47,879	76,077	-	47,879	76,077
77	-	-	25,226	10,083	112	25,338	10,265
-	-	-	6,101	16,425	(8,108)	(2,007)	(598)
-	-	(242)	66,515	65,308	-	66,515	65,308
1,421,848	13,754	18,278	2,859,359	2,567,203	(7,996)	2,851,363	2,550,362
-	-	-	4,623	-	-	4,623	-
6,935	-	-	16,856	13,993	-	16,856	13,993
-	-	-	27,699	5,554	-	27,699	5,554
6,935	-	-	49,178	19,547	-	49,178	19,547
22,258	1,711	-	318,512	360,383	-	318,512	360,383
-	-	-	354,429	361,605	110,740	465,169	471,700
-	-	-	5,710	3,845	-	5,710	3,845
22,258	1,711	-	678,651	725,833	110,740	789,391	835,928
$1,451,041	$15,465	$18,278	$3,587,188	$3,312,583	$102,744	$3,689,932	$3,405,837

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, 2018 (with comparative totals for year ended June 30, 2017)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	$ -	$ 7,266	$ 27,090	$ 15,700
	Interest earned on investments-program mortgage-backed securities	-	-	16,527	-
	Interest earned on investments-other	419	537	2,223	5,418
	Net G/L on Sale of MBS Held for Sale/HOMES^{SM} Certificate	-	-	-	2,240
	Administrative reimbursement	24,479	-	-	-
	Fees earned and other income	11,936	253	481	1,408
	Unrealized gains (losses) on Investments	-	(180)	(19,657)	6,234
	Total revenues	36,834	7,876	26,664	31,000
Expenses	Interest	-	1,190	31,687	1,136
	Financing, net	-	-	4,855	103
	Loan administration and trustee fees	-	133	2,086	1,055
	Administrative reimbursement	-	1,129	7,516	3,304
	Salaries and benefits	33,114	-	-	-
	Other general operating	6,338	3	21	967
	Reduction in carrying value of certain low interest rate deferred loans	-	-	-	(47)
	Provision for loan losses	-	(525)	112	314
	Total expenses	39,452	1,930	46,277	6,832
	Revenue over (under) expenses	(2,618)	5,946	(19,613)	24,168
Other Changes	Non-operating transfer of assets between funds	5,192	53	4,849	(30,382)
	Change in net position	2,574	5,999	(14,764)	(6,214)
Net Position	Total net position, beginning of Year, as restated	12,045	137,524	165,784	351,734
	Total net position, end of Year	$14,619	$143,523	$151,020	$345,520

	Bond Funds			General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2017	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2017
	Home-ownership Finance	Multifamily Housing	HOMES℠					
	$ -	$ 616	$ -	$ 50,672	$ 58,484	$ 487	$ 51,159	$ 58,746
	45,469	-	-	61,996	50,825	-	61,996	50,825
	312	17	606	9,532	6,884	839	10,371	7,705
	-	-	-	2,240	2,521	-	2,240	2,521
	-	-	-	24,479	22,482	-	24,479	22,482
	955	-	-	15,033	13,571	145	15,178	13,606
	(46,042)	-	-	(59,645)	(38,060)	(557)	(60,202)	(38,857)
	694	633	606	104,307	116,707	914	105,221	117,028
	38,022	416	606	73,057	66,620	-	73,057	66,620
	2,157	-	-	7,115	4,774	-	7,115	4,774
	485	4	-	3,763	3,758	16	3,779	3,772
	7,868	94	-	19,911	19,192	1,316	21,227	20,460
	-	-	-	33,114	36,311	-	33,114	36,311
	22	-	-	7,351	8,472	2,339	9,690	12,681
	-	-	-	(47)	165	1,805	1,758	2,409
	-	(1)	-	(100)	(1,840)	504	404	(1,511)
	48,554	513	606	144,164	137,452	5,980	150,144	145,516
	(47,860)	120	-	(39,857)	(20,745)	(5,066)	(44,923)	(28,488)
	14,634	-	-	(5,654)	(956)	5,711	57	2,044
	(33,226)	120	-	(45,511)	(21,701)	645	(44,866)	(26,444)
	55,484	1,591	-	724,162	747,534	110,095	834,257	862,372
	$22,258	$1,711	$ -	$678,651	$725,833	$110,740	$789,391	$835,928

Statement of Cash Flows (in thousands)

			Bond Funds
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$29,846
	Investment in loans and program mortgage-backed securities	-	(10,151)
	Interest received on loans and program mortgage-backed securities	-	7,178
	Fees and other income received	11,548	253
	Salaries, benefits and other operating	(32,332)	(134)
	Administrative reimbursement from funds	24,467	(1,129)
	Deposits into funds held for others	30,420	-
	Disbursements made from funds held for others	(30,831)	-
	Interfund transfers and other assets	(5,147)	4
	Net cash provided (used) by operating activities	(1,875)	25,867
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	14,675
	Principal repayment on bonds and notes	-	(12,485)
	Interest paid on bonds and notes	-	(1,180)
	Financing costs paid related to bonds issued	-	-
	Interest paid/received between funds	54	-
	Principal paid/received between funds	-	-
	Agency contribution to program funds	-	175
	Transfer of cash between funds	198	-
	Net cash provided (used) by noncapital financing activities	252	1,185
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	1,222	454
	Net gain (loss) on Sale of MBS Held for Sale and HOMES^{SM} Certificates	-	-
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-
	Proceeds from maturity, sale or transfer of investment securities	-	177
	Purchase of investment securities	20,000	(19,014)
	Purchase of loans between funds	(29,689)	(24,601)
	Net cash provided (used) by investing activities	(8,467)	(42,984)
	Net increase (decrease) in cash and cash equivalents	(10,090)	(15,932)
Cash and cash equivalents	Beginning of year	66,475	44,858
	End of year	$56,385	$28,926

Bond Funds					General Reserve & Bond Funds Excluding Pool 3	Residential Housing Finance Pool 3	General Reserve & Bond Funds	General Reserve & Bond Funds
Residential Housing Finance								
Bonds	Pool 2	Home-ownership Finance	Multifamily Housing	HOMES℠	Total For The Year Ended June 30, 2018	Total For The Year Ended June 30, 2018	Total For The Year Ended June 30, 2018	Total For The Year Ended June 30, 2017
$148,258	$ 50,071	$150,465	$ 185	$ -	$ 378,825	$ 6,828	$ 385,653	$ 385,694
(312,168)	(50,886)	(400,100)	-	-	(773,305)	(28,713)	(802,018)	(562,141)
43,774	15,406	47,444	617	-	114,419	575	114,994	110,693
-	12,745	-	-	-	24,546	145	24,691	23,144
(2,575)	(9,076)	(563)	(4)	-	(44,684)	(2,418)	(47,102)	(45,651)
(7,517)	(3,365)	(7,868)	(94)	-	4,494	(1,316)	3,178	2,236
-	1,250	-	-	-	31,670	-	31,670	26,468
-	-	-	-	-	(30,831)	-	(30,831)	(29,464)
153	10	(1)	-	-	(4,981)	(30)	(5,011)	(2,712)
(130,075)	16,155	(210,623)	704	-	(299,847)	(24,929)	(324,776)	(91,733)
405,237	1,076,105	392,432	-	-	1,888,449	-	1,888,449	1,524,846
(271,375)	(1,133,175)	(146,355)	(240)	(2,749)	(1,566,379)	-	(1,566,379)	(1,457,294)
(36,073)	(1,049)	(37,947)	(417)	(614)	(77,280)	-	(77,280)	(74,115)
(5,323)	(102)	(3,083)	-	-	(8,508)	-	(8,508)	(5,314)
-	(139)	-	-	-	(85)	85	-	-
-	(11,000)	-	-	-	(11,000)	11,000	-	-
4,129	(16,074)	11,770	-	-	-	11	11	308
-	(3,198)	-	-	-	(3,000)	3,000	-	-
96,595	(88,632)	216,817	(657)	(3,363)	222,197	14,096	236,293	(11,569)
(2,011)	(19)	-	-	-	(2,030)	-	(2,030)	(2,198)
2,475	5,340	288	15	614	10,408	532	10,940	8,311
-	4,040	-	-	-	4,040	-	4,040	3,532
10,405	292	-	-	-	10,697	-	10,697	19,653
4,477	815,832	1,400	-	2,749	824,635	5,072	829,707	604,905
-	(752,079)	-	-	-	(751,093)	-	(751,093)	(604,780)
-	24,601	-	-	-	(29,689)	6,880	(22,809)	2,506
15,346	98,007	1,688	15	3,363	66,968	12,484	79,452	31,929
(18,134)	25,530	7,882	62	-	(10,682)	1,651	(9,031)	(71,373)
156,057	41,214	35,034	1,406	-	345,044	4,249	349,293	420,666
$137,923	$ 66,744	$ 42,916	$1,468	$ -	$ 334,362	$ 5,900	$ 340,262	$ 349,293

(Continued)

Statement of Cash Flows (in thousands)

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

		Bond Funds
	General Reserve	**Rental Housing**
Revenues over (under) expenses	$(2,618)	$ 5,946
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	-	(58)
Amortization of premium (discounts) and fees on sale of HOMES[SM] Certificates	-	-
Amortization of proportionate share-Pension	54	-
Depreciation	2,241	-
Gain (loss) on sale of MBS held for sale and HOMES[SM] Certificates	-	-
Realized losses (gains) on sale of securities, net	-	-
Unrealized losses (gains) on securities, net	-	180
Salaries and Benefits-Pensions	6,879	-
Provision for loan losses	-	(525)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-
Capitalized interest on loans and real estate owned	-	-
Interest earned on investments	(419)	(537)
Interest expense on bonds and notes	-	1,190
Financing expense in bonds	-	-
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	19,695
Decrease (increase) in interest receivable on loans	-	(30)
Increase (decrease) in accounts payable	(1,241)	2
Increase (decrease) in interfund payable, affecting operating activities only	(1,266)	-
Increase (decrease) in funds held for others	(411)	-
Other	(5,094)	4
Total	743	19,921
Net cash provided (used) by operating activities	$(1,875)	$25,867

Bond Funds					General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2018	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2018	General Reserve & Bond Funds Total For The Year Ended June 30, 2017
Residential Housing Finance								
Bonds	Pool 2	Home-ownership Finance	Multifamily Housing	HOMES℠				
$ (19,613)	$24,168	$ (47,860)	$120	$ -	$ (39,857)	$ (5,066)	$ (44,923)	$ (28,488)
1,238	(378)	2,744	-	-	3,546	69	$3,615	2,431
-	-	-	-	-	-	-	-	-
-	-	-	-	-	54	-	54	(12)
-	-	-	-	-	2,241	-	2,241	2,370
-	(2,240)	-	-	-	(2,240)	-	(2,240)	(2,521)
-	(229)	-	-	-	(229)	-	(229)	(65)
19,657	(6,234)	46,042	-	-	59,645	557	60,202	38,857
-	-	-	-	-	6,879	-	6,879	11,042
112	314	-	(1)	-	(100)	504	404	(1,511)
-	(47)	-	-	-	(47)	1,805	1,758	2,409
(1,304)	(82)	-	-	-	(1,386)	-	(1,386)	(1,742)
(2,223)	(5,189)	(312)	(17)	(606)	(9,303)	(839)	(10,142)	(7,618)
31,687	1,136	38,022	416	606	73,057	-	73,057	66,620
4,825	102	2,157	-	-	7,084	-	7,084	4,772
(163,910)	(815)	(249,635)	185	-	(394,480)	(21,885)	(416,365)	(176,447)
223	166	(769)	1	-	(409)	19	(390)	434
(919)	4,284	(1,011)	-	-	1,115	(63)	1,052	1,840
(1)	(31)	-	-	-	(1,298)	(30)	(1,328)	261
-	1,250	-	-	-	839	-	839	(2,996)
153	(20)	(1)	-	-	(4,958)	-	(4,958)	(1,369)
(110,462)	(8,013)	(162,763)	584	-	(259,990)	(19,863)	(279,853)	(63,245)
$(130,075)	$16,155	$(210,623)	$704	$ -	$(299,847)	$(24,929)	$(324,776)	$ (91,733)

Other Information (Unaudited)

General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2014-2018

		2014	2015	2016	2017	2018
Loans Receivable, net (as of June 30)	Multifamily programs	$ 338,782	$ 317,655	$ 330,204	$298,355	$297,982
	Homeownership programs	1,028,918	911,788	776,255	661,630	586,498
	Home Improvement programs	85,535	82,471	76,648	71,629	66,414
	Total	$1,453,235	$1,311,914	$1,183,107	$1,031,614	$950,894
Mortgage-backed securities, net, at par (as of June 30)	Program mortgage-backed securities	$ 900,321	$1,106,749	$1,378,317	$1,681,474	$2,176,052
	Warehoused mortgaged-backed securities	$28,728	$74,425	116,256	125,372	61,853
	Total	$ 929,049	$1,181,174	$1,494,573	$1,806,846	$2,237,905
Bonds Payable, net (as of June 30)	Multifamily programs	$ 82,140	$ 57,360	$ 68,880	$ 51,300	$ 53,250
	Homeownership programs	1,936,772	1,975,972	2,238,342	2,318,223	2,634,542
	Home Improvement programs	-	-	-	-	-
	Total	$2,018,912	$2,033,332	$2,307,222	$2,369,523	$2,687,792
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 15,867	$ 13,765	$ 42,517	$ 30,351	$ 35,849
	Homeownership programs	23,912	39,269	33,351	29,687	42,807
	Program and warehoused mortgage-backed securities	160,485	358,108	489,833	493,662	648,062
	Home Improvement programs	15,202	15,417	12,283	13,239	11,366
	Total	$ 215,466	$ 426,559	$ 577,984	$ 566,939	$ 738,084
Net Position (as of June 30)	Total Net Position *	$ 696,154	$ 709,740	$ 747,534	$ 725,833	$ 677,828
	Percent of total assets and deferred outflows of resources *	24.0%	24.4%	23.1%	22.0%	18.9%
Revenue over Expenses	Revenues over expenses for the fiscal year *	$ 41,846	$ 35,966	$ 50,794	$ (21,701)	$ (40,680)

Notes:

* Excludes Pool 3

Other Information (continued)

Board of Directors

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Member

Joseph Johnson III, Vice Chair
Member

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

Terri Thao
Member

Craig Klausing
Member

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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, J.P. Morgan Securities LLC, Piper Jaffray & Co, Wells Fargo Bank, National Association

Certified Public Accountants
RSM US LLP

Location

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APPENDIX B

FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY

(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)

AS OF DECEMBER 31, 2018

AND FOR THE SIX 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 December 31, 2018 and for the six-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 December 31, 2018 and for the six-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
December 31, 2018
(unaudited)
(with comparative totals as of December 31, 2017 (unaudited))
(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 2019 General Reserve and Bond Funds as of December 31, 2018	Fiscal 2018 General Reserve and Bond Funds as of December 31, 2017
Assets											
Cash and cash equivalents	$ 75,650	$ 17,506	$ 152,234	$ 34,901	$ 43,217	$ 1,506	$ -	$ 325,014	$ 10,262	$ 335,276	$ 336,817
Investments-program mortgage-backed securities	-	-	864,744	-	1,553,192	-	-	2,417,936	-	2,417,936	2,051,876
Investment securities-other	15,070	20,778	18,965	118,761	-	-	17,499	191,073	23,921	214,994	166,319
Loans receivable, net	-	133,662	422,354	286,209	-	13,849	-	856,074	75,731	931,805	997,134
Interest receivable on loans and program mortgage-backed securites	-	582	4,745	1,221	4,943	51	-	11,542	46	11,588	10,849
Interest receivable on investments	116	99	464	466	58	3	46	1,252	68	1,320	931
Interest rate swap agreements			920					920		920	-
FHA/VA insurance claims, net	-	-	641	-	-	-	-	641	-	641	1,814
Real estate owned, net	-	-	991	85	-	-	-	1,076	-	1,076	1,708
Capital assets, net	4,098	-	-	-	-	-	-	4,098	-	4,098	4,052
Other assets	2,484	27	16	332	16	-	-	2,875	1	2,876	1,385
Total assets	97,418	172,654	1,466,074	441,975	1,601,426	15,409	17,545	3,812,501	110,029	3,922,530	3,572,885
Deferred Outflows of Resources											
Deferred loss on refunding	-	-	1,722	-	-	-	-	1,722	-	1,722	111
Deferred loss on interest rate swap agreements			2,024	-	-	-	-	2,024		2,024	3,728
Deferred pension expense	38,618	-	-	-				38,618	-	38,618	53,275
Total deferred outflows of resources	38,618	-	3,746	-	-	-	-	42,364	-	42,364	57,114
Total assets and deferred outflows of resources	$ 136,036	$ 172,654	$ 1,469,820	$ 441,975	$ 1,601,426	$ 15,409	$ 17,545	$ 3,854,865	$ 110,029	$ 3,964,894	$ 3,629,999
Liabilities											
Bonds payable, net	$ -	$ 37,635	$ 1,265,320	$ 30,000	$ 1,551,840	$ 13,600	$ 17,639	$ 2,916,034	$ -	$ 2,916,034	$ 2,571,874
Interest payable	-	508	18,151	20	5,999	34	46	24,758	-	24,758	23,108
Interest rate swap agreements	-	-	3,669	-	-	-	-	3,669	-	3,669	3,728
Net pension liability	47,879	-		-	-	-	-	47,879	-	47,879	76,077
Accounts payable and other liabilities	4,194	2,858	411	28,268	81	-	-	35,812	375	36,187	21,662
Interfund payable (receivable)	(21,038)	-	-	20,127	-	-	-	(911)	(66)	(977)	(879)
Funds held for others	64,567	-	-	2,000	-	-	(140)	66,427	-	66,427	65,416
Total liabilities	95,602	41,001	1,287,551	80,415	1,557,920	13,634	17,545	3,093,668	309	3,093,977	2,760,986
Deferred Inflows of Resources											
Deferred gain on interest rate swap agreementss	-	-	920			-	-	920	-	920	-
Deferred revenue-service release fees			5,007	5,409	7,761	-	-	18,177	-	18,177	15,945
Deferred pension credit	27,699	-	-	-	-	-	-	27,699	-	27,699	5,554
Total deferred inflows of resources	27,699	-	5,927	5,409	7,761	-	-	46,796	-	46,796	21,499
Total liabilities and deferred inflows of resources	123,301	41,001	1,293,478	85,824	1,565,681	13,634	17,545	3,140,464	309	3,140,773	2,782,485
Commitments and Contingencies											
Net Position											
Restricted by bond resolution	-	131,653	176,342	-	35,745	1,775	-	345,515	-	345,515	373,461
Restricted by covenant	8,637	-	-	356,151	-	-	-	364,788	109,720	474,508	470,001
Invested in capital assets	4,098	-	-	-	-	-	-	4,098	-	4,098	4,052
Total net position	12,735	131,653	176,342	356,151	35,745	1,775	-	714,401	109,720	824,121	847,514
								-			
Total liabilities, deferred inflows, and net position	$ 136,036	$ 172,654	$ 1,469,820	$ 441,975	$ 1,601,426	$ 15,409	$ 17,545	$ 3,854,865	$ 110,029	$ 3,964,894	$ 3,629,999

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the six months ended
December 31, 2018
(unaudited)
(with comparative totals for the six months ended December 31, 2017 (unaudited))
(in thousands)

		Bond Funds								Fiscal 2019 General Reserve and Bond Funds	Fiscal 2018 General Reserve and 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	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Revenues											
Interest earned on loans	$ -	$ 3,627	$ 11,725	$ 7,854		$ 305	$ -	$ 23,511	$ 363	$ 23,874	$ 26,123
Interest earned on investments-program mortgage-backed securities	-	-	10,932	-	25,624	-	-	36,556	-	36,556	28,482
Interest earned on investments-other	308	540	1,667	3,789	295	15	283	6,897	436	7,333	5,345
Net G/L on Sale of MBS Held for Sale/HM	-	-	-	3,657	-	-	-	3,657	-	3,657	1,184
Administrative reimbursement	13,466	-	-	-	-	-	-	13,466	-	13,466	12,124
Fees earned and other income	5,990	84	314	670	558	-	-	7,616	170	7,786	6,923
Unrealized (losses)gains on investments	-	155	3,616	6,895	5,639	-	-	16,305	24	16,329	713
Total revenues	19,764	4,406	28,254	22,865	32,116	320	283	108,008	993	109,001	80,894
Expenses											
Interest	-	607	14,408	1,139	21,783	206	283	38,426	-	38,426	29,375
Financing, net			1,511	8	1,713			3,232		3,232	7,932
Loan administration and trustee fees	-	46	832	506	272	4	-	1,660	9	1,669	1,836
Administrative reimbursement	-	569	3,963	1,715	4,476	46	-	10,769	682	11,451	10,385
Salaries and benefits	13,583	-	-	-	-	-	-	13,583	-	13,583	13,019
Other general operating	2,277	4	24	700	28	-	-	3,033	1,394	4,427	3,530
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	45	-	-	-	45	(631)	(586)	1,776
Provision for loan losses	-	66	(78)	1,522	-	-	-	1,510	559	2,069	1,455
Total expenses	15,860	1,292	20,660	5,635	28,272	256	283	72,258	2,013	74,271	69,308
Revenues over (under) expenses	3,904	3,114	7,594	17,230	3,844	64	-	35,750	(1,020)	34,730	11,586
Other changes											
Non-operating transfer of assets between funds	(5,788)	(14,984)	17,728	(6,599)	9,643	-	-	-	-	-	-
Change in net position	(1,884)	(11,870)	25,322	10,631	13,487	64	-	35,750	(1,020)	34,730	11,586
Net Position											
Total net position, beginning of period	14,619	143,523	151,020	345,520	22,258	1,711	-	678,651	110,740	789,391	835,928
Total net position, end of period	$ 12,735	$ 131,653	$ 176,342	$ 356,151	$ 35,745	$ 1,775	$ -	$ 714,401	$ 109,720	$ 824,121	$ 847,514

General Reserve & Bond Funds
Statement of Cash Flows
for the six months ended
December 31, 2018
(unaudited)
(with comparative totals for the six months ended December 31, 2017 (unaudited))
(in thousands)

		Bond Funds								Fiscal 2019 General Reserve	Fiscal 2018 General Reserve
			Residential Housing Finance								
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES^{SM}	Bond Funds Excluding Pool 3	RHFB Pool 3	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Cash flows from operating activities:											
Principal repayments on loans and program mortgage-backed securities	$ -	$ 10,026	$ 112,089	$ 41,456	$ 87,189	$ 95	$ -	$ 250,855	$ 6,357	$ 257,212	$ 205,956
Investment in loans and program mortgage-backed securities	-	(7,499)	(188,803)	(42,433)	(229,091)	-	-	(467,826)	(17,830)	(485,656)	(508,220)
Interest received on loans and program mortgage-backed securities	-	3,651	22,977	7,223	26,767	305	-	60,923	373	61,296	55,398
Fees and other income received	5,680	84	-	8,593	-	-	-	14,357	170	14,527	16,650
Salaries, benefits and vendor payments	(14,257)	(58)	(873)	(7,090)	(287)	(4)	-	(22,569)	(1,512)	(24,081)	(27,252)
Administrative reimbursement from funds	13,196	(569)	(3,962)	(1,653)	(4,476)	(46)	-	2,490	(682)	1,808	1,537
Deposits into funds held for others	16,635	-	-	750	-	-	-	17,385	-	17,385	15,533
Disbursements made from funds held for others	(18,281)	-	-	-	-	-	-	(18,281)	-	(18,281)	(15,768)
Interfund transfers and other assets	635	(23)	-	18	1	-	-	631	-	631	(1,781)
Net cash provided (used) by operating activities	3,608	5,612	(58,572)	6,864	(119,897)	350	-	(162,035)	(13,124)	(175,159)	(257,947)
Cash flows from noncapital financing activities:											
Proceeds from sale of bonds and notes	-	3,520	152,698	1,040,440	224,368	-	-	1,421,026	-	1,421,026	1,329,231
Principal repayment on bonds and notes	-	(5,415)	(82,890)	(1,010,440)	(88,401)	(120)	(833)	(1,188,099)	-	(1,188,099)	(1,119,130)
Interest paid on bonds and notes	-	(597)	(18,441)	(1,074)	(21,682)	(206)	(285)	(42,285)	-	(42,285)	(38,484)
Financing costs paid related to bonds issued	-	-	(2,012)	(9)	(1,703)	-	-	(3,724)	-	(3,724)	(4,914)
Interest paid/received between funds	42	-	-	(56)	-	-	-	(14)	14	-	
Principal paid/received between funds	-	-	-	(3,000)	-	-	-	(3,000)	3,000	-	
Agency contribution to progam funds	-	(106)	2,571	(9,855)	7,338	-	-	(52)	52	-	-
Transfer of cash between funds	-	(15,000)	15,000	(5,000)	-	-	-	(5,000)	5,000	-	-
								-			
Net cash provided (used) by noncapital financing activities	42	(17,598)	66,926	11,006	119,920	(326)	(1,118)	178,852	8,066	186,918	166,703
Cash flows from investing activities:											
Investment in real estate owned	-	-	(328)	-	-	-	-	(328)	-	(328)	(1,296)
Interest received on investments	615	555	1,598	3,700	278	14	285	7,045	293	7,338	5,505
Net gain(loss) on Sale of MBS Held for Sale and HOME^{SM} Certificates	-	-	-	4,130	-	-	-	4,130	-	4,130	(1,480)
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	3,797	161	-	-	-	3,958	-	3,958	5,461
Proceeds from maturity, sale or transfer of investment securities	30,000	11	3,833	490,424	-	-	833	525,101	6,895	531,996	522,654
Purchase of investment securities	(15,000)	-	(2,943)	(548,128)	-	-	-	(566,071)	-	(566,071)	(456,524)
Purchase of loans between funds	-	-	-	-	-	-	-	-	2,232	2,232	4,448
Net cash provided (used) by investing activities	15,615	566	5,957	(49,713)	278	14	1,118	(26,165)	9,420	(16,745)	78,768
Net increase (decrease) in cash and cash equivalents	19,265	(11,420)	14,311	(31,843)	301	38	-	(9,348)	4,362	(4,986)	(12,476)
Cash and cash equivalents:											
Beginning of period	56,385	28,926	137,923	66,744	42,916	1,468	-	334,362	5,900	340,262	349,293
End of period	$ 75,650	$ 17,506	$ 152,234	$ 34,901	$ 43,217	$ 1,506	$ -	$ 325,014	$ 10,262	$ 335,276	$ 336,817

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the six months ended
December 31, 2018
(unaudited)
(with comparative totals for the six months ended December 31, 2017 (unaudited))
(in thousands)

		Bond Funds									
			Residential Housing Finance							Fiscal 2019 General Reserve and Bond Funds Six Months Ended December 31, 2018	Fiscal 2018 General Reserve and Bond Funds Six Months Ended December 31, 2017
	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		
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:											
Revenues over (under) expenses	$ 3,904	$ 3,114	$ 7,594	$ 17,230	$ 3,844	$ 64	$ -	$ 35,750	$ (1,020)	$ 34,730	$ 11,586
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	-	(19)	787	(572)	1,720	-	-	1,916	-	1,916	2,108
Amortization of premium and fees on sale of HOMES^{SM} certificates	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,554	-	-	-	-	-	-	1,554	-	1,554	1,116
(Loss) on sale of MBS held for sale and HOMES^{SM} certificates	-	-	-	(3,657)	-	-	-	(3,657)	-	(3,657)	(1,184)
Realized losses (gains) on securities, net	-	-	(89)	(11)	-	-	-	(100)	-	(100)	(229)
Unrealized losses(gains) on securities, net	-	(155)	(3,616)	(6,895)	(5,639)	-	-	(16,305)	(24)	(16,329)	(713)
Provision for loan losses	-	66	(78)	1,522	-	-	-	1,510	559	2,069	1,455
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-	-	45	-	-	-	45	(631)	(586)	1,776
Capitalized interest on loans and real estate owned	-	-	(201)	(2)	-	-	-	(203)	-	(203)	(809)
Interest earned on investments	(308)	(540)	(1,578)	(3,778)	(295)	(15)	(283)	(6,797)	(436)	(7,233)	(5,116)
Interest expense on bonds and notes	-	607	14,408	1,139	21,783	206	283	38,426	-	38,426	29,375
Financing expense on bonds	-	-	1,541	9	1,713	-	-	3,263	-	3,263	7,932
Changes in assets and liabilities:											
Decrease (increase) in loans receivable and program mortgage backed secuirities, excluding loans transferred between funds	-	2,527	(76,714)	(977)	(141,902)	95	-	(216,971)	(11,473)	(228,444)	(302,264)
(Increase) decrease in interest receivable on loans	-	43	(266)	(57)	(577)	-	-	(857)	10	(847)	(506)
(Decrease) increase in arbitrage rebate liability	-	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in accounts payable	49	(8)	769	2,038	(545)	-	-	2,303	(109)	2,194	(946)
(Decrease) increase in interfund payable, affecting operating activities only	993	-	(1,129)	61	-	-	-	(75)	1	(74)	(272)
Increase in funds held for others	(1,646)	-	-	750	-	-	-	(896)	-	(896)	(235)
Other	(938)	(23)	-	19	1	-	-	(941)	(1)	(942)	(1,021)
Total	(296)	2,498	(66,166)	(10,366)	(123,741)	286	-	(197,785)	(12,104)	(209,889)	(269,533)
Net cash provided (used) by operating activities	$ 3,608	$ 5,612	$ (58,572)	$ 6,864	$ (119,897)	$ 350	$ -	$ (162,035)	$ (13,124)	$ (175,159)	$ (257,947)

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 December 31, 2018 (in thousands):

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve	$ -	$ -	$ 75,650	$ -	$ 75,650
Rental Housing	-	17,506	-	-	17,506
Residential Housing Finance:					
Bonds	573	151,115	-	546	152,234
Pool 2	361	34,540	-	-	34,901
Homeownership Finance	-	43,217	-	-	43,217
Multifamily Housing	-	1,506	-	-	1,506
HOMES℠	-	-	-	-	-
Subtotal	934	247,884	75,650	546	325,014
Residential Housing Finance:					
Pool 3	27	10,235	-	-	10,262
Total	$ 961	$ 258,119	$ 75,650	$ 546	$ 335,276

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 December 31, 2018 (in thousands):

Funds	Amortized Cost	Unrealized Appreciation in Fair Market Value	Estimated Fair Market Value
General Reserve	$ 15,070	$ -	$ 15,070
Rental Housing	20,633	145	20,778
Residential Housing Finance:			
Bonds	886,330	(2,621)	883,709
Pool 2	119,408	(647)	118,761
Homeownership Finance	1,560,321	(7,129)	1,553,192
Multifamily Housing	-	-	-
HOMES[SM]	17,639	(140)	17,499
Subtotal	2,619,401	(10,392)	2,609,009
Residential Housing Finance:			
Pool 3	23,818	103	23,921
Total	$ 2,643,219	$ (10,289)	$ 2,632,930

*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 December 31, 2018 consist of the following (in thousands):

Funds	Gross Loans Receivable	Allowance for Loan Losses	Loans Receivable, net
General Reserve	$ -	$ -	$ -
Rental Housing	136,692	(3,030)	133,662
Residential Housing Finance:			
Bonds	423,840	(1,486)	422,354
Pool 2	291,307	(5,098)	286,209
Homeownership Finance	-	-	-
Multifamily Housing	13,919	(70)	13,849
HOMES^{SM}	-	-	-
Subtotal	865,758	(9,684)	856,074
Residential Housing Finance:			
Pool 3	199,483	(123,752)	75,731
Total	$ 1,065,241	$ (133,436)	$ 931,805

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 December 31, 2018 consist of the following (in thousands):

Funds	Par Bonds Outstanding	Premiums on Bonds	Bonds Payable, Net
General Reserve	$ -	$ -	$ -
Rental Housing	37,635		37,635
Residential Housing Finance:			
Bonds	1,252,205	13,115	1,265,320
Pool 2	-		-
Homeownership Finance	1,551,840		1,551,840
Multifamily Housing	13,600		13,600
Homes℠	17,639		17,639
Subtotal	2,872,919	13,115	2,886,034
Residential Housing Finance:			
Pool 3	-		-
Total	$ 2,872,919	$ 13,115	$ 2,886,034

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 under the heading "Security for the Bonds – Investment Obligations" in the Official Statement concerning funds held in respect of Bonds under the Bond Resolution in investment agreements.

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

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

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, that Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and that person or entity provides to the Trustee evidence of that beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

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

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

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

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

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix 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 ending June 30, 2019, 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 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 October 1, 2019 unless extended by the Agency pursuant to the Series Resolutions; provided the Delivery Period may not be extended beyond October 1, 2021.

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

Rural Development (RD) Insured Program

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

Private Mortgage Insurance Programs

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

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

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

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

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

The private mortgage insurance companies providing mortgage insurance on outstanding Program Loans under the Bond Resolution are identified in Appendix 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 Series Resolutions, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations to the extent of the payments so made.

A Beneficial Owner must give notice to elect to have its Series Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and must effect delivery of such Series Bonds by causing the Direct Participant to transfer the Participant's interest in the Series Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Bonds to the Tender Agent's DTC account.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal, redemption price or purchase price of, or interest on, the Series Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Owners of Series Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (5) any consent given or other action taken by DTC as a Bondowner.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to all or any Series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that Series of the Series Bonds are required to be delivered as described in the Series Resolutions. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, shall become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any Series of the Series Bonds. In that event, the Series Bonds of that Series are to be delivered as described in the Series Resolutions.

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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

_________, 2019

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2019 Series A
2019 Series B
2019 Series C (Taxable)
2019 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, 2019 Series A, in the aggregate principal amount of $7,865,000 (the "2019 Series A Bonds"), its Residential Housing Finance Bonds, 2019 Series B, in the aggregate principal amount of $98,195,000 (the "2019 Series B Bonds"), its Residential Housing Finance Bonds, 2019 Series C (Taxable), in the aggregate principal amount of $37,500,000 (the "2019 Series C Bonds" and, together with the 2019 Series A Bonds and the 2019 Series B Bonds, the "2019 Series Fixed Rate Bonds"), and its Residential Housing Finance Bonds, 2019 Series D, in the aggregate principal amount of $45,000,000 (the "2019 Series D Bonds" and, together with the 2019 Series Fixed Rate Bonds, the "2019 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 2019 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 2019 Series Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and the 2019 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 a Series Resolution relating to the 2019 Series Fixed Rate Bonds adopted November 1, 2018, as amended, and a Series Resolution relating to the 2019 Series D Bonds adopted February 21, 2019 (together, the "Series Resolutions"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series D Bonds (together, the "2019 Series Tax-Exempt Bonds") in order that interest on the 2019 Series Tax-Exempt 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 2019 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 2019 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 2019 Series Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; (5) the interest payable on the 2019 Series Tax-Exempt 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; (6) interest payable on the 2019 Series C Bonds is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for state of Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and (7) the 2019 Series C Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code.

Interest on the 2019 Series A Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2019 Series B Bonds and the 2019 Series D 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. Interest on the 2019 Series B Bonds and the 2019 Series D 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 2019 Series Bonds. All owners of 2019 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 2019 Series Bonds.

The interest rate on all or a portion of the 2019 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 Resolutions), 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 2019 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 2019 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 2019 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

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Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of December 31, 2018

Series	FHA	VA	Rural Development	MGIC	Genworth	Other Private Mortgage Insurers*	Uninsured	Total
Retired	$ 1,777,621	$ 25,956	$ 361,104	$ -			$ 339,777	$ 2,504,458
06LMN	44,774	-	-	172,402	246,279	-	366,340	829,795
07M	1,087,524	90,664	1,619,589	2,180,670	1,853,286	1,200,141	1,521,395	9,553,269
07M-40 Year	-	-		2,428,034	399,790	773,212	288,005	3,889,041
09DEF	22,859,916	331,563	4,036,520	148,361	27,529	82,484	4,610,868	32,097,241
12ABCD	16,204,330	536,424	7,618,918	314,951	225,964	255,581	6,750,120	31,906,288
13ABC	5,870,603	339,062	3,787,127	530,285	106,010	326,355	5,925,798	16,885,240
14A	3,349,797	258,602	1,378,357	12,997	52,110	59,691	1,600,746	6,712,300
14B	4,497,587	148,635	1,309,608	143,474	21,656	39,538	1,343,084	7,503,582
14CDE	18,325,623	1,235,214	17,113,344	4,904,302	395,280	1,938,976	32,684,753	76,597,492
15ABCD	4,770,490	202,985	4,605,151	1,641,756	894,748	1,198,433	12,406,020	25,719,583
15ABCD-40 Year	-	-	-	422,205	-	897,899	177,095	1,497,199
15EFG	8,071,407	514,075	12,242,320	5,097,160	2,428,414	2,282,871	16,410,889	47,047,136
15EFG-40 Year	-	-	-	3,205,154	1,019,970	2,346,679	1,607,554	8,179,357
16ABC	2,705,361	458,959	5,613,036	8,342,297	5,438,968	3,031,064	6,113,808	31,703,493
16ABC-40 Year	-	-	-	6,030,080	1,829,214	3,490,948	2,173,811	13,524,053
16DEF	4,058,844	339,479	3,134,930	3,321,002	2,835,824	1,787,815	2,602,905	18,080,799
16DEF-40 Year	-	-	-	3,616,664	595,504	1,151,733	428,996	5,792,897
17ABC	14,065,291	158,444	7,077,926	3,603,149	915,920	1,987,238	6,196,990	34,004,958
17ABC-40 Year	-	-	-	3,809,551	1,732,368	2,013,502	2,371,520	9,926,941
17DEF	7,553,029	-	3,996,730	506,942	37,753	312,072	3,860,627	16,267,153
17DEF-40 Year	-	-	-	2,327,920	394,186	1,081,637	1,373,113	5,176,856
18ABCD	7,461,302	119,557	4,898,737	-	14,015	-	5,093,972	17,587,583
Total Bond Financed	$ 122,703,499	$ 4,759,619	$ 78,793,397	$ 52,759,356	$ 21,464,788	$ 26,257,869	$ 116,248,186	$ 422,986,714
	29.01%	1.13%	18.63%	12.47%	5.07%	6.21%	27.48%	100.00%

Republic 3.15%, United 1.43%, PMI .94%, Radian Guarantee Fund 0.39%, Commonwealth 0.17%, Triad 0.11%, Amerin 0.02%

RHFB Whole Loan Mortgage Portfolio

Delinquency and Foreclosure Statistics as of December 31, 2018

			Payments Past Due as a Percentage of the Number of Loans Outstanding								
			30-59 Days		60-89 Days		90-119 Days		120 Days and Greater and Foreclosures[1]		Total[2]
Bond Financed:	Number of Loans	Balance Outstanding	#	%	#	%	#	%	#	%	%
Retired	52.0	$2,504,458	11.0	21.15	4.0	7.69	-	-	6.0	11.54	19.23
06LMN	7.0	829,795	1.0	14.29	-	-	-	-	1.0	14.29	14.29
07M	102.9	9,553,269	3.2	3.11	2.4	2.33	-	-	4.8	4.66	7.00
07M-40 Yr	27.4	3,889,041	1.6	5.84	0.4	1.46	0.4	1.46	1.2	4.38	7.30
09DEF	566.5	32,097,241	34.0	6.00	16.0	2.82	3.0	0.53	20.0	3.53	6.88
12ABCD	638.0	31,906,288	40.0	6.27	6.0	0.94	7.0	1.10	16.0	2.51	4.55
13ABC	334.0	16,885,240	19.0	5.69	5.0	1.50	2.0	0.60	8.0	2.40	4.49
14A	221.0	6,712,300	2.0	0.90	3.0	1.36	2.0	0.90	1.0	0.45	2.71
14B	235.0	7,503,582	8.0	3.40	7.0	2.98	-	-	5.0	2.13	5.11
14CDE	927.5	76,597,492	51.0	5.50	11.0	1.19	4.0	0.43	15.5	1.67	3.29
15ABCD	291.0	25,719,583	22.0	7.56	9.0	3.09	2.0	0.69	5.0	1.72	5.50
15ABCD-40 Year	10.0	1,497,199	1.0	10.00	1.0	10.00	-	-	-	-	10.00
15EFG	581.5	47,047,136	25.0	4.30	7.0	1.20	2.5	0.43	17.0	2.92	4.56
15EFG-40 Year	57.0	8,179,357	1.0	1.75	1.0	1.75	-	-	4.0	7.02	8.77
16ABC	341.5	31,703,493	20.0	5.86	5.0	1.46	1.5	0.44	16.0	4.69	6.59
16ABC-40 Year	96.0	13,524,053	5.0	5.21	1.0	1.04	-	-	3.0	3.13	4.17
16DEF	285.1	18,080,799	12.8	4.49	5.6	1.96	-	-	11.2	3.93	5.89
16DEF-40 Year	40.6	5,792,897	2.4	5.91	0.6	1.48	0.6	1.48	1.8	4.43	7.39
17ABC	410.5	34,004,958	35.0	8.53	9.0	2.19	5.0	1.22	18.5	4.51	7.92
17ABC-40 Year	83.0	9,926,941	7.0	8.43	1.0	1.20	-	-	2.0	2.41	3.61
17DEF	189.0	16,267,153	10.0	5.29	1.0	0.53	1.0	0.53	7.0	3.70	4.76
17DEF-40 Year	42.0	5,176,856	3.0	7.14	1.0	2.38	-	-	-	-	2.38
18ABCD	289.5	17,587,583	13.0	4.49	5.0	1.73	2.0	0.69	4.0	1.38	3.80
Total Bond Financed	5,828.0	$ 422,986,714	328.0	5.63	102.0	1.75	33.0	0.57	168.0	2.88	5.20

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 9/30/2018**	**At 12/31/2018**
Residential Housing Finance Bond Resolution Loan Portfolio	4.00%	3.40%
Mortgage Bankers Association of America, Minnesota[2]	1.32%	not yet available
Mortgage Bankers Association of America, National[2]	2.06%	not yet available

Comparative Foreclosure Statistics[3]	**At 9/30/2018**	**At 12/31/2018**
Residential Housing Finance Bond Resolution Loan Portfolio	1.51%	1.26%
Mortgage Bankers Association of America, Minnesota[2]	0.24%	not yet available
Mortgage Bankers Association of America, National[2]	0.93%	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 09/30/2018 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.15% Minnesota and 2.44% national. The unadjusted 09/30/2018 Mortgage Bankers Association of America foreclosure rate is 0.24% Minnesota and 0.80% 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.

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APPENDIX I

CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES FOR BONDS OUTSTANDING

as of December 31, 2018

(unaudited)

Liquidity Provider	Related Bond Series	Bonds Outstanding	Expiration Date
Royal Bank of Canada	2015 Series D	18,225,000	8/11/2022
	2015 Series G	35,000,000	1/2/2023
	2017 Series F	40,000,000	1/2/2023
		$93,225,000	
Federal Home Loan Bank of Des Moines	2016 Series F	$ 50,000,000	1/2/2024
	2017 Series C	40,000,000	7/19/2024
		$90,000,000	

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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 each GNMA Security outstanding on the last day of the month preceding the calculation. Each GNMA Security carries an interest rate that is fixed below the lowest interest rate on the underlying mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before the payments are forwarded to the Trustee.

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

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

Guaranty Agreement

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

Payment of Principal of and Interest on the GNMA Securities

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

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

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

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

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the Securities and Exchange Commission (the "SEC"). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Fannie Mae

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

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

Mortgage-Backed Security Program

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

The terms of the MBS Program are governed by the Fannie Mae Single Family Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by a pool purchase contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a single family master trust agreement (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The Fannie Mae Prospectus is updated from time to time.

Fannie Mae Securities

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 December 31, 2018, the Master Servicer serviced 1,479,252 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately $229.3 billion. The Master Servicer currently services single-family mortgage loans for state and local housing finance authorities, mutual savings banks, life insurance companies, savings and loan associations, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of December 31, 2018, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $467.4 billion and a net worth of $51.0 billion. For the twelve months ended December 31, 2018, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately $40.2 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.

APPENDIX K

CERTAIN DEFINITIONS WITH RESPECT TO THE 2019 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 2019 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 2019 Series D Bonds, Royal Bank of Canada acting through its branch currently located at 200 Vesey Street, New York, New York, 10281, 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 2019 Series D Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility, other than Self Liquidity.

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

"*Bank Purchase Date*" means any Purchase Date on which the Bank purchases 2019 Series D Bonds.

"*Business Day*" means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, New York are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed or (d) a day on which the principal office of the Trustee is authorized to be closed for regular business.

"*Conversion Date*" means the Business Day on which the interest rate on any of the 2019 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 2019 Series D Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the 2019 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 2019 Series D Resolution that provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the 2019 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 2019 Series D Bonds (other than Bank Bonds) 12 percent per annum, unless the Agency directs in writing that the rate be increased to a higher rate and delivers to the Trustee (a) an opinion of Bond Counsel to the effect that the amendment will not adversely affect the exclusion of interest on the Tax-Exempt Series 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 2019 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 percent or a higher rate as approved by the Agency's governing body or specified for the Bank Bonds, or (b) the maximum rate permitted by applicable law, anything herein to the contrary notwithstanding.

"*Mode*" means the manner in which the interest rate on any of the 2019 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 2019 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 2019 Series D Bonds.

"*Non-Conforming Liquidity Facility*" means a liquidity facility delivered by the Agency pursuant to the 2019 Series D Resolution that does not meet the requirements for an Alternate Liquidity Facility.

"*Purchase Date*" means any date that 2019 Series D Bonds are to be purchased pursuant to the 2019 Series D Resolution.

"*Purchase Price*" means an amount equal to the principal amount of any 2019 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 15th day preceding each Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then that Record Date will be deemed to be the first Business Day following that Record Date.

"*Remarketing Agreement*" means the Remarketing Agreement, between the Agency and RBC Capital Markets, LLC, with respect to the 2019 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 2019 Series D Bonds.

"*Self-Liquidity*" means a liquidity facility provided by the Agency's own funds pursuant to the 2019 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 2019 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 2019 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

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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 July 1, 2024, (the *"Expiration Date"*), unless extended or terminated pursuant to its terms.

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

Purchase of Tendered Eligible Bonds by the Initial Liquidity Provider

Subject to the terms and conditions of the Initial Liquidity Facility, the Initial Liquidity Provider will purchase from time to time during the period from the Effective Date (as defined in the Initial Liquidity Facility) to and including the close of business on the earliest of (a) the Expiration Date, (b) the day immediately succeeding the date on which no Bonds are Outstanding and (c) the date on which the Available Commitment (as defined in the Initial Liquidity Facility) and the Initial Liquidity Provider's obligation to purchase Eligible Bonds have been terminated in their entireties pursuant to terms of the Initial Liquidity Facility, Eligible Bonds tendered or deemed tendered from time to time, pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Resolution, in each case, to the extent the Eligible Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement (as defined in the Initial Liquidity Facility). The price to be paid by the Initial Liquidity Provider for the Eligible Bonds will be equal to the aggregate principal amount of the Eligible Bonds, provided that the aggregate principal amount of those Eligible Bonds so purchased may not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of that purchase (excluding Defaulted Interest and, if the Purchase Date for such Eligible Bonds is also an Interest Payment Date, excluding all accrued interest).

Events of Default

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

Events of Default not Permitting Immediate Termination

(a) *Payments*. The Agency fails to pay (i) when due 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 observe or perform (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") contained in the Initial Liquidity Facility or any other Related Document (as defined in the Initial Liquidity Facility) 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 2019 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 of the Initial Liquidity Facility or of any Related Document at any time for any reason ceases to be valid and binding on the Agency or is declared in a final, non-appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Agency, the State or any other Governmental Authority (as defined in the Initial Liquidity Facility) with appropriate jurisdiction contests the validity or enforceability of the Agency's obligations under the Initial Liquidity Facility or under the other Related Documents or deny that the Agency has any further liability or obligation under the Initial Liquidity Facility or under the other Related Documents.

(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 2019 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*. (i) The Act, the 2019 Series D Bonds (including Bank Bonds), the Initial Liquidity Facility, the Resolution, any Material Debt, or any material provision of the Initial Liquidity Facility or of the Act, the 2019 Series D Bonds (including Bank Bonds) or the Resolution relating to the payment of principal of or interest on the 2019 Series D Bonds or other Material Debt, at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority (as defined in the Initial Liquidity Facility) having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; (ii) the pledge of and Lien (as defined in the Initial Liquidity Facility) on the Trust Estate (as defined in the Initial Liquidity Facility) at any time for any reason ceases to be valid and binding on the Agency as determined by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency in a final non-appealable judgment, ruling, finding, decree, order or legislative act or similar action or is declared in a final, non-appealable judgment, ruling, finding, decree, order or legislative act or similar action by any court of competent jurisdiction or Governmental Authority having appropriate jurisdiction over the Agency to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Act, the 2019 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 2019 Series D Bonds (including Bank Bonds), the Resolution or any Material Debt, as the case may be, or any provision of the Initial Liquidity Facility or of the Act, the 2019 Series D Bonds (including Bank Bonds) or the Resolution relating to (A) the payment of principal of or interest on the 2019 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*. 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 2019 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 2019 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 2019 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 2019 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 2019 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility is not valid or not binding on the Agency; or (iv) has taken or permitted to be taken any official action, or has duly enacted any statute that would make or cause any provision of the 2019 Series D Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt) that provide (A) for the payment of principal of or interest on the 2019 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 2019 Series D Bonds (including Bank Bonds) or the Initial Liquidity Facility to be null and void, invalid or unenforceable.

(e) *Investment Grade Rating*. The unenhanced rating of the 2019 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 an Event of Default thereunder:

(a) *Immediate Termination*. Upon the occurrence of any Event of Default described in paragraphs (a), (b), (c)(i), (c)(ii), (d), (e) or (f) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (each an *"Immediate Termination Event"*), the Available Commitment (as defined in the Initial Liquidity Facility), the Purchase Period (as defined in the Initial Liquidity Facility) and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the Initial Liquidity Provider will promptly give written notice of the same to the Agency, the Trustee, the Tender Agent and the Remarketing Agent; *provided* that the Initial Liquidity Provider will incur no liability of any kind by reason of its failure to give that notice, and that failure will in no way affect the termination of the Available Commitment, the Purchase Period and the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility.

(b) *Termination with Notice*. Upon the occurrence of any Event of Default described under the sub-caption **"Events of Default not Permitting Immediate Termination"**, the Initial Liquidity Provider may terminate the Available Commitment and Purchase Period by giving a Notice of Termination Date (as defined in the Initial Liquidity Facility) to the Agency, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period will terminate, which date will be not less than 30 days after the date of receipt of that Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period will terminate and the Initial Liquidity Provider will be under no further obligation to purchase Eligible Bonds under the Initial Liquidity Facility.

(c) *Suspension Events*. In the case of an Event of Default specified in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non-appealable judgment) (an *"Immediate Suspension Event"*), the Initial Liquidity Provider's obligation to purchase Eligible Bonds will be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds until that obligation is reinstated 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 a court with jurisdiction to rule on the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** enters a final, non-appealable judgment that any provision is not valid and binding on the Agency, then, in either case, the Purchase Period, the Available Commitment and the Initial Liquidity Provider's obligation to purchase Eligible Bonds will immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in clause (iii) of paragraph (c) the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** thereafter finds or rules that those provisions are valid and binding on the Agency, the Initial Liquidity Provider's obligation to purchase Eligible Bonds under the Initial Liquidity Facility will be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the obligation of the Initial Liquidity Provider to purchase Eligible Bonds under the Initial Liquidity Facility otherwise has terminated or been suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date that is two years after the effective date of suspension of the Initial Liquidity Provider's obligation pursuant to this paragraph (c), litigation is still pending and a judgment regarding the validity of the provisions described in clause (iii) of paragraph (c) under the sub-caption **"Events of Default Permitting Immediate Termination or Suspension"** that are the cause of that Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds will at that time immediately terminate and thereafter the Initial Liquidity Provider will be under no obligation to purchase Eligible Bonds.

(d) *Other Remedies*. In addition to the rights and remedies provided in paragraphs (a), (b) and (c) above, upon the occurrence and during the continuation of any Event of Default specified 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 "Events of Default" above, the Initial Liquidity Provider will have all the rights and remedies available to it under the Initial Liquidity Facility, the other Related Documents or otherwise pursuant to law or equity; *provided, however,* that the Initial Liquidity Provider will not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due under the Initial Liquidity Facility due and payable except as expressly provided 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 and during the continuation of an Event of Default under the sub-caption "**Events of Default not Permitting Immediate Termination or Suspension**," the Initial Liquidity Provider exercises its rights under paragraph (d) under the caption "Remedies" above or under the Initial Liquidity Facility to declare the amounts owed thereunder, under the Fee Letter and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Agency to pay those accelerated amounts will not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Initial Liquidity Provider's obligation to purchase Eligible Bonds pursuant to paragraph (a) under the caption "**Remedies**" above.

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APPENDIX M

CERTAIN INFORMATION RELATING TO THE LIQUIDITY PROVIDER

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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 and the Remarketing Agent.

Royal Bank is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 84,000+ employees who bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada's biggest bank, and one of the largest in the world based on market capitalization, we have a diversified business model with a focus on innovation and providing exceptional experiences to our 16 million clients in Canada, the U.S. and 33 other countries.

Royal Bank had, on a consolidated basis, as at January 31, 2019, total assets of C$1,366.2 billion (approximately US$1,040.0 billion1), equity attributable to shareholders of C$80.6 billion (approximately US$61.3 billion1) and total deposits of C$852.6 billion (approximately US$649.0 billion[1]). 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 January 31, 2019.

The senior long-term unsecured debt[2] of Royal Bank has been assigned ratings of A (stable outlook) by S&P Global Ratings, A2 (stable outlook) by Moody's Investors Service and AA (stable outlook) by Fitch Ratings. The legacy senior long-term unsecured debt[3] of Royal Bank has been assigned ratings of AA- (stable outlook) by S&P Global Ratings, Aa2 (stable 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 155 Wellington Street West, Toronto, Ontario, M5W 3K7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations[4].

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.

[1] As at January 31, 2019: C$1.00 = US$0.761267.
[2] Includes senior debt long-term debt issued prior to September 23, 2018 and senior long-term debt issued on or after September 23, 2018 which is excluded from the Canadian Bank Recapitalization (Bail-in) regime.
[3] Includes senior long-term debt issued on or after September 23, 2018 which is subject to conversion under the Bail-in regime.
[4] This website URL is an inactive textual reference only, and none of the information on the website is incorporated in this Official Statement.

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MINNESOTA HOUSING FINANCE AGENCY • Residential Housing Finance Bonds, 2019 Series A (AMT), 2019 Series B (Non-AMT), 2019 Series C (Taxable) and 2019 Series D (Non-AMT)

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HOUSING

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