NEW ISSUE

RATING: Moody's: "Aaa"
(See "Rating" 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 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.

$50,544,095
MINNESOTA HOUSING FINANCE AGENCY
$30,326,457 Homeownership Finance Bonds, 2018 Series C (Non-AMT)†
$20,217,638 Homeownership Finance Bonds, 2018 Series D (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

Dated Date: Date of Delivery **Due: as shown below**

Tax Exemption	Interest on the 2018 Series C 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 further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein). *Interest on the 2018 Series D 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	On each monthly interest payment date, a portion of the Series Bonds equal to principal received during the prior month on the 2018CD Program Securities will be redeemed, without premium. On or after July 1, 2027, all or a portion of the Series Bonds may be redeemed at the option of the Agency prior to maturity, without premium. (See "The Series Bonds—Mandatory Redemption" and "—Optional Redemption" 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 Program Obligations, Investment Obligations, Revenues and other assets held under the Bond Resolution, except as otherwise expressly provided in the Bond 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.)
Interest Payment Dates	The first day of each month, commencing June 1, 2018, and, in respect of a Series Bond to be redeemed, the redemption date.
Denominations	$1.00 or any multiple thereof.
Closing/Settlement	April 25, 2018 through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriters' Counsel	Cozen O'Connor.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix E hereto.)

$30,326,457 3.30% 2018 Series C Bonds due May 1, 2048 at 100% (CUSIP 60416QHC1*)
$20,217,638 3.65% 2018 Series D Bonds due May 1, 2048 at 100% (CUSIP 60416QHD9*)

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, and the tax exemption of interest on, the Series Bonds.

RBC Capital Markets

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

The date of this Official Statement is April 12, 2018.

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

* 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 the CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriters have authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency 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
$50,544,095
Minnesota Housing Finance Agency
$30,326,457 Homeownership Finance Bonds, 2018 Series C
$20,217,638 Homeownership Finance Bonds, 2018 Series D (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

This Official Statement (which includes the Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency") and its Homeownership Finance Bonds, 2018 Series C (Mortgage-Backed Securities Pass-Through Program) (the "2018 Series C Bonds") and its Homeownership Finance Bonds, 2018 Series D (Taxable) (Mortgage-Backed Securities Pass-Through Program) (the "2018 Series D Bonds;" collectively, the "Series Bonds") for the information of prospective investors. The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted December 11, 2009 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and a series resolution of the Agency adopted August 31, 2017 (the "2017/2018 Series Resolution"). (The Bond Resolution and the 2017/2018 Series Resolution are herein sometimes referred to as the "Resolutions.")

The Homeownership Finance Bonds Outstanding in the aggregate principal amount of $1,396,597,219 as of March 31, 2018, the Series Bonds and any additional Homeownership Finance Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution (except as otherwise expressly provided therein).

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

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the state of Minnesota (the "State"). The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of purchasing, making or otherwise participating in the making of long-term mortgage loans to persons and families of low and moderate income for the purchase of residential housing upon the determination by the Agency that those loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix A to this Official Statement at pages 57 and 58 under the heading "Net Position — Restricted by Covenant."

Prior to the fall of 2009, the Agency implemented its single-family mortgage lending program by purchasing "whole loans" from lenders and financing purchases of the loans with proceeds of its bonds. In September 2009, the Agency began acquiring mortgage-backed securities guaranteed as to timely payment of principal and interest by a Federal Mortgage Agency (as defined in the Resolutions, "Program Securities") instead of directly acquiring mortgage loans from lenders. (See "The Homeownership Finance Program—History and Transition to 'MBS' Model.") To date, only Program Securities have been acquired with Bonds issued pursuant to the Bond Resolution. (See "Security for the Bonds—Program Securities Pledged under the Bond Resolution.")

The Agency is issuing the Series Bonds to provide money, from proceeds of the Series Bonds and from available funds associated with certain 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 having certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac.

The Program Securities (or participations therein) to be funded in connection with the issuance of the Series Bonds will be GNMA Securities, Fannie Mae Securities or Freddie Mac Securities (the "2018CD Program Securities"). The Agency will apply proceeds of the Series Bonds, the available funds associated with the outstanding single family mortgage bonds to be refunded with a portion of the proceeds of the Series Bonds and Agency funds to reimburse itself for its previous acquisition of the 2018CD Program Securities and will credit those 2018CD Program Securities to the 2018 Series CD subaccount in the Acquisition Account on the date of issuance of the Series Bonds. The 2018CD Program Securities are expected to consist of 11 GNMA Securities in approximately $30.22 million in outstanding principal amount with an average weighted pass-through interest rate of 3.645 percent, 18 Fannie Mae Securities in approximately $19.53 million in outstanding principal amount with an average weighted pass-through interest rate of 3.696 percent and 2 Freddie Mac Securities in approximately $0.80 million in outstanding principal amount with an average weighted pass-through interest rate of 3.702 percent and are further identified in Appendix G to this Official Statement. Repayments and prepayments of principal of Program Loans backing 2018CD Program Securities, which are to be credited to the subaccount in the Revenue Fund related to the Series Bonds, will be applied to the mandatory redemption of the Series Bonds as described under "The Series Bonds—Mandatory Redemption."

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), 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 which consist of (i) Program Securities backed by Program Loans or (ii) Program Loans. (See "Security for the Bonds" and "Appendix D – Summary of Certain Provisions of the Bond Resolution.") As the Agency's Program is an MBS model, it currently expects to use proceeds of Bonds issued under the Bond Resolution to finance the acquisition of Program Securities and not Program Loans.

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

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency —State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs from those appropriations only to the

extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

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

THE AGENCY

Purpose

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

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The 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 *Rebecca Otto — 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

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:

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

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

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.

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, 2017, 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, 2017. 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, 2017 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 ("GASB").

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 59 through 62 under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of unfunded pension plan liability reported at June 30, 2017 with respect to MSRS is $76.077 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, 2017. 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, 2018, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix C — Summary of Continuing Disclosure Undertaking.")

The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2015 with EMMA; however, until March 14, 2016, that Agency Annual Report was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C (CUSIP 60416QGE8) and one CUSIP for the Agency's Residential Housing Finance Bonds, 2015 Series C (CUSIP 60416SKL3).

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 (click on tab "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 Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, 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 $767.91 million, representing the combined net position of these funds so calculated as of June 30, 2017. 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, 2017 appears in the Notes to Financial Statements of the Agency included in Appendix A to this Official Statement at pages 57 and 58 under the heading "Net Position — Restricted by Covenant."

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the six-month period ended December 31, 2017 (unaudited) (in thousands):

	Six months Ended December 31, 2017 (unaudited)	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Revenues			
Fees earned and other income[1]	$5,331	$11,077	$11,252
Interest earned on investments	173	254	161
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement[2], [3]	12,124	22,482	21,523
Total revenues	17,628	33,813	32,936
Expenses			
Salaries and benefits	13,019	36,311	21,258
Other general operating expenses	2,075	7,690	6,010
Total expenses	15,094	44,001	27,268
Revenues over expenses	2,534	(10,188)	5,668
Non-operating transfer of assets between funds[4]	(2,745)	9,624	(6,682)
Change in net position	(211)	(564)	(1,014)
Net position beginning of period	13,716	14,280	15,294
Net position end of period	$13,505	$13,716	$14,280

(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.

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 March 31, 2018:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	9	2049	$ 41,880	$ 36,420
Residential Housing Finance Bonds	36	2048	1,648,080	1,089,335
Homeownership Finance Bonds	44	2048	1,960,520	1,396,597
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,780
Totals	90		$3,665,480	$2,536,132

*Does not include series of bonds or the original principal amount of any bonds that had been, as of March 31, 2018, defeased or paid in full, whether at maturity or earlier redemption.

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

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to those variable rate bonds and swap agreements is included in the Notes to 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 $175,000,000. The Agency has issued eleven series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2017 in an aggregate principal amount of $129,980,000 under a separate indenture of trust.

In 2016 the Agency issued its Drawdown Index Bonds, Series 2016, Subseries A-1 (AMT), and Drawdown Index Bonds, Subseries B-1 (Non AMT/Non ACE), in a cumulative principal amount not to exceed $300,000,000 (collectively, the "2016 Drawdown Bonds"), pursuant to a separate indenture of trust (the "2016 Drawdown Bonds Indenture"). The Agency issued the 2016 Drawdown Bonds 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 Residential Housing Finance Bonds previously issued by the Agency (the "Refunded Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Refunded Bonds, and other amounts available under the applicable bond resolution for the payment of those Refunded Bonds, will be deposited into a cash collateral fund established under the 2016 Drawdown Bonds Indenture as security for the repayment of the principal amount of the 2016 Drawdown Bonds drawn by the Agency. The amount of the draws on the 2016 Drawdown Bonds outstanding and not repaid may not exceed $80,000,000 at any time. The Agency has made draws in the aggregate principal amount of $256,890,000, $20,475,000 of which is outstanding. The obligation of the Agency to pay the interest on, but not the principal of, the 2016 Drawdown Bonds is a general obligation of the Agency. A portion of the proceeds of the 2018 Series C Bonds will be used to repay a portion of the 2016 Drawdown Bonds and the equivalent amount released from the cash collateral fund under the 2016 Drawdown Bonds Indenture will be deposited in the 2018 Series CD subaccount in the Acquisition Account.

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 its Residential Housing 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 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 $669 million of Program Securities in the open market as of March 30, 2018, $293 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 the Residential Housing Bond Resolution or to sell Program Securities in the secondary market.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources	
Principal amount of Series Bonds	$50,544,095
Agency funds	1,634,483
Total Sources of Funds	$52,178,578
Uses	
Deposit to 2018 Series CD Acquisition Account	$51,697,034
Deposit to Bond Fund Interest Account	28,979
Costs of Issuance	100,000
Underwriters' Compensation	352,565
Total Uses of Funds	$52,178,578

The Agency will apply proceeds of the Series Bonds deposited in the 2018 Series CD subaccount in the Acquisition Account and Agency funds to reimburse itself for its previous acquisition of the 2018CD Program Securities and will credit those 2018CD Program Securities to that subaccount on the date of issuance of the Series Bonds.

THE SERIES BONDS

General

The Series Bonds will be fully registered bonds issued in denominations of $1.00 or any multiple thereof. The Series Bonds 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 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 funds wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix E — Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the date and in the amount set forth on the front cover hereof, subject to prior redemption as described below.

Interest

Interest on the Series Bonds will be paid on the first day of each month, commencing June 1, 2018 (each a "Regular Interest Payment Date"), and, in respect of any Series Bonds then to be redeemed, on the redemption date. Interest on the outstanding principal amount of the Series Bonds at the annual rate set forth on the front cover hereof initially will accrue from the dated date of the Series Bonds to, but excluding, June 1, 2018, and subsequently will accrue from the first calendar day of each month to, but excluding, the first calendar day of the immediately succeeding month, until payment of the principal or redemption price of the Series Bonds. Interest on the Series 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 Series Bonds).

Mandatory Redemption

The Series Bonds of each series are required to be redeemed, in whole or in part, on each Regular Interest Payment Date, at a redemption price equal to the principal amount of the Series Bonds redeemed plus accrued interest to the redemption date, without premium, in a principal amount equal to all repayments and prepayments of mortgage principal from Program Loans backing 2018CD Program Securities (including participations in those 2018CD Program Securities as set forth in Appendix G) received by or on behalf of the Agency in the immediately preceding calendar month, as that amount is reasonably determined by the Trustee. The percentages of the amounts of repayments and prepayments to be applied to the redemption of the 2018 Series C Bonds and 2018 Series D Bonds, respectively, is set forth in Appendix G. In the event that on certain dates set forth on Appendix H to this Official Statement (the "Cumulative Redemption Dates"), the cumulative principal amount of the Series Bonds redeemed prior to and on that Cumulative Redemption Date will be less than the amount set forth for that Cumulative Redemption Date in Appendix H (the "Minimum Cumulative Redemption Amount"), the Agency is required to redeem an additional principal amount of Series Bonds, up to the Minimum Cumulative Redemption Amount, from any available funds under the Bond Resolution.

If the Series Bonds are to be redeemed in part upon any mandatory redemption, each series of the Series Bonds then outstanding will be redeemed in part, pro rata, in proportion to the outstanding principal amount of the Series Bonds to be redeemed to the aggregate outstanding principal amounts of all outstanding Series Bonds. To accomplish this pro rata redemption while a series of the Series Bonds are held in the DTC book-entry-only system, mandatory redemptions of that series will be made as a "Pro-Rata Pass-Through Distribution of Principal" by DTC. This redemption procedure, if effected by DTC, will cause a pro rata redemption of Series Bonds of that series among DTC Participants upon a mandatory redemption, but may not ensure a pro rata redemption of the Series Bonds among all Beneficial Owners thereof. (See Appendix E to this Official Statement for a general description of the DTC book-entry-only system.)

No notice of redemption will be given to any Bondowner or Beneficial Owner of the date or amount of the mandatory redemption of any Series Bond.

Optional Redemption

The Agency may redeem the Series Bonds, or a series thereof, prior to their stated maturity date at its option, in whole or in part, in the amounts the Agency designates, on July 1, 2027 or any subsequent date, 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

If a payment of interest, principal or the redemption price of a Series Bond is to be made on a day that is not a Business Day, it will be made on the next succeeding Business Day with the same force and effect as if made on the date of payment, and no interest will accrue thereon for the period after that date.

Except as otherwise provided in the 2017/2018 Series Resolution, any Series Bonds to be optionally redeemed are to be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating the principal amount of the Series Bonds to be redeemed; provided that optional redemption will be made in such a manner that Revenues and other amounts expected to be on deposit in the applicable Funds and Accounts will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on Outstanding Bonds when due in accordance with a Cash Flow Certificate filed with the Trustee.

If less than all Series Bonds of a series are to be redeemed pursuant to optional redemption and the Series Bonds are not held in the DTC book-entry-only system, the principal amount of each outstanding Series Bond will be redeemed, pro rata, in the proportion that the outstanding principal amount of that outstanding Series Bond bears to the outstanding principal amount of all outstanding Series Bonds. An optional redemption occurring when a series of the Series Bonds are held in the DTC book-entry-only system, will be made as DTC determines under DTC's then current practice. (See Appendix E to this Official Statement.)

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

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 Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds or other obligations and proceeds required by a Series Resolution to be deposited in escrow pending the conditions for the release of those proceeds from escrow being satisfied, which proceeds (and Investment Obligations purchased from those proceeds) are pledged solely to the payment of the Series of Bonds specified), (b) all Program Obligations and Investment Obligations made or purchased from the 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 or Other Obligations pursuant to a Series Resolution; (e) all right, title and interest of the Agency in and to all Participation Agreements and all Servicing Agreements entered into pursuant to a Series Resolution (including all extensions and renewals of their terms, if any) (exclusive of the Agency's rights to receive and enforce payment of money directly and for its own purposes under a Participation Agreement or a Servicing Agreement, exclusive of indemnification rights of the Agency, and exclusive of rights of the Agency to give consents and receive notices), including, but without limitation, the present and continuing right to make claim for, collect and receive any income, revenues, receipts, issues, profits, insurance proceeds and other sums of money payable to or receivable by the Agency under the Participation Agreements or Servicing Agreements with respect to Program Obligations made or purchased from proceeds of the Bonds, whether payable pursuant to the Participation Agreements, the Servicing Agreements or otherwise; the right to bring actions and proceedings under the Servicing Agreements or for the enforcement thereof; and the right to do any and all things which the Agency is or may become entitled to do under the Servicing Agreements; and (f) all money, Investment Obligations and other assets and income held in and receivable by Funds and Accounts 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 the Program 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 to demonstrate 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, except to the extent otherwise provided in a Series Resolution, the Single Family Housing 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 balance in the Mortgage Reserve Fund at the Mortgage Reserve Requirement, if any; 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. 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 in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

Investment Obligations

The Agency may invest bond proceeds and other funds held in the Acquisition Account, the Mortgage Reserve Fund, the Revenue Fund, the Bond Fund, and the Bond Redemption Fund under the Bond Resolution in Investment Obligations as defined in the Bond Resolution (see "Appendix D – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms").

Revenues

When Revenues are greater than the amount necessary to pay principal and interest due with respect to the Bonds, the excess may be used, to the extent permitted by applicable federal tax law and the applicable Series Resolution, to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay principal of and interest due with respect to the Bonds, then, unless the Agency at its option provides the amount necessary for that payment from the General Reserve Account of the Agency or any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, 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 any required notice of redemption has been given, (ii) the Revenue Fund, and (iii) the Mortgage Reserve Fund.

The 2017/2018 Series Resolution provides that repayments and prepayments of mortgage principal received from the Program Loans backing the 2018CD Program Securities are to be applied to the mandatory redemption of the Series Bonds as described under "The Series Bonds—Mandatory Redemption." The Agency will not use excess Revenues to redeem the Series Bonds, except upon an optional redemption as described under "The Series Bonds—Optional Redemption."

Program Securities Pledged under the Bond Resolution

As of December 31, 2017, 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	$676,302,000	50.47%
GNMA I	221,076,000	16.50
FNMA	426,201,000	31.80
FHLMC	16,507,000	1.23
Total	$1,340,086,000	100.00%

Mortgage Reserve Fund

Although a Mortgage Reserve Fund has been established under the Bond Resolution, there is no Mortgage Reserve Requirement in respect of any Outstanding Bonds or the Series Bonds.

Additional Bonds

The Bond Resolution and the Program Series Resolution permit 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 (1) an Agency Certificate certifying (a) that an amount equal to the Mortgage Reserve Requirement, if any, effective upon issuance of the Bonds will be on deposit in the Mortgage Reserve Fund, and (b) that the estimated Revenues set forth in an Agency Certificate are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year as set forth in the Agency Certificate, (2) a Cash Flow Certificate, giving effect to the issuance of the additional Bonds, and (3) written confirmation that the then existing ratings of the Bonds will not be impaired.

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 in the Resolutions or the Program Series Resolution.

State Pledge against Impairment of Contracts

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

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 Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a 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.

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

Pool Purchase Contract

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

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

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

Under the Pool Purchase Contract, the 100 percent loan-to-value limitation for mortgage loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio is also 100 percent where subordinate financing is provided, so long as the mortgage loan does not exceed a 75 percent loan-to-value

ratio. The Pool Purchase Contract also provides that, in underwriting mortgage loans for the Community Home Buyer's Program, certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

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

Fannie Mae Securities

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

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

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

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

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

FREDDIE MAC MORTGAGE-BACKED SECURITIES

General

The following summary of the Freddie Mac Guarantor Program, the Freddie Mac Securities, Freddie Mac's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Mortgage Participation Certificates Offering Circular, applicable Offering Circular Supplements, Freddie Mac's Information Statement, any Information Statement Supplements, the Freddie Mac Securities and any other documents made available by Freddie Mac. Copies of the Offering Circular, Information Statement and any supplements to those documents and other information can be obtained by calling Freddie Mac's Investor Inquiry Department (telephone (800) 336-3672) or by accessing Freddie Mac's World Wide Web site.

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

Freddie Mac is a publicly traded company listed on the New York Stock Exchange (symbol: FRE). Information on Freddie Mac and its financial condition is contained in annual, quarterly and current reports, proxy statements and other information that Freddie Mac files with the SEC. You may read and copy any document Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's website at http://www.sec.gov. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Freddie Mac

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

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

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

Freddie Mac Guarantor Program

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

Freddie Mac Securities

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

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

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

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

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

Mortgage Purchase and Servicing Standards

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

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

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

THE MASTER SERVICER

U.S. Bank National Association currently serves as Master Servicer for the Agency's MBS Program, including the Program Securities to be financed with proceeds of the Series Bonds. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights), which replaces the previous servicing agreement executed by the Agency and the Master Servicer. The Program Securities acquired with proceeds of the Series Bonds are expected to be serviced by the Master Servicer.

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK NATIONAL ASSOCIATION. NONE OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL HAS VERIFIED THIS INFORMATION OR GUARANTEES IT AS TO COMPLETENESS OR ACCURACY. POTENTIAL INVESTORS SHOULD NOT CONSTRUE THIS INFORMATION AS A REPRESENTATION OF ANY OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL.

As of December 31, 2017, the Master Servicer serviced 321,465 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately $40.6 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, 2017, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately $462 billion and a net worth of $49 billion. For the twelve months ended December 31, 2017, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately $11.2 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.

THE HOMEOWNERSHIP FINANCE PROGRAM

General

The following provides a general description of the Agency's Program in respect of the Program Securities backed by Program Loans to be purchased with proceeds of the Series Bonds, which is subject to change from time to time as provided in the Resolutions and is also subject to applicable federal and State law.

Under the Bond Resolution, the Agency may issue Bonds to finance Program Obligations to provide financing for single family, owner-occupied housing. All Series of Bonds issued under the Bond Resolution are secured on an equal basis, except as otherwise expressly provided in the Bond Resolution. The Agency will use proceeds of the Series Bonds to purchase Program Securities backed by Program 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, but the Bond Resolution permits Additional Bonds to be issued to finance Program Loans directly if the conditions for issuance of the Additional Bonds are met. (See "Security for the Bonds—Additional Bonds.")

History and Transition to "MBS" Model

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

The Agency has acquired the 2018CD Program Securities pursuant to the Servicing Agreement from the Master Servicer for an amount equal to between 101.5 percent and 103.5 percent of the principal amount of each 2018CD Program Security, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor. The Trustee will disburse moneys from the 2018 Series CD Acquisition Account to reimburse the Agency for the amount paid by the Agency to acquire the 2018CD 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 (HDS SF Web Application). Each commitment request is subject to a review of the Agency's eligibility rules that are a part of the HDS SF Web Application. If the information entered by the Lender meets the eligibility rules, the loan funds are then committed for each specific loan for a specific period. Should a specific loan ultimately be rejected or cancelled, the funds are available for use by another eligible borrower and Lender. There is no prescribed limit on the amount of funds that may be used by an individual participating Lender, subject to availability of funds.

Lenders are not required to pay a reservation fee upon obtaining a commitment of funds through the HDS SF Web Application. If the Master Servicer has not received a loan package pursuant to an individual commitment after 60 days, the Agency, at its option, may charge, and, if so charged, the Lender must agree to pay, an extension fee to maintain the individual commitment for a specified, extended period of time. Extension fees, if charged and not refunded, are deposited into the funds from which the loans or the Program Securities are purchased, either the Alternative Loan Fund or the Revenue Fund under the Bond Resolution.

Qualified Borrowers

The Agency has established the maximum gross income for eligible borrowers under the Program based upon applicable federal law and Agency policy objectives. The maximum gross income of an eligible borrower under the Program is currently as follows:

Household Size	11-County Twin Cities Metropolitan Area*	Dodge and Olmsted Counties	Balance of State
1 or 2 Persons	$90,400	$88,600	$80,400
3 or more Persons	$103,900	$101,800	$92,400

*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.

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

Certain borrowers may be eligible for 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 nine loans. Currently, the Agency has authority to purchase HFA Preferred Risk Sharing loans during the contract year beginning May 1, 2017. 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.

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	$306,000
Balance of State	$253,800

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 for one year the required amount of the proceeds of the Series Bonds, or an equivalent amount of funds of the Agency, 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 or other Agency funds is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State.

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 "The Master Servicer" in this Official Statement. The Bond Resolution provides 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 tax 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.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency offers other housing programs, and other financing instruments, 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, 2017, the Residential Housing Finance Bond Fund (excluding Pool 2 and Pool 3) had outstanding mortgage loans receivable of $501,191,000 gross and $650,936,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's residential housing finance bonds. As of December 31, 2017, the Agency had outstanding home improvement loans receivable of $70,666,000 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 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 Residential Housing Finance 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 of the property.

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 2018 Series C Bonds

The Code establishes certain requirements that must be met subsequent to the issuance of the 2018 Series C 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 2018 Series C 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 2018 Series C 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 2018 Series C Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the 2018 Series C 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 2018 Series C 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. This good faith requirement will be deemed satisfied if the Agency used good faith efforts to comply with the mortgage eligibility requirements for all mortgage loans being financed with proceeds of the 2018 Series C Bonds, at least 95 percent of the proceeds of the 2018 Series C Bonds is used to make mortgage loans that actually meet the mortgage eligibility requirements, and any failure to satisfy those mortgage eligibility requirements for the balance of the mortgage loans is corrected within a reasonable period of time. 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 2018 Series

C Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the 2018 Series C Bonds shall be excludable from gross income for federal tax purposes under current law. Under the Code, certain requirements must be met subsequent to the delivery of the 2018 Series C Bonds to ensure that interest on the 2018 Series C 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 2018 Series C 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 2018 Series C 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 2018 Series C 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 2018 Series C Bonds, on the date of issuance of the 2018 Series C 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 2018 Series C 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 interest on the 2018 Series C Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. No federal alternative minimum tax applies to corporations for tax years beginning after December 31, 2017.

In addition, in the opinion of Bond Counsel, interest on the 2018 Series C Bonds is not includable in the taxable net income of individuals, trusts and estates for State income tax purposes. Interest on the 2018 Series C Bonds is includable in the income of corporations and financial institutions for purposes of the State franchise tax. Interest on the 2018 Series C 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 2018 Series C Bonds is attached hereto as Appendix F.

Although Bond Counsel is rendering an opinion that the interest on the 2018 Series C 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 2018 Series C 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 of those consequences. Purchasers of the 2018 Series C 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 2018 Series C Bonds.

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 those 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 2018 Series C 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 2018 Series C Bonds to become taxable by the State and the market value of the 2018 Series C 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 2018 Series C Bonds from realizing the full current benefit of the tax treatment of the 2018 Series C Bonds or adversely affect the market value of the 2018 Series C 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 2018 Series C 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 2018 Series C Bonds or the market value thereof would be impacted thereby. Purchasers of the 2018 Series C 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 2018 Series C 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 2018 Series D Bonds

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D Bond. A "non U.S. holder" is a holder (or beneficial owner) of a 2018 Series D 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 2018 Series D 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 2018 Series D Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the 2018 Series D Bonds generally must include interest (including original issue discount treated as interest) on the 2018 Series D Bonds in gross income for federal income tax purposes.

Characterization as Indebtedness

The Agency intends for applicable tax purposes that the 2018 Series D Bonds will be indebtedness of the Agency secured by the pledged Program Obligations and other assets. The owners of the 2018 Series D Bonds, by accepting 2018 Series D Bonds, have agreed to treat the 2018 Series D Bonds as indebtedness of the Agency for federal income tax purposes. The Agency intends to treat this transaction as a financing reflecting the 2018 Series D Bonds as its indebtedness for tax and financial accounting purposes. Bond Counsel is of the opinion that the 2018 Series D 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 2018 Series D 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. Such 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 2018 Series D Bonds. Any such tax could materially reduce cash available to make payment on the 2018 Series D Bonds.

In the opinion of Bond Counsel, the 2018 Series D 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 2018 Series D Bonds

Payments of interest with regard to the 2018 Series D 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 2018 Series D 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 2018 Series D Bonds that are subject to acceleration by virtue of prepayment of the Program Obligations). Holders of the 2018 Series D 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 2018 Series D 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 2018 Series D Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2018 Series D Bonds.

Individuals, estates or trusts owning the 2018 Series D 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 2018 Series D Bonds, gain realized from a sale or other disposition of the 2018 Series D Bonds and other income realized from owning, holding or disposing of the 2018 Series D 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 2018 Series D Bonds should consult with their tax advisor concerning this Medicare Tax as it may apply to interest earned on the 2018 Series D Bonds as well as gain on the sale of a 2018 Series D Bond.

A purchaser (other than a person who purchases a 2018 Series D Bond upon issuance at the issue price) who buys a 2018 Series D 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 2018 Series D Bonds.

Sale or Exchange of the 2018 Series D Bonds

If a holder sells a 2018 Series D 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 2018 Series D Bond. Ordinarily, that gain or loss will be treated as a capital gain or loss. However, if a 2018 Series D 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 2018 Series D 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 2018 Series D Bond should consult its own tax advisor concerning the circumstances in which the 2018 Series D Bonds would be deemed reissued and the likely effects, if any, of that reissuance.

The legal defeasance of the 2018 Series D Bonds may result in a deemed sale or exchange of those 2018 Series D Bonds under certain circumstances. Holders of those 2018 Series D 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 2018 Series D 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

2018 Series D 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

2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D Bond incurs acquisition indebtedness with respect to a 2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D 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 2018 Series D Bonds. The sale of the 2018 Series D 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 2018 Series D 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 2018 Series D Bonds is includable in the taxable net income of individuals, trusts and estates for State income tax purposes. Such 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 opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix F attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor.

RATING

The Series Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The rating and any associated outlook reflect only the views of Moody's, and an explanation of the significance of the rating and outlook may be obtained only from Moody's and its published materials. The rating described above is not a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that the 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 Moody's, circumstances so warrant. Therefore, after the date hereof, investors should not assume that the rating is still in effect. A downward revision or withdrawal of the 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 the 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 the Series Bonds. The Underwriters are to be paid a fee of $352,565.11 with respect to their purchase of the Series Bonds. The Underwriters may offer and sell the

Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the front cover hereof.

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

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 serving both as one of the Underwriters and 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.

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 Agency has authorized the execution and delivery of this Official Statement.

MINNESOTA HOUSING FINANCE AGENCY

By /s/ Mary Tingerthal
Commissioner

Dated: April 12, 2018.

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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MINNESOTA HOUSING FINANCE AGENCY
Annual Financial Report as of and for the year ended June 30, 2017

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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.

Minnesota continues to enjoy strong economic activity, with unemployment at 3.7% and with Minnesota adding roughly 39,900 jobs in past year bringing the total to nearly 3 million jobs in the State. Statewide home sales prices increased by 6.4% from $218,500 in June 2016 to $232,500 in June 2017. In this marketplace environment, Minnesota Housing has capitalized on strong market conditions and continuing low interest rates to improve both its product offerings and its financial condition with positive programmatic results:

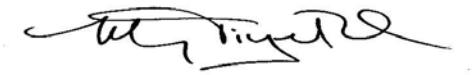
- Minnesota Housing continues to support strong single-family home mortgage production levels. First time homebuyers continue to enter the market in large numbers, putting pressure on housing inventory in the lower price ranges, as existing homes with values below $250,000 currently represent only a 1.6 month supply in the Twin Cities metropolitan area. Minnesota Housing had a high volume of home mortgages last year, with almost 3,800 loans purchased and over $608 million in lending. The Agency increased its allocation of loans for downpayment and closing costs during the year to support this production and to ensure that the Agency is reaching its targeted borrowers. About 90% of mortgage loans went to first time homebuyers and more than 32% were for households of color and Hispanic ethnicity.
- Minnesota Housing continues to manage its single-family production using a "best execution" strategy, using bond sales as well as selling loans directly into the capital markets. As the use of tax-exempt bonding authority for multifamily transactions grew over the past year, the Agency 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 multifamily rental transactions that utilize tax exempt bonds and 4% housing tax credits.
- Minnesota Housing has seen delinquency rates across its entire single-family portfolio continue to drop from 3.75% in June of last year to 3.36% this year for 60+ days, and the foreclosure rate also fell from 0.97% to 0.87%. With the strong market for single family homes, the Agency has focused on reducing its REO portfolio, which stood at only 0.3% of all loans (23 loans) in the whole loan portfolio at year end. In a year when the Agency disposed of 226 REO properties, it saw REO losses of less than $2 million. The Agency continues its strategy of placing virtually all new loan production into mortgage-backed securities.
- Forecasts for the State of Minnesota still show the State with a budget surplus, but tax and spending initiatives passed by the 2017 State Legislature will limit future surpluses. 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, and a $55 million authorization for Housing Infrastructure bonds and a $10 million authorization for general obligations bonds for public housing renovations.
- 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. Demand for tax-exempt bonding authority for multifamily transactions is strong for preservation and new construction, including supportive housing, senior housing, and workforce housing in greater Minnesota. For the first time in at least a decade Minnesota Housing received almost no additional private activity bonding authority at the end of 2016 beyond its entitlement allocation. Minnesota Housing continues to develop its multifamily first mortgage lending capacity. It continues to bring new multifamily loans, generally insured under the FHA Risk Share program, onto the balance sheet, while continuing to process loans under the FHA MAP (Multifamily Accelerated Processing) program and the FFB/Risk Share program.
- Last year, Minnesota Housing closed 55 loans that provided capital for 43 multifamily properties and 2,490 units of affordable housing. Of these units, 151 were designated to serve long-term homeless households and 525 units were for supportive housing.

- In partnership with the non-profit Minnesota Homeownership Center, Minnesota Housing supports pre-purchase education and counseling, foreclosure prevention counseling and reverse mortgage counseling. Over 16,200 households throughout the state used these services last year. More than 8,200 of those households received their counseling through an on-line homebuyer counseling program called Framework, which makes homebuyer counseling accessible and convenient for many more households. Foreclosure prevention counseling fell from 1,700 to 1,500 over the past year. In addition, the Agency continues a new, intensive coaching and counseling program targeted primarily for households of color and Hispanic ethnicity who often experience difficulty accessing mortgage loans through conventional channels. Since the program started in the summer of 2014, 1,853 households have started this program, of which 89% are households of color and Hispanic ethnicity.

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

- Completed negotiation of a new master servicing contract with US Bank.
- Negotiated a 10-year lease for new office space in downtown Saint Paul, bringing all Agency employees onto a single floor and offering enhanced technology to support their work.
- Continued to work with the State's Interagency Council on Homelessness to implement the Statewide Plan to Prevent and End Homelessness. Since the plan was implemented in December of 2013, the number of people experiencing homelessness in Minnesota has declined by 8.5%.
- Continued its significant investment in the redesign of business processes and the technology to support them.

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 2018.



Mary Tingerthal, Commissioner
Minnesota Housing
August 31, 2017

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and each major fund of Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2017, 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, 2017, 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

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, 2016, 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 schedules 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 2017 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 2017 supplementary information is fairly stated, in all material respects, in relation to the 2017 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 2016 basic financial statements (not presented herein), and have issued our report thereon dated August 23, 2016, 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, 2016, 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 2016 financial statements. The accompanying 2016 supplementary information has been subjected to the auditing procedures applied in the audit of the 2016 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 2016 supplementary information is fairly stated in all material respects in relation to the 2016 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
August 31, 2017

MINNESOTA HOUSING FINANCE AGENCY
Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Introduction

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

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

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

Discussion of Financial Statements

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

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

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[SM] and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2016. 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 2017 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, 2017. 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 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 2017.

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 2017 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program. It also provided capital for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans before those securities are permanently financed by issuing bonds, permanently financed with HOMES^{SM} certificates (see below for a description of the HOMES^{SM} program), or sold into the TBA market. In addition, it provided capital for amortizing second lien homeownership loans made in conjunction with the Agency's single family first mortgage loans, for tax credit bridge loans, for loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, contributions for drawdown index bond 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 2017 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. The entire balance of the appropriated funds' net position is restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

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

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

		Agency-wide Total		
		Fiscal 2017	**Fiscal 2016**	**Change**
Assets and Deferred Outflows	Cash and Investments	$2,416,942	$2,245,460	$171,482
	Loans receivable, Net	1,071,058	1,224,448	(153,390)
	Interest Receivable	11,646	11,905	(259)
	Deferred Pension Expense	53,275	2,980	50,295
	Total Assets and Deferred Outflows	3,568,338	3,507,741	60,597
Liabilities and Deferred Inflows	Bonds Payable	2,369,523	2,307,222	62,301
	Interest Payable	24,523	26,900	(2,377)
	Pension Liability	76,077	8,979	67,098
	Accounts Payable & Other Liabilities	12,397	15,206	(2,809)
	Funds Held for Others	78,345	115,854	(37,509)
	Deferred Pension Credit	5,554	11,327	(5,773)
	Total Liabilities and Deferred Inflows	2,585,676	2,509,370	76,306
Net Position	Restricted by Bond Resolution	360,383	382,133	(21,750)
	Restricted by Covenant	471,700	477,456	(5,756)
	Restricted by Law	146,734	135,999	10,735
	Total Net Position	982,662	998,371	(15,709)

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

		Agency-wide Total		
		Fiscal 2017	**Fiscal 2016**	**Change**
Revenues	Interest Earned	$ 119,321	$ 120,373	$ (1,052)
	Appropriations Received	253,196	261,144	(7,948)
	Fees and Reimbursements	14,929	16,269	(1,340)
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificates	2,521	3,756	(1,235)
	Total Revenues (1)	372,571	455,813	(83,242)
Expenses	Interest Expense	71,394	87,274	(15,880)
	Appropriations Disbursed	227,448	235,135	(7,687)
	Fees	3,898	4,182	(284)
	Payroll, Gen. & Admin.	51,083	34,128	16,955
	Loan Loss/Value Adjust's	12,456	22,186	(9,730)
	Total Expenses (1)	388,280	403,654	(15,374)
	Revenues Over/Under Expenses	(15,709)	52,159	(67,868)
	Beginning Net Position	998,371	946,212	52,159
	Ending Net Position	982,662	998,371	(15,709)

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2017							
Excluding Pool 3	Pool 3	Total	Fiscal 2016	Change	Fiscal 2017	Fiscal 2016	Change
$2,254,187	$40,264	$2,294,451	$2,102,941	$191,510	$122,491	$142,519	$(20,028)
979,771	51,843	1,031,614	1,183,107	(151,493)	39,444	41,341	(1,897)
11,245	146	11,391	11,683	(292)	255	222	33
53,275	-	53,275	2,980	50,295	-	-	-
3,312,583	93,254	3,405,837	3,322,923	82,914	162,501	184,818	(22,317)
2,369,523	-	2,369,523	2,307,222	62,301	-	-	-
24,523	-	24,523	26,900	(2,377)	-	-	-
76,077	-	76,077	8,979	67,098	-	-	-
10,083	182	10,265	14,439	(4,174)	2,132	767	1,365
65,308	-	65,308	68,691	(3,383)	13,037	47,163	(34,126)
5,554	-	5,554	11,327	(5,773)	-	-	-
2,586,750	(16,841)	2,569,909	2,460,551	109,358	15,767	48,819	(33,052)
360,383	-	360,383	382,133	(21,750)	-	-	-
361,605	110,095	471,700	477,456	(5,756)	-	-	-
-	-	-	-	-	146,734	135,999	10,735
725,833	110,095	835,928	862,372	(26,444)	146,734	135,999	10,735

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2017							
Excluding Pool 3	Pool 3	Total	Fiscal 2016	Change	Fiscal 2017	Fiscal 2016	Change
$ 116,193	$ 1,083	$ 117,276	$ 118,222	$ (946)	$ 2,045	$ 2,151	$ (106)
-	-	-	-	-	253,196	261,144	(7,948)
16,861	(1,233)	15,628	15,973	(345)	842	296	546
2,521	-	2,521	3,756	(1,235)	-	-	-
116,707	321	117,028	190,721	(73,693)	255,543	265,092	(9,549)
71,394	-	71,394	87,274	(15,880)	-	-	-
-	-	-	-	-	227,448	235,135	(7,687)
3,758	14	3,772	4,056	(284)	126	126	-
44,783	4,209	48,992	32,177	16,815	2,091	1,951	140
(1,675)	2,573	898	3,274	(2,376)	11,558	18,912	(7,354)
137,452	8,064	145,516	146,141	(625)	242,764	257,513	(14,749)
(21,701)	(4,743)	(26,444)	44,580	(71,024)	12,779	7,579	5,200
747,534	114,838	862,372	817,792	44,580	135,999	128,420	7,579
725,833	110,095	835,928	862,372	(26,444)	146,734	135,999	10,735

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 2017 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 and deferred loss on interest rate swap agreements comprise the majority of deferred outflows of resources in the General Reserve and bond funds. Capital assets, real estate owned, other assets and deferred loss on refunding 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 are held in acquisition accounts pledged to bond holders as security for bonds. This category of investments increased 18.4% to $1710.7 million. Single Family production was very strong in FY2017.

Mortgage-backed Securities Portfolio Delinquency
Actual Loan Count

	June 30, 2017		June 30, 2016	
Current	18,144	97.9%	15,899	97.7%
60-89 Days	186	47.4%	159	1.0%
90-119 Days	66	16.8%	71	0.4%
120+ Days	140	35.7%	166	1.0%
Total Count	18,536		16,295	
Total Past Due	392	2.1%	396	2.4%

The 60+ day delinquency rate as of June 30, 2017 for the MBS portfolio was approximately 0.3 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 16.9% to $349.3 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 1.3% to $234 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 12.8% to $1,031.6 million at June 30, 2017 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 2017 was attributable to the runoff of the

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

homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio decreased due to reduced delinquency and a decrease in the estimated loss per delinquent loan. Minnesota Housing also has simple interest home improvement, amortizing down payment assistance and simple interest rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio decreased due to reduced amount of loans being delinquent while the reserve for the down payment assistance loans increased slightly due to an increase in production. 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, 2017		June 30, 2016	
Current	7,025	94.7%	8,226	94.5%
60-89 Days	99	1.3%	113	1.3%
90-119 Days	41	0.6%	63	0.7%
120+ Days	250	3.4%	302	3.5%
Total Count	7,415		8,704	
Total Past Due	390	5.3%	478	5.5%

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2017		June 30, 2016	
Current	5,363	98.2%	5,775	98.2%
60-89 Days	37	0.7%	45	0.8%
90-119 Days	27	0.5%	26	0.4%
120+ Days	31	0.6%	36	0.6%
Total Count	5,458		5,882	
Total Past Due	95	1.7%	107	1.8%

The 60+ day delinquency rate as of June 30, 2017 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, 2017 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 40.2% to $1.6 million at June 30, 2017 as a result of a decrease in the amount of loans with outstanding claims.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned decreased 60.4% to $1.2 million at June 30, 2017 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2017.

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

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2017, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2017, being less than 1% of total net loans receivable. Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

No loans reside in General Reserve.

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 2.5% to $11.4 million at June 30, 2017. The decrease is mainly a result of a decrease in interest receivable on homeownership loans due to the runoff of that portfolio.

Bonds payable is the largest single category of liabilities, resulting primarily from debt issued to fund housing-related lending. Bonds payable increased 2.7% to $2,369.5 million at June 30, 2017 because new bonding issuance outpaced scheduled redemptions and early bond redemptions of existing debt.

The companion category of interest payable decreased 8.9% to $24.5 million at June 30, 2017, 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} decreased by 4.9% to $65.3 million at June 30, 2017.

On the statement of net position there are three accounts that report the overall pension picture. We will describe all three in the following section. The Net Pension Liability increased to $76.1 million as of June 30, 2017 from $9.0 million on June 30, 2016. This increase was due to MSRS making changes to the assumptions and the Single Discount Rate (SDR) that are used to compute the pension liability. The changes included demographic changes of the plan beneficiaries as well as a substantial change to the SDR. The SDR changed from 7.9% to 4.17%. The SDR reflects a long term rate of 7.50% and a short term rate of 2.85%. The rate is applied to the benefits that are projected to be paid. Deferred Pension Expense (Deferred Outflow) increased by $50.3 million to $53.3 million as of June 30, 2017 from $3.0 million at June 30, 2016. This increase was due to MSRS changing the assumptions used for the plans actuarial reports. GASB 67 and GASB 68 prescribed how these accounts will be recorded and how income will be recognized. This increase is explained by the change in assumptions and SDR. Deferred Pension Credit (Deferred Inflow) decreased to $5.6 million as of June 30, 2017 from $11.3 million at June 30, 2016. This decrease was due to MSRS making changes to the assumptions that were used for the plans actuarial reports. With the increase in Deferred Pension Expense (Deferred Outflow) of $50.3 million, the increase in Net Pension Liability of $67.1 million and the decrease in Deferred Pension Credit (Deferred Inflow) of $5.8 million the result is an overall decrease of $11 million to the net position.

Accounts payable and other liabilities decreased to $10.3 million at June 30, 2017. During FY 2017 some of these Rental Housing short-term bonds have paid off and there has not been as much issuance activity.

General Reserve and Bond Funds-Revenues over Expenses

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.

Revenues over expenses of General Reserve and bond funds decreased 163.4% to ($28.5) million. Revenues over expenses excluding unrealized gains and losses decreased 7.2% to $10.4 million for fiscal year 2017.

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

Total Revenues decreased 38.6% to $117.0 million. Revenue excluding unrealized gains and losses on investments decreased .8% to $155.9 million.

Total expenses decreased .5% to $145.5 million.

The largest revenue component, interest earned on MBS and investments increased 21.5% to $58.5 million. This is due to the increase in production as well as interest rate increases. Loan interest revenue decreased 13.8% to $58.7 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

When excluding pool 3 and unrealized gains or losses revenues increased .45% to $154.8 million. Expenses decreased .5% to $137.5 million

Administrative reimbursements to General Reserve from bond funds were $20.5 million in fiscal year 2017 compared to $19.4 million during the prior fiscal year. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $1.9 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2017 compared to $2.1 million during the prior fiscal year. Investment earnings within the State Appropriated fund were insufficient to reimburse the Agency for the full amount of overhead expense incurred for the state programs.

Other fee income to General Reserve and bond funds of $13.6 million decreased by $0.2 million compared to the prior fiscal year. The primary components are service acquisition fees earned from the sale of mortgage servicing rights, fees earned from the federal low income housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments administration, and various loan programs.

The net gain on the sale of mortgage-backed securities held for sale was $2.5 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 2017 are $38.9 million compared to $33.4 of unrealized gains for fiscal year 2016. 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 84% 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 decreased 2.9% to $66.6 million compared to the prior fiscal year as a result of refunding that replaced higher rate bonds with lower rate bonds.

Financing costs decreased 74.4% to $4.8 million. The majority of the decrease is due to more effective hedging of cost associated with MBS securitization as well as favorable timing of bond sales.

Expenses for loan administration and trustee fees in the bond funds decreased by 7.0% to $3.8 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $22.5 million, the interfund charge to the bond funds and State Appropriated fund of $22.0 million was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $36.3 million increased 70.8% from the prior year. A large component of the Salaries and Benefits change is due to an increase in pension expense to $11.0 million at June 30, 2017 from ($2.1) million at June 30, 2016. Changes in assumptions and the SDR by MSRS account for all of this change.

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

Other general operating expense in General Reserve and bond funds increased 16.1% compared to the prior fiscal year to $12.7 million. The majority of the increase relates to contract expenses for the 3 major system projects.

Reductions in carrying value of certain low interest rate deferred loans in the bond funds increased from $0.5 million to $2.4 million. The increase was due to the number of Pool 3 loans closed during the fiscal year.

The provision for loan loss expense in the bond funds decreased from $2.7 million to $(1.5) million. Delinquencies and foreclosures have decreased over the fiscal year.

The provision for loan loss expense for the homeownership loan portfolio decreased $2.8 million because the delinquencies increased slightly.

The provision for loan loss expense for the home improvement loan portfolio decreased $1.8 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 increased $0.3 million due to the mix of loans on the watch-list, when compared to the prior fiscal year.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Affordability Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. During fiscal year 2017, $9.6 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 $3.0 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 $17.8 million in bond sale contributions to the Homeownership Finance bond fund.

Total combined net position of General Reserve and bond funds decreased 3.1% to $835.9 million as of June 30, 2017. A portion of that increase is a result of current fiscal year unrealized gains on investments, without which the combined net position would have increased $5.5 million. The net position of General Reserve decreased $0.6 million as a result of a $1.6 million decrease in the Pool 1 requirement (which resides in General Reserve). The reserve is 1% of the outstanding loans. Capital Assets increased by $1.0 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. 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, 2017 combined balance decreased 14% to $122.5 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.

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

Certain state appropriations are expended as housing loans which are in a first lien position and with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2017 State Appropriated fund net loans receivable decreased 4.6% to $39.4 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, 2017 increased $0.03 million. Accounts payable and other liabilities represent amounts payable to program participants as of year-end. The balance of payables at June 30, 2017 was $2.1 million compared to $0.7 million at June 30, 2016. 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, 2017 the combined net interfund payable was $0.6 million.

At June 30, 2017 the balance of funds held for others was $13.0 million. All of which represents the proceeds of appropriation-backed housing bonds which are held for disbursement to certain multifamily affordable housing developments.

The entire net position of the appropriated funds is restricted by law for use with housing programs only and is not pledged or available to secure bonds issued under any of the Agency's bond funds or other obligations of the Agency or its general obligation pledge in respect thereof. The combined net position of the appropriated funds increased to $146.7 million as of June 30, 2017, reflecting that combined receipts and revenues exceeded expenses during fiscal year 2017.

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 decreased from $261.1 million in fiscal year 2016 to $253.2 million in fiscal year 2017. Federal appropriations received increased by $4.4 million. State appropriations received decreased by a net $3.5 million.

The combined interest income from investments increased 12.9% to $1.6 million for fiscal year 2017.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.4 million as relatively few loans bear interest.

Fees earned and other income, in the amount of $0.8 million were recorded in the State Appropriated fund during fiscal year 2017. This consisted mainly of private donations and the receipt of interagency transfers to support certain state housing programs.

Combined unrealized losses of $0.5 million were recorded at June 30, 2017 compared to $0.1 million of unrealized gains at June 30, 2016. 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 10.9% to $1.5 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 2017 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 decreased 3.3% to $227.4 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $40.2 million and federal appropriations disbursed of $187.2 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 decreased 38.7% to $11.2 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund increased 7.1% to $2.1 million at June 30, 2017.

Combined expenditures were less than combined revenue of the appropriated funds by $12.8 million at June 30, 2017. Ultimately, the entire State and Federal Appropriated funds' net position will be expended for housing programs.

Significant Long Term Debt Activities

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2017 long-term bonds totaling $2,369.5 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, 2017, amounts held by the trustee in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During 2017 fiscal year, Minnesota Housing issued seventeen series of bonds aggregating $523.9 million (excluding 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 $678.7 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 $486.4 million in bond principal repayments and $71.4 million of bond-related interest expense occurred during fiscal year 2017. Of the total bond principal repayments, $426.3 million were repayments made on bonds prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code and Treasury regulations governing either qualified mortgage bonds or bonds issued to provide qualified residential rental projects. Minnesota Housing's ability to issue tax-exempt debt is limited by its share of the state's allocation of private activity volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 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 bonding authority in order to meet demand for financing mortgage loans. Taxable bonds may also be issued to refund existing debt or to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate 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

Significant Long Term Debt Activities (continued)

and 2017 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 one new series of variable rate bonds in fiscal year 2017 in a principal amount totaling $50.0 million with an interest rate swap with the equivalent notional amount. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

The Agency also had outstanding at June 30, 2017 certain conduit bonds and appropriation-backed housing bonds, which are not payable from any funds of the Agency (other than from funds received specifically to pay debt service on those bonds), and certain limited obligation drawdown index bonds, only the interest on which is payable from funds of the Agency and which are discussed in the notes to the financial statements. Board policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to $5.0 billion.

At June 30, 2017 Minnesota Housing's issuer ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors that May Affect Financial Conditions and/or Operations

Legislative Actions

The primary purpose of the Legislative session in odd-numbered years is to enact a two-year state budget. Minnesota Housing's state appropriated budget passed on May 26, 2017 and was signed into law by Governor Dayton.

Minnesota Housing's total state appropriations for the state fiscal year 2018-19 biennium are $107,596,000. This is a $3 million increase over FY2016-17 funding levels. The FY2018-19 budget includes $2 million in one-time funding for Homework Starts with Home, a continuation of the Rental Assistance for Highly Mobile Families initiative, which provides rental assistance to families with school-aged children who are homeless or who have moved frequently.

The budget also includes $4 million in ongoing funding for the Workforce Housing Development Program. This is a new appropriation for Minnesota Housing. This program was previously administered by the Minnesota Department of Employment and Economic Development. It funds the development of rental housing in Greater Minnesota.

In addition to the biennial budget, the Legislature also approved a $988 million bonding bill. The bill included $65 million for Minnesota Housing:

- $35 million in new authorization for Housing Infrastructure Bonds
- $20 million in Housing Infrastructure Bond authorization from previously appropriated debt service
- $10 million in State of Minnesota General Obligation bond proceeds for public housing rehabilitation

Housing Infrastructure Bonds can be used 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

Loans to be funded with the proceeds of authorized Housing Infrastructure Bonds will be awarded for housing projects as part of Minnesota Housing's consolidated Request for Proposal (RFP) in 2017. The General Obligation bond proceeds will be awarded to public housing agencies through a separate RFP process.

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, 2017 (with comparative totals as of June 30, 2016)

		Agency wide Total as of June 30, 2017	Agency wide Total as of June 30, 2016
Assets	Cash and cash equivalents	$ 439,184	$ 530,172
	Investments-program mortgage-backed securities	1,710,715	1,444,863
	Investment securities-other	267,043	270,425
	Loans receivable, net	1,071,058	1,224,448
	Interest receivable on loans and program mortgage-backed securities	10,381	10,816
	Interest receivable on investments	1,265	1,089
	FHA/VA insurance claims, net	1,575	2,634
	Real estate owned, net	1,229	3,103
	Capital assets, net	3,845	2,783
	Other assets	3,367	2,465
	Total assets	3,509,662	3,492,798
Deferred Outflows of Resources	Deferred loss on refunding	137	199
	Deferred loss on interest rate swap agreements	5,264	11,764
	Deferred pension expense	53,275	2,980
	Total deferred outflows of resources	58,676	14,943
Liabilities	Bonds payable, net	2,369,523	2,307,222
	Interest payable	24,523	26,900
	Interest rate swap agreements	5,264	11,764
	Net pension liability	76,077	8,979
	Accounts payable and other liabilities	12,397	15,206
	Funds held for others	78,345	115,854
	Total liabilities	2,566,129	2,485,925
Deferred Inflows of Resources	Deferred service release fee	13,993	12,118
	Deferred pension credit	5,554	11,327
	Total deferred inflows of resources	19,547	23,445
Net Position	Restricted by bond resolution	360,383	382,133
	Restricted by covenant	471,700	477,456
	Restricted by law	146,734	135,999
	Invested in capital assets	3,845	2,783
	Total net position	982,662	998,371
	Total liabilities, deferred inflows of resources, and net position	$3,568,338	$3,507,741

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2017 (with comparative total for year ended June 30, 2016)

		Agency-wide Total for Year Ended June 30, 2017	Agency-wide Total for Year Ended June 30, 2016
Revenue	Interest earned on loans	$ 59,183	$ 68,884
	Interest earned on investments-program mortgage-backed securities	50,825	41,846
	Interest earned on investments-other	9,313	9,643
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificates	2,521	3,756
	Appropriations received	253,196	261,144
	Administrative reimbursement	481	774
	Fees earned and other income	14,448	15,495
	Unrealized gains on investments	(39,397)	33,522
	Total revenues	350,570	435,064
Expenses	Interest	66,620	68,580
	Financing, net	4,774	18,694
	Loan administration and trustee fees	3,898	4,182
	Salaries and benefits	36,311	21,258
	Other general operating	14,772	12,870
	Appropriations disbursed	227,448	235,135
	Reduction in carrying value of certain low interest rate deferred loans	13,626	18,831
	Provision for loan losses	(1,170)	3,355
	Total expenses	366,279	382,905
	Change in net position	(15,709)	52,159
Net Position	Total net position, beginning of period	998,371	946,212
	Total net position, end of year	$982,662	$998,371

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, 2017 (with comparative totals as of June 30, 2016)

		Bond Funds	
		General Reserve	Rental Housing
Assets	Cash and cash equivalents	$66,475	$ 44,858
	Investments-program mortgage-backed securities	-	-
	Investment securities-other	19,946	1,970
	Loans receivable, net	-	130,279
	Interest receivable on loans and program mortgage-backed securities	-	595
	Interest receivable on investments	102	38
	FHA/VA insurance claims, net	-	-
	Real estate owned, net	-	-
	Capital assets, net	3,845	-
	Other assets	1,792	8
	Total assets	92,160	177,748
Deferred Outflows of Resources	Deferred loss on refunding	-	-
	Deferred loss on interest rate swap agreements	-	-
	Deferred pension expense	53,275	-
	Total deferred outflows of resources	53,275	-
Liabilities	Bonds payable, net	-	37,340
	Interest payable	-	488
	Interest rate swap agreements	-	-
	Net pension liability	76,077	-
	Accounts payable and other liabilities	6,678	2,396
	Interfund payable (receivable)	(21,492)	-
	Funds held for others	64,902	-
	Total liabilities	126,165	40,224
Deferred Inflows of Resources	Deferred service release fee	-	-
	Deferred pension credit	5,554	-
	Total deferred inflows of resources	5,554	-
Net Position	Restricted by bond resolution	-	137,524
	Restricted by covenant	9,871	-
	Restricted by law	-	-
	Invested in capital assets	3,845	-
	Total net position	$13,716	$137,524

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, 2017	Total as of June 30, 2016
$201,520	$ 35,034	$ 1,406	$ -	$ 84,062	$ 5,829	$ 439,184	$ 530,172
514,885	1,195,830	-	-	-	-	1,710,715	1,444,863
189,500	1,400	-	21,627	28,047	4,553	267,043	270,425
887,207	-	14,128	-	39,444	-	1,071,058	1,224,448
6,107	3,597	52	-	30	-	10,381	10,816
827	17	-	56	217	8	1,265	1,089
1,575	-	-	-	-	-	1,575	2,634
1,229	-	-	-	-	-	1,229	3,103
-	-	-	-	-	-	3,845	2,783
1,227	29	-	-	-	311	3,367	2,465
1,804,077	1,235,907	15,586	21,683	151,800	10,701	3,509,662	3,492,798
137	-	-	-	-	-	137	199
5,264	-	-	-	-	-	5,264	11,764
-	-	-	-	-	-	53,275	2,980
5,401	-	-	-	-	-	58,676	14,943
1,127,206	1,169,796	13,960	21,221	-	-	2,369,523	2,307,222
18,121	5,823	35	56	-	-	24,523	26,900
5,264	-	-	-	-	-	5,264	11,764
-	-	-	-	-	-	76,077	8,979
1,060	131	-	-	2,119	13	12,397	15,206
20,894	-	-	-	334	264	-	-
-	-	-	406	13,035	2	78,345	115,854
1,172,545	1,175,750	13,995	21,683	15,488	279	2,566,129	2,485,925
9,320	4,673	-	-	-	-	13,993	12,118
-	-	-	-	-	-	5,554	11,327
9,320	4,673	-	-	-	-	19,547	23,445
165,784	55,484	1,591	-	-	-	360,383	382,133
461,829	-	-	-	-	-	471,700	477,456
-	-	-	-	136,312	10,422	146,734	135,999
-	-	-	-	-	-	3,845	2,783
$627,613	$ 55,484	$ 1,591	$ -	$136,312	$10,422	$ 982,662	$ 998,371

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Year ended June 30, 2017 (with comparative totals for year ended June 30, 2016)

		Bond Funds	
		General Reserve	Rental Housing
Revenues	Interest earned on loans	$ -	$ 6,981
	Interest earned on investments-program mortgage-backed securities	-	-
	Interest earned on investments-other	254	266
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificates	-	-
	Appropriations received	-	-
	Administrative reimbursement	22,482	-
	Fees earned and other income	11,077	228
	Unrealized gains (losses) on investments	-	(100)
	Total revenues	33,813	7,375
Expenses	Interest	-	1,315
	Financing, net	-	-
	Loan administration and trustee fees	-	83
	Administrative reimbursement	-	1,192
	Salaries and benefits	36,311	-
	Other general operating	7,690	5
	Appropriations disbursed	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	-
	Provision for loan losses	-	(295)
	Total expenses	44,001	2,300
	Revenues over (under) expenses	(10,188)	5,075
Other changes	Non-operating transfer of assets between funds	9,624	22
	Change in net position	(564)	5,097
Net Position	Total net position, beginning of Year	14,280	132,427
	Total net position, end of Year	$13,716	$137,524

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, 2017	Total for the Year Ended June 30, 2016
$ 51,140	$ -	$ 625	$ -	$ 437	$ -	$ 59,183	$ 68,884
13,949	36,876	-	-	-	-	50,825	41,846
6,345	124	5	711	1,537	71	9,313	9,643
2,521	-	-	-	-	-	2,521	3,756
-	-	-	-	62,200	190,996	253,196	261,144
-	-	-	-	-	-	22,482	21,523
1,703	598	-	-	842	-	14,448	15,495
(6,772)	(31,985)	-	-	(526)	(14)	(39,397)	33,522
68,886	5,613	630	711	64,490	191,053	372,571	455,813
33,128	31,043	423	711	-	-	66,620	68,580
507	4,267	-	-	-	-	4,774	18,694
3,255	430	4	-	126	-	3,898	4,182
12,718	6,455	95	-	1,541	-	22,001	20,749
-	-	-	-	-	-	36,311	21,258
4,955	31	-	-	2,091	-	14,772	12,870
-	-	-	-	40,201	187,247	227,448	235,135
2,409	-	-	-	11,217	-	13,626	18,831
(1,216)	-	-	-	341	-	(1,170)	3,355
55,756	42,226	522	711	55,517	187,247	388,280	403,654
13,130	(36,613)	108	-	8,973	3,806	(15,709)	52,159
(25,415)	17,813	-	-	-	(2,044)	-	-
(12,285)	(18,800)	108	-	8,973	1,762	(15,709)	52,159
639,898	74,284	1,483	-	127,339	8,660	998,371	946,212
$627,613	$55,484	$1,591	$ -	$136,312	$ 10,422	$982,662	$998,371

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2017 (with comparative totals for year ended June 30, 2016)

		Bond Funds	
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$44,407
	Investment in loans/loan modifications and program mortgage-backed securities	-	(14,861)
	Interest received on loans and program mortgage-backed securities	-	6,970
	Fees and other income received	10,571	228
	Salaries, benefits and other operating	(28,490)	(125)
	Appropriations received	-	-
	Appropriations disbursed	-	-
	Administrative reimbursement from funds	22,696	(1,192)
	Deposits into funds held for others	26,468	-
	Disbursements made from funds held for others	(29,464)	-
	Interfund transfers and other assets	(2,818)	55
	Net cash provided (used) by operating activities	(1,037)	35,482
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	7,895
	Principal repayment on bonds and notes	-	(25,235)
	Interest paid on bonds and notes	-	(1,419)
	Financing costs paid related to bonds issued	-	-
	Interest paid/received between funds	43	-
	Agency contribution to program funds	-	22
	Transfer of cash between funds	8,585	-
	Net cash provided (used) by noncapital financing activities	8,628	(18,737)
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	836	250
	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	-	24
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	(19,713)
	Net cash provided (used) by investing activities	836	(19,439)
	Net increase (decrease) in cash and cash equivalents	8,427	(2,694)
Cash and cash equivalents	Beginning of period	58,048	47,552
	End of period	$66,475	$44,858

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, 2017	Total for the Year Ended June 30, 2016
$ 207,714	$133,396	$ 177	$ -	$11,092	$ -	$ 396,786	$ 361,460
(160,337)	(386,943)	-	-	(17,314)	-	(579,455)	(538,581)
64,613	38,486	624	-	438	-	111,131	110,642
12,345	-	-	-	842	-	23,986	27,041
(16,577)	(455)	(4)	-	(2,238)	-	(47,889)	(47,396)
-	-	-	-	62,200	191,279	253,479	263,122
-	-	-	-	(39,673)	(189,260)	(228,933)	(237,350)
(12,718)	(6,455)	(95)	-	(1,448)	-	788	736
-	-	-	-	19,404	-	45,872	61,865
-	-	-	-	(53,642)	-	(83,106)	(64,574)
51	-	-	-	1	(41)	(2,752)	(2,171)
95,091	(221,971)	702	-	(20,338)	1,978	(110,093)	(65,206)
1,137,274	379,677	-	-	-	-	1,524,846	1,482,842
(1,282,080)	(145,487)	(240)	(4,252)	-	-	(1,457,294)	(1,206,445)
(40,186)	(31,364)	(424)	(722)	-	-	(74,115)	(74,173)
(2,122)	(3,192)	-	-	-	-	(5,314)	(6,927)
(43)	-	-	-	-	-	-	-
(11,163)	11,449	-	-	-	(308)	-	-
(8,585)	-	-	-	-	-	-	-
(206,905)	211,083	(664)	(4,974)	-	(308)	(11,877)	195,297
(2,198)	-	-	-	-	-	(2,198)	(2,189)
6,383	114	6	722	1,488	71	9,870	9,545
3,532	-	-	-	-	-	3,532	(7,577)
19,653	-	-	-	-	-	19,653	21,321
600,629	-	-	4,252	-	-	604,905	648,293
(604,780)	-	-	-	-	-	(604,780)	(652,750)
22,219	-	-	-	(2,506)	-	-	-
45,438	114	6	4,974	(1,018)	71	30,982	16,643
(66,376)	(10,774)	44	-	(21,356)	1,741	(90,988)	146,734
267,896	45,808	1,362	-	105,418	4,088	530,172	383,438
$ 201,520	$ 35,034	$1,406	$ -	$84,062	$ 5,829	$ 439,184	$ 530,172

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2017 (with comparative totals for year ended June 30, 2016)

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

	Bond Funds	
	General Reserve	**Rental Housing**
Revenues over (under) expenses	$ (10,188)	$ 5,075
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	-	(36)
Amortization of proportionate share-Pension	(12)	-
Depreciation	2,370	-
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	-	100
Salaries and Benefits-Pensions	11,042	-
Provision for loan losses	-	(295)
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	(254)	(266)
Interest expense on bonds and notes	-	1,315
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	-	29,546
Decrease (increase) in interest receivable on loans	-	25
Increase (decrease) in accounts payable	192	(37)
Increase (decrease) in interfund payable, affecting operating activities only	290	-
Increase (decrease) in funds held for others	(2,996)	-
Other	(1,481)	55
Total	9,151	30,407
Net cash provided (used) by operating activities	$ (1,037)	$35,482

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, 2017	Total for the Year Ended June 30, 2016
$13,130	$ (36,613)	$108	$ -	$ 8,973	$ 3,806	$ (15,709)	$ 52,159
141	2,326	-	-	-	-	2,431	1,813
-	-	-	-	-	-	(12)	(80)
-	-	-	-	-	-	2,370	2,224
(2,521)	-	-	-	-	-	(2,521)	(3,756)
(65)	-	-	-	-	-	(65)	(855)
6,772	31,985	-	-	526	14	39,397	(33,522)
-	-	-	-	-	-	11,042	(2,686)
(1,216)	-	-	-	341	-	(1,170)	3,355
2,409	-	-	-	11,217	-	13,626	18,831
(1,742)	-	-	-	-	-	(1,742)	(2,203)
(6,257)	(124)	(6)	(711)	(1,537)	(71)	(9,226)	(8,788)
33,128	31,043	423	711	-	-	66,620	68,580
505	4,267	-	-	-	-	4,772	18,646
-	-	-	-	-	(1,736)	(1,736)	-
47,377	(253,547)	177	-	(6,222)	-	(182,669)	(177,121)
1,125	(716)	-	-	1	-	435	302
2,277	(592)	-	-	507	(125)	2,222	1,306
(29)	-	-	-	94	(647)	(292)	(601)
-	-	-	-	(34,238)	-	(37,234)	(2,709)
57	-	-	-		737	(632)	(101)
81,961	(185,358)	594	-	(29,311)	(1,828)	(94,384)	(117,365)
$95,091	$(221,971)	$702	$ -	$(20,338)	$ 1,978	$(110,093)	$ (65,206)

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 issued under a separate trust indenture 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

Nature of Business and Fund Structure (continued)

pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency but, to the extent that funds are available therein, is available to honor the general obligation pledge of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2017 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 2017 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 trust indenture 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.

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

Nature of Business and Fund Structure (continued)

form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed housing bonds, and other housing-related program costs. The net position of the State Appropriated fund is not pledged or available to secure bonds issued under any of the Agency's bond funds or creditors of the Agency.

Federal Appropriated

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

Summary of Significant Accounting Policies

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

Basis of Accounting

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

Generally Accepted Accounting Principles

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

New Accounting Pronouncements

In 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. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria: Contributions from employers and non employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable. OPEB plan assets are dedicated to

Summary of Significant Accounting Policies (continued)

providing OPEB to plan members in accordance with the benefit terms. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

In March 2016, the GASB issued Statement No. 82 *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68*, Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement clarifies that payments made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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 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.

Summary of Significant Accounting Policies (continued)

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.

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, 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, 2017.

Interest Receivable on Loans and Program Mortgage-Backed Securities

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

FHA/VA Insurance Claims Receivable, Net

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

Real Estate Owned, Net

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

Summary of Significant Accounting Policies (continued)

Deferred Loss on Interest Rate Swap Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2017. 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.

Bonds Payable

Bonds payable are carried at their unpaid principal balances.

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2017, they 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.

Interfund Payable (Receivable)

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

Funds Held for Others

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

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

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow fund investments, unrealized gains and losses on the mortgage-backed securities supporting HOMES[SM] certificates, and funds held for, and reimbursable to, HUD, such as Section

Summary of Significant Accounting Policies (continued)

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.

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, 2017. 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.

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, and does not indicate that the combined assets are available in any

Summary of Significant Accounting Policies (continued)

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 2016 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 $0.481 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $22.001 million between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

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

Reduction in Carrying Value of Certain Low-Interest Rate Deferred Loans

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

Other Changes

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

Non-operating Transfer of Assets Between Funds

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

Summary of Significant Accounting Policies (continued)

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2017 were $14.3 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, 2017 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$ 66,475	$ -	$ 66,475
Rental Housing	-	44,858	-	-	44,858
Residential Housing Finance	1,616	196,645	-	3,259	201,520
Homeownership Finance Bonds	-	35,034	-	-	35,034
Multifamily Housing Bonds	-	1,406	-	-	1,406
HOMES[SM]	-	-	-	-	-
State Appropriated Accounts	198	13,035	70,829	-	84,062
Federal Appropriated Accounts	2,406	3,422	1	-	5,829
Combined Totals	$4,220	$294,400	$137,305	$3,259	$439,184

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.

Cash, Cash Equivalents and Investment Securities (continued)

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, 2017 (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	$ 19,900	$ -	$ 46	$ 19,946
Rental Housing	1,800	-	170	1,970
Residential Housing Finance	185,188	508,225	10,972	704,385
Homeownership Finance Bonds	1,400	1,173,248	22,582	1,197,230
Multifamily Housing Bonds	-	-	-	-
HOMES[SM]	21,221	-	406	21,627
State Appropriated Accounts	27,399	-	648	28,047
Federal Appropriated Accounts	4,544	-	9	4,553
Combined Totals	$261,452	$1,681,473	$34,833	$1,977,758

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, 2017 were (in thousands):

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa2
U.S. Agencies	$1,878,806	$1,878,805	$ -
Municipal Bonds	31,365	-	31,365
Agency-wide Totals	$1,910,171	$1,878,805	$31,365
U.S. Treasuries	8,265		
Agency-wide Totals	$1,918,436		

Cash, Cash Equivalents and Investment Securities (continued)

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of $34.833 million and net discounts of $24.490 million), along with the weighted average maturities (in years) as of June 30, 2017, 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	$ 4,220	-	-	-	-	-	-	-	-
Money market fund	294,400	-	-	-	-	-	-	-	-
State investment pool	137,305	-	-	-	-	-	-	-	-
Investment agreements	3,259	-	-	-	-	-	-	-	-
US agencies	1,878,806	0.8	19.5	27.2	27.1	-	26.1	0.8	-
US treasuries	8,265	-	-	3.6	-	-	-	-	0.9
Municipal bonds	31,365	-	-	-	-	-	-	7.7	-
Agency-wide Totals	$2,357,620								
Weighted Average Maturity		0.2	0.8	20.2	26.3	-	26.1	0.7	-

Investments in any one issuer, excluding $1,277 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, 2017 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	$552,651

The Agency maintained certain deposits and investments throughout fiscal year 2017 that were subject to custodial credit risk. As of June 30, 2017, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $294,400 in a money market fund and $137,305 in the State investment pool)	$ 435,925
Investment securities uninsured, uncollateralized.	1,921,695
Agency-wide Total	$2,357,620

Net realized gain on sale of investment securities of $0.071 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, 2017 were as follows (in thousands).

Funds	Amount
Rental Housing	$ 1,386
Residential Housing Finance	28,322
Multifamily Housing	488
Combined Totals	$30,196

Cash, Cash Equivalents and Investment Securities (continued)

The following table summarizes Minnesota Housing's investments with in the fair value hierarchy at June 30, 2017:

Investments at par	Level 1	Level 2	Level 3	Total
U.S. Agencies	$41,761	$1,837,045	$ -	$1,878,806
U.S. Treasuries	8,265	-	$ -	8,265
Municipal Bonds	-	31,365	$ -	31,365
Total	$50,026	$1,868,410	$ -	$1,918,436
Prem/Disc & Unrealized Appr/Depr				59,322
Fair Market Value				$1,977,758

Loans Receivable, Net

Loans receivable, net at June 30, 2017 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Loans Receivable, Net
General Reserve	$ -	$ -	$ -
Homeownership Finance	-	-	-
Rental Housing	133,644	(3,365)	130,279
HOMES[SM]	-	-	-
Residential Housing Finance	895,286	(8,079)	887,207
Multifamily Housing	14,199	(71)	14,128
State Appropriated	40,454	(1,010)	39,444
Federal Appropriated	-	-	-
Agency-wide Totals	$1,083,583	$(12,525)	$1,071,058

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 2017 aggregated $7.589 million in the Residential Housing Finance Housing Affordability Fund (Pool 3) and $18.285 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, 2016 was $56.5 million and at June 30, 2017 $53.8 million.

Loans Receivable, Net (continued)

Loans receivable, net and gross in Residential Housing Finance at June 30, 2017 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	$551,559	$553,671
Other homeownership loans, generally secured by a second mortgage	903	936
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	71,629	72,621
Homeownership, first mortgage loans	28,537	29,131
Other homeownership loans, generally secured by a second mortgage	28,788	29,679
Multifamily, first mortgage loans	153,948	155,335
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	51,843	53,913
Residential Housing Finance Totals	$887,207	$895,286

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, 2017 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve Account	$1,792	$ -	$1,792
Rental Housing	-	8	8
Residential Housing Finance	-	1,227	1,227
Homeownership Finance	-	29	29
Multifamily Housing	-	-	-
HOMES[SM]	-	-	-
State Appropriated	-	-	-
Federal Appropriated	311	-	311
Combined Totals	$2,103	$1,264	$3,367

Bonds Payable

Summary of bonds payable activity at June 30, 2017 is as follows (in thousands):

Funds	June 30, 2016 Bonds Outstanding	Bonds Issued	Bonds Repaid	June 30, 2017 Bonds Outstanding
Rental Housing	$ 54,680	$ 7,895	$ 25,235	$ 37,340
Residential Housing Finance	1,233,765	136,345	311,205	1,058,905
Homeownership Finance	935,606	379,677	145,487	1,169,796
Multifamily Housing	14,200	-	240	13,960
HOMES[SM]	25,473	-	4,252	21,221
Drawdown Index Bonds	6,000	145,945	124,875	27,070
Totals	$2,269,724	$669,862	$611,294	2,328,292
Bond Premium-Residential Housing Finance				11,231
Notes Payable				30,000
				$2,369,523

The Drawdown Index Bonds series and notes payable are part of the Residential Housing Finance Fund.

Bonds payable at June 30, 2017 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	$ 3,440
2011 Series A	3.10% to 5.45%	2041	8,890	6,930
2012 Series A-1	3.75%	2048	4,175	4,000
2013 Series A-1	3.50% to 5.30%	2049	3,710	3,610
2013 Series B-1	3.65% to 5.30%	2044	2,040	1,965
2016 Series A	0.90%	2018	9,500	9,500
2016 Series B	0.85%	2018	2,650	2,650
2016 Series C	1.60%	2018	5,245	5,245
			$39,815	$37,340
Residential Housing Finance Bonds				
2003 Series B	Variable	2033	$25,000	$ 7,725
2003 Series I	5.10%	2020	25,000	320
2003 Series J	Variable	2033	25,000	6,790
2006 Series N	5.76% to 5.76%	2037	18,000	1,095
2007 Series M	6.345%	2038	70,000	24,415
2007 Series P	3.60% to 3.90%	2017	4,305	330
2007 Series Q	5.00% to 5.25%	2038	42,365	9,395
2007 Series S	Variable	2038	18,975	15,235
2007 Series T	Variable	2048	37,160	9,615
2008 Series A	4.05% to 4.65%	2023	25,090	1,125
2008 Series B	5.50% to 5.65%	2033	34,910	3,755
2008 Series C	Variable	2048	40,000	25,475
2009 Series A	3.80% to 5.20%	2023	26,795	390
2009 Series B	5.45% to 5.90%	2038	33,205	470

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original Amount	Outstanding Amount
Residential Housing Finance Bonds (continued)				
2009 Series C	Variable	2036	$ 40,000	$ 40,000
2009 Series D	3.65% to 4.05%	2020	19,830	5,070
2009 Series E	4.15% to 5.10%	2040	103,960	50,935
2012 Series A	1.20% to 3.90%	2023	50,945	19,515
2012 Series B	3.30% to 3.45%	2024	8,830	5,390
2012 Series C	3.625% to 3.85%	2029	30,975	18,910
2012 Series D	3.90% to 4.00%	2040	60,000	25,510
2013 Series A	0.50% to 3.00%	2031	33,305	11,275
2013 Series B	1.20% to 1.80%	2019	9,555	5,860
2013 Series C	1.80% to 3.90%	2043	42,310	34,490
2014 Series A	0.95% to 4.00%	2038	50,000	29,810
2014 Series B	0.95% to 4.00%	2038	50,000	30,860
2014 Series C	1.05% to 4.00%	2045	143,145	97,940
2014 Series D	3.00% to 3.10%	2026	6,585	5,140
2014 Series E	2.00% to 3.50%	2032	76,000	59,210
2015 Series A	4.00%	2041	43,070	34,660
2015 Series C	0.80% to 3.60%	2031	61,780	47,755
2015 Series D	Variable	2046	18,225	18,225
2015 Series E	1.11% to 3.50%	2046	96,930	77,715
2015 Series F	2.35% to 3.30%	2029	39,515	32,410
2015 Series G	Variable	2034	35,000	35,000
2016 Series A	0.95% to 3.20%	2033	63,135	54,625
2016 Series B	3.10% to 3.50%	2046	74,985	66,455
2016 Series C	1.55% to 4.20%	2037	15,590	12,250
2016 Series D	1.30% to 2.30%	2021	11,340	11,050
2016 Series E	2.00% to 4.00%	2047	75,005	72,710
2016 Series F	Variable	2041	50,000	50,000
			$1,735,820	$1,058,905
Homeownership Finance Bonds				
2009 Series A-1	3.01%	2041	$ 108,000	$ 54,710
2009 Series A-4A	2.48%	2041	21,910	11,890
2009 Series A-4B	2.48%	2041	13,090	7,160
2009 Series A-5	2.49%	2041	21,990	13,730
2010 Series A	2.50% to 4.25%	2028	72,000	18,640
2011 Series B	3.00% to 4.50%	2031	63,760	28,455
2011 Series C	2.80% to 3.850%	2031	8,310	2,460
2011 Series D	2.60% to 4.70%	2034	33,690	15,625
2011 Series E	2.20% to 4.45%	2035	65,000	28,770
2011 Series F	2.35% to 3.45%	2022	13,575	4,960
2011 Series G	4.00% to 4.40%	2035	29,110	16,195

Bonds Payable (continued)

Series	Interest rate	Final Maturity	Original Amount	Outstanding Amount
Homeownership Finance Bonds (continued)				
2012 Series A	2.60%	2042	$ 50,000	$ 30,171
2012 Series B	2.25%	2042	75,000	48,099
2013 Series A	2.35%	2043	75,000	50,734
2013 Series B	2.70%	2041	85,148	44,788
2013 Series C	3.00%	2043	37,000	24,122
2014 Series A	3.00%	2044	38,527	25,697
2014 Series B	2.95%	2044	18,868	13,257
2014 Series C	3.25%	2044	13,663	9,600
2014 Series D	2.88%	2044	39,934	29,684
2015 Series A	2.80%	2045	60,013	52,456
2015 Series B	3.00%	2045	54,530	45,622
2015 Series C	3.05%	2045	40,226	34,016
2015 Series D	2.90%	2045	52,365	48,465
2016 Series A	2.95%	2046	97,274	89,102
2016 Series B	2.70%	2046	50,971	47,676
2016 Series C	2.33%	2046	35,390	34,023
2016 Series D	2.73%	2046	35,390	34,119
2016 Series E	2.35%	2046	35,495	34,658
2016 Series F	2.68%	2046	65,918	64,736
2016 Series G	2.30%	2046	20,445	20,036
2016 Series H	2.65%	2046	30,668	30,227
2017 Series A	2.93%	2047	24,966	24,776
2017 Series B	3.25%	2047	24,966	24,851
2017 Series C	3.08%	2047	23,904	23,827
2017 Series D	3.43%	2047	23,904	23,828
2017 Series E	2.85%	2047	39,283	39,283
2017 Series F	3.20%	2047	19,349	19,348
			$1,618,632	$1,169,796
Multifamily Housing Bonds				
2009	3.01%	2051	$ 15,000	$ 13,960
			$ 15,000	$ 13,960
HOMES[SM]				
2013 Series A-1	3.50%	2043	$ 3,359	$ 2,560
2013 Series B-1	3.00%	2043	24,471	15,220
2013 Series C-1	3.50%	2043	4,713	3,441
			$ 32,543	$ 21,221
Drawdown Index Bonds				
2016 Draw Down Index Bonds	Variable	2046	$ -	$ 27,070
			$ -	$ 27,070
Combined Totals			$3,441,810	$2,328,292

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, 2017, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2018	$12,485	$ 1,156	$ 28,620	$ 31,173
2019	5,595	986	29,420	30,808
2020	370	931	30,395	30,234
2021	385	917	31,535	29,557
2022	395	902	32,520	28,786
2023-2027	2,320	4,226	182,110	128,902
2028-2032	2,950	3,615	227,850	96,591
2033-2037	3,870	2,791	247,875	61,159
2038-2042	5,910	1,568	155,505	26,024
2043-2047	2,195	471	91,340	6,996
2048-2052	865	56	1,735	18
2053-2058		-	-	-
Total	$37,340	$17,619	$1,058,905	$470,248

	Multifamily Housing		Homeownership Finance	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ 240	$ 417	$ 6,200	$ 33,968
2019	240	410	6,330	33,761
2020	240	402	6,505	33,564
2021	240	395	6,670	33,347
2022	240	388	6,875	33,111
2023-2027	1,200	1,832	38,915	161,060
2028-2032	1,760	1,612	45,440	152,029
2033-2037	1,840	1,341	41,140	144,038
2038-2042	2,390	1,022	89,308	136,422
2043-2047	2,790	642	922,413	85,348
2048-2052	2,780	189	-	-
2053-2058			-	-
Total	$13,960	$ 8,650	$1,169,796	$846,648

Bonds Payable (continued)

	HOMES[SM]		DDIB	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ -	$ 667	$ -	$ 363
2019	-	667	-	368
2020	-	666	-	364
2021	-	667	-	365
2022	-	667	-	366
2023-2027	-	3,333	-	1,828
2028-2032	-	3,333	-	1,829
2033-2037	-	3,333	-	1,828
2038-2042	-	3,333	-	1,829
2043-2047	21,221	778	27,070	1,462
2048-2052	-	-		
2053-2058	-	-	-	-
Total	$ 21,221	$ 17,444	$27,070	$10,602

	Combined Totals	
Fiscal Year	**Principal**	**Interest**
2018	$ 47,545	$ 67,744
2019	41,585	67,000
2020	37,510	66,161
2021	38,830	65,248
2022	40,030	64,220
2023-2027	224,545	301,181
2028-2032	278,000	259,009
2033-2037	294,725	214,490
2038-2042	253,113	170,198
2043-2047	1,067,029	95,697
2048-2052	5,380	263
2053-2058	-	-
Total	$2,328,292	$1,371,211

Residential Housing Finance Bonds 2003 Series B and J; 2007 Series S and T (Taxable); 2008 Series C; 2009 Series C; Series 2015 D and G; and Series 2016 F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2017 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The income and assets of each of the bond funds, except for the HOMES[SM] fund, are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond resolutions contains covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2017, it is in compliance with those covenants in all material

Bonds Payable (continued)

respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Call notices were issued on or before June 30, 2017 for the redemption of certain bonds thereafter. See Subsequent Events.

Demand Bonds

On June 30, 2017 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $30.000 million.

The 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 the liquidity provider a fee of between 0.25 and 0.65 percent per annum of the liquidity provider's available commitment of both the outstanding principal amount of the bonds and approximately six months interest on the bonds at the rate of 12% per annum.

The Agency has paid $0.2 million to the liquidity provider for fiscal year 2017.

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 $0.03 million to the remarketing agent for fiscal year 2017.

Demand Bonds

Variable Rate Series	Principal Amount Outstanding at par	Liquidity Facility Maturity-SBPA[1]	Liquidity Fee	Remarketing Agent Fee
Residential Housing Finance Series 2003B	$ 7,725,000	7/16/2018	0.500%	0.100%
Residential Housing Finance Series 2003J	6,790,000	7/16/2018	0.500%	0.100%
Residential Housing Finance Series 2007S[2]	15,235,000	2/1/2018	4.500%	0.100%
Residential Housing Finance Series 2007T[2]	9,615,000	2/1/2018	4.500%	0.100%
Residential Housing Finance Series 2008C	25,475,000	8/7/2018	0.450%	0.100%
Residential Housing Finance Series 2009C	40,000,000	2/12/2019	0.450%	0.100%
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%
Combined Totals	$208,065,000			

[1]-SBPA-Stand By Purchase Agreement

[2]-Swaps were terminated on July 3, 2017

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, 2017. The fair values approximate the termination payments that would have been due had the swaps been terminated as

Derivative Instruments-Interest Rate Swaps (continued)

of June 30, 2017. Under GASB 53, instruments, in whole or in part, such as interest rate swaps and similar transactions that fall under the definition of Derivative Instruments must be reported on the statement of net 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, 2017, 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, 2017 is included under deferred outflows of resources as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from calendar year 2003 through 2009, and 2015 through 2017. 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, 2017, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net
2018	$ 68,720	$ 1,023	$ 2,995
2019	-	757	1,751
2020	-	757	1,742
2021	-	758	1,735
2022	215	757	1,729
2023-2027	4,535	3,701	8,208
2028-2032	27,535	3,270	6,880
2033-2037	27,010	1,769	4,106
2038-2042	12,625	1,045	2,344
2043-2047	16,370	353	462
2048-2052	1,055	9	32

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, 2017, are contained in the two tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps 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

Derivative Instruments-Interest Rate Swaps (continued)

of the associated bond series and, except for the 2003B and 2003J swaps, the right to terminate the swaps at par at approximately the 10 year anniversary date of the swap for the 2007S, 2007T, 2008C and 2009C Swaps and the 7-year anniversary date for the 2015D , 2015G, 2016F and 2017C 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* Aa1 (stable outlook) / Standard & Poor's** AA- (stable outlook)

Associated Bond Series	Notional Amount as of June 30, 2017 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2017 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2016 (in thousands)
RHFB 2003B	$ 7,725	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR*** plus 0.23% per annum	$ (664)	$ (363)
RHFB 2003J	6,790	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR*** plus 0.23% per annum	(857)	(308)
RHFB 2007S	15,235	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA**** Index plus 0.06% per annum	(252)	(334)
RHFB 2007T (Taxable)	9,615	December 19, 2007	July 1, 2026	4.538%	100% of 1 month LIBOR*	(172)	(244)
Counterparty Total	$39,365					$(1,945)	$(1,249)

Counterparty: Royal Bank Of Canada

Moody's* Aa3 (Negative outlook) / Standard & Poor's** AA- (Negative outlook)

Associated Bond Series	Notional Amount as of June 30, 2017 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2017 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2016 (in thousands)
RHFB 2008C	$ 25,475	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR*** plus 0.30% per annum	$(1,069)	$ (714)
RHFB 2009C	40,000	February 12, 2009	July 1, 2039	4.215%	64% of 3 month LIBOR*** plus 0.26% per annum	(2,431)	(1,168)
RHFB 2015D	18,225	August 15, 2015	January 1, 2046	2.343%	67% of 1 month LIBOR	(325)	(859)
RHFB 2015G	35,000	December 8, 2015	January 1, 2034	1.953%	67% of 1 month LIBOR	(361)	(1,513)
RHFB 2016F	50,000	December 22, 2016	January 1, 2041	2.175%	67% of 1 month LIBOR	(1,393)	(481)
Counterparty Total	$168,700					$(5,579)	$(4,735)

Derivative Instruments-Interest Rate Swaps (continued)

Counterparty: Wells Fargo

Moody's* Aa1(Stable outlook) / Standard & Poor's** AA- (Negative outlook)

Associated Bond Series	Notional Amount as of June 30, 2017 (in thousands)	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2017 (in thousands)	Increase (Decrease) in Fair Value since June 30, 2016 (in thousands)
RHFB 2017C	$ -	January 1, 2019	January 1, 2038	2.180%	67% of 1 month LIBOR	$ (241)	$ 241
Counterparty Total	-					(241)	241
Combined Totals	$208,065					$(7,765)	$(5,743)

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, 2017, 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, 2017, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

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

Derivative Instruments-Interest Rate Swaps (continued)

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2017, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.492% to 0.95% per annum while the variable interest rate on the associated swaps ranged from 0.31% to 1.08% per annum. As of June 30, 2017, the interest rate on the Agency's variable rate taxable debt was 1.17% per annum while the variable interest rate on the associated swaps was 1.226% 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, 2017, 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**	8	$ 53,000	$ 55,303	$ 55,220	$82
ED&F Man Capital Markets	A-1*/F1+**	24	133,500	138,810	138,732	78
Fannie Mae	Not rated*/F1+**	16	73,000	75,470	75,560	(90)
Janney Montgomery Scott	Not Rated*/Not Rated**	3	11,000	11,429	11,463	(33)
Multi-Bank Securities	A-1*/F1+**	1	4,000	4,119	4,094	24
		52	$274,500	$285,131	$285,070	$62

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

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, 2017, $26.436 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, 2017, $22.052 million of the bonds were outstanding.

On April 20, 2016 and May 11, 2016, the Agency issued long-term tax-exempt multifamily revenue notes on a conduit basis that will be purchased by Freddie Mac under their Tax Exempt Loan Program.

Conduit Debt-Obligation (continued)

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, 2017, $32.695 million of the bonds were outstanding.

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

Appropriation Debt Obligation

The Agency has outstanding bonds under two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing and other purposes. As of June 30, 2017, $132.985 million of bonds were outstanding. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency. These bonds are payable solely from the appropriations the Agency expects to receive from the State General Fund pursuant to standing appropriations to be made by the Legislature as authorized by state laws adopted in 2008, 2012, 2014 and 2015. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts Payable

Accounts payable and other liabilities at June 30, 2017 consisted of the following (in thousands):

Funds	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve Account	$3,987	$2,691	$ 6,678
Rental Housing	-	2,396	2,396
Residential Housing Finance	-	1,060	1,060
Homeownership Finance	-	131	131
Multifamily Housing	-	-	-
HOMES[SM]	-	-	-
State Appropriated	-	2,119	2,119
Federal Appropriated	-	13	13
Combined Totals	$3,987	$8,410	$12,397

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2017 consisted of the following (in thousands):

		Due from								
	Funds	General Reserve	Rental Housing	Residential Housing Finance	Home-ownership Finance	Multifamily Housing	HOMES[SM]	State Appropriated	Federal Appropriated	Total
Due to	General Reserve	$-	$-	$20,894	$-	$-	$-	$334	$264	$21,492
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	-	-	-	-	-	-	-	-
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$-	$-	$20,894	$-	$-	$-	$334	$264	$21,492

Interfund Balances (continued)

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, 2017 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	$-	$ 1,192	$12,761	$6,455	$95	$-	$1,448	$788	$22,739
	Rental Housing	-	-	-	-	-	-	-	-	-
	Residential Housing Finance	-	19,713	-	-	-	-	2,577	-	22,290
	Homeownership Finance	-	-	-	-	-	-	-	-	-
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]						-			
	State Appropriated	1	-	71	-	-	-	-	-	72
	Federal Appropriated	-	-	1,736	-	-	-	-	-	1,736
	Agency-wide Totals	$1	$20,905	$14,568	$6,455	$95	$-	$4,025	$788	$46,837

Interfund transfers recorded in Interfund Payable (Receivable) were made to move loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $2.506 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, 2017, 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	$ -	$-	$18,209	$-	$-	$-	$-	$ -	$18,209
	Rental Housing	-	-	22	-	-	-	-	-	22
	Residential Housing Finance	8,585	-	-	-	-	-	-	2,044	10,629
	Homeownership Finance	-	-	17,813	-	-	-	-	-	17,813
	Multifamily Housing	-	-	-	-	-	-	-	-	-
	HOMES[SM]	-	-	-	-	-	-	-	-	-
	State Appropriated	-	-	-	-	-	-	-	-	-
	Federal Appropriated	-	-	-	-	-	-	-	-	-
	Agency-wide Totals	$8,585	$-	$36,044	$-	$-	$-	$-	$2,044	$46,673

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.

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 $471.700 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 $721.570 million as of June 30, 2016 and $767.914 million as of June 30, 2017.

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, 2017 (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	$ 9,871	$ -	$ 9,871
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	9,871	-	9,871
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.	349,070	-	349,070
Unrealized appreciation in fair market value of investments	-	2,664	2,664
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	349,070	2,664	351,734
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.	109,459	-	109,459
Unrealized appreciation in fair market value of investments	-	636	636
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	109,459	636	110,095
Agency-wide Total	$468,400	$3,300	$471,700

Net Position (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Restricted by Law under Net Position. The $10.422 million balance of Restricted by Law in the Federal Appropriated fund as of June 30, 2017 is restricted by federal requirements that control the use of the funds. The $136.312 million balance of Restricted by Law in the State Appropriated fund as of June 30, 2017 is restricted by the state laws appropriating such funds.

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 2017. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2017 was $0.968 million. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions

The Agency's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total

Defined Benefit Pension Plan (continued)

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, 2016, valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2015, with an update of economic assumptions in 2016.

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 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	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Changes in Actuarial Assumptions

The changes in funding actuarial assumptions listed below have occurred since July 1, 2015. Assumption changes in the State Employee Retirement Fund are the result of an experience study dated June 30, 2015.

Assumed salary increase rates average 0.2% greater than the previous rates.

Assumed rates of retirement were resulting in fewer unreduced (Normal) retirements and fewer Rule of 90 retirements.

Assumed rates of termination were changed and are generally greater than the previous rates for years 3 – 9 and less than the previous rates after 15 years.

Assumed rates of disability are 75% of previous rates for females and rates for male members were lowered by utilizing the same disability rates as for females.

The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2014). The mortality improvement scale was changed from Scale AA to Scale MP-2015.

The percent married assumption was changed from 85% of active male members and 70% of female members to 80% of active members and 65% of active female members.

Defined Benefit Pension Plan (continued)

The assumed number of married male new retirees electing the 75% Joint & Survivor option changed from 10% to 15%. The assumed number of married female new retirees electing the 75% and 100% Joint & Survivor options changed from 0% to 10% and from 25% to 30%, respectively. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

The assumed post-retirement benefit increase rate was changed from 2.00% per year through 2043 and 2.50% per year thereafter to 2.00% per year for all future years.

The long-term expected rate of return on pension plan investments has been reduced from 7.90% to 7.50% as of July 1, 2016.

The single discount rate changed from 7.90% as of July 1, 2015 to 4.17% as of July 1, 2016.

The inflation assumption has been reduced from 2.75% to 2.50%, and the payroll growth assumption was reduced from 3.50% to 3.25%.

Single Discount Rate

A Single Discount Rate of 4.17% 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 2.85%. 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, 2042. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year ending June 30, 2042, and the municipal bond rate was applied to all benefit payments after that point of asset depletion.

Net Pension Liability

At June 30, 2017, the Agency reported a liability of $76.077 million for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2016, the Agency's proportionate share of the entire plan was 0.61359 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 (3.17%)	Discount Rate (4.17%)	1% Increase in Discount Rate (5.17%)
Agency proportionate share of the net pension liability:	$100,305	$76,077	$56,613

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).

Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2017, the Agency recognized pension expense of $11.030 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	$ 104	$1,924
Changes of assumptions	48,652	3,626
Net difference between projected and actual earnings on investments	3,348	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	203	4
Contributions paid to MSRS subsequent to the measurement date	968	-
Total	$53,275	$5,554

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
2018	$10,705
2019	10,705
2020	12,521
2021	12,822

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 $0.300 million for fiscal year 2017. The NOO was recorded as an expense and a corresponding liability by the Agency. This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 2.85% and the assumed payroll growth rate was 3.50%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 70% rate. The projected annual medical claims cost trend rate is 6.40% initially, reduced by decrements to an ultimate rate of 3.8% for the year 2073 and beyond. The funding status, from the report dated July 1, 2016, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

Post-Employment Benefits Other Than Pensions (continued)

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2010	$-	$693,297	$693,297	0.00%	$2,048,761	33.84%
7/1/2012	-	573,135	573,135	0.00%	1,904,671	30.09%
7/1/2014	-	574,221	574,221	0.00%	2,260,171	25.41%
7/1/2016	-	553,448	553,448	0.00%	2,680,492	20.65%

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2014	$62,409	$30,222	48.43%	$226,173
6/30/2015	62,192	27,324	43.93%	261,041
6/30/2016	65,289	30,372	46.52%	295,958
6/30/2017	64,081	28,526	44.52%	331,513

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

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Interest on NOO	ARC Adjustment with Interest	Amortization Factor	Annual OPEB Cost	Change in NOO	NOO Balance
6/30/2014	$60,952	$30,222	$9,214	$7,757	26.195	$62,409	$32,187	$226,173
6/30/2015	61,156	27,324	9,273	8,237	28.582	62,192	34,868	261,041
6/30/2016	64,093	30,372	10,703	9,507	28.582	65,289	34,917	295,958
6/30/2017	64,893	28,526	8,435	9,247	32.919	64,081	35,555	331,513

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	$ 4,788
Business interruption/loss of use/extra expense	100,000
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.

Risk Management (continued)

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, 2017, 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	16,389
Residential Housing Finance	212,577
Homeownership Finance	-
Multifamily Housing	-
HOMES[SM]	-
State Appropriated	105,818
Federal Appropriated	20,133
Agency Wide Totals	$354,917

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 2027 and for parking through August 2027, totaling $15.664 million. Combined office facilities and parking lease expense for fiscal year 2017 was $1.230 million.

On June 30, 2017 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, 2017, $59.502 million of mortgage-backed securities were pledged. The advances taken during fiscal year 2017 were used to purchase and warehouse mortgage-backed securities in Pool 2.

Line of Credit

The line of credit activity for the year ended June 30, 2017, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$23,000	$853,000	$846,000	$30,000

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

Subsequent Events

The Agency called for redemption or repayment subsequent to June 30, 2017 the following bonds (in thousands):

Program	Retirement Date	Par
Homeownership Finance	July 1, 2017	$ 3,105
Residential Housing Finance	July 1, 2017	24,500
Residential Housing Finance	July 19, 2017	62,165
Residential Housing Finance	July 24, 2017	9,190
Residential Housing Finance-ALF2 Draw Down Index Bond	July 19, 2017	43,930
Residential Housing Finance	August 1, 2017	5,850
Homeownership Finance	August 1, 2017	830
Homeownership Finance	September 1, 2017	2,915
Residential Housing Finance	September 1, 2017	5,800
Rental Housing	September 18, 2017	740

The Agency made, or has committed to make draws from the Drawdown Index Bonds subsequent to June 30, 2017 as shown in the table below.

Program	Series	Draw Date	Par
Drawdown Index Bonds	2016A-1 AMT	July 3, 2017	$ 6,260
Drawdown Index Bonds	2016B-1 Non-AMT/Non ACE	July 3, 2017	17,990
Drawdown Index Bonds	2016A-1 AMT	August 1, 2017	1,000
Drawdown Index Bonds	2016B-1 Non-AMT/Non ACE	August 1, 2017	10,435
Drawdown Index Bonds	2016A-1 AMT	September 1, 2017	1,345
Drawdown Index Bonds	2016B-1 Non-AMT/Non ACE	September 1, 2017	13,685

On June 22, 2017, the Board of the Agency adopted a series resolution authorizing the issuance of bonds for the purpose of providing funds for certain of the Agency's multifamily programs. The Rental Housing Bonds, 2017 Series A, in the principal of amount $5.750 million were delivered on August 24, 2017.

On June 14, 2017, the Board of the Agency adopted a series resolution authorizing the issuance of variable bonds in the principal amount of $40 million for the purpose of providing funds for certain of the Agency's homeownership programs. On July 19, 2017 the Residential Housing Finance Bonds, 2017 Series C were delivered pursuant to that authorization, and Residential Housing Finance Bonds, 2017 Series A and 2017 Series B, in the aggregate principal of amount $80.845 million were delivered pursuant to a previous board authorization on April 28, 2016.

On July 1, 2017 the agency optionally terminated the following Swaps.

Associated Bond Sale	Effective date	Amount
RHFB 2007S	July 1, 2017	$ 15,235
RHFB 2007T	July 1, 2017	8,275

The Agency has evaluated subsequent events through August 31, 2017, the date on which the financial statements were available to be issued.

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MINNESOTA HOUSING FINANCE AGENCY
Required Supplementary Information
General Reserve and Bond Funds
Schedule of Selected Pension Information-Unaudited (in thousands)
Fiscal Year 2017

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

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

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

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

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Net Position (in thousands)
General Reserve and Bond Funds
As of June 30, 2017 (with comparative totals as of June 30, 2016)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Assets	Cash and cash equivalents	$ 66,475	$ 44,858	$ 156,057	$ 41,214
	Investments-program mortgage-backed securities	-	-	514,885	-
	Investment securities-other	19,946	1,970	25,449	128,036
	Loans receivable, net	-	130,279	552,462	282,902
	Interest receivable on loans and program mortgage-backed securities	-	595	4,702	1,330
	Interest receivable on investments	102	38	372	384
	FHA/VA insurance claims, net	-	-	1,575	-
	Real estate owned, net	-	-	1,052	177
	Capital assets, net	3,845	-	-	-
	Other assets	1,792	8	187	39
	Total assets	92,160	177,748	1,256,741	454,082
Deferred outflows of Resources	Deferred loss on refunding	-	-	137	-
	Deferred loss on interest rate swap agreements	-	-	5,264	-
	Deferred pension expense	53,275	-	-	-
	Total deferred outflows of resources	53,275	-	5,401	-
Liabilities	Bonds payable, net	$ -	$ 37,340	$1,070,136	$ 57,070
	Interest payable	-	488	18,084	37
	Interest rate swap agreements	-	-	5,264	-
	Net pension liability	76,077	-	-	-
	Accounts payable and other liabilities	6,678	2,396	593	285
	Interfund payable (receivable)	(21,492)	-	-	37,917
	Funds held for others	64,902	-	-	-
	Total liabilities	126,165	40,224	1,094,077	95,309
Deferred inflows of Resources	Deferred service release fee	-	-	2,281	7,039
	Deferred pension credit	5,554	-	-	-
	Total deferred inflows of resources	5,554	-	2,281	7,039
Net Position	Restricted by bond resolution	-	137,524	165,784	-
	Restricted by covenant	9,871	-	-	351,734
	Invested in capital assets	3,845	-	-	-
	Total net position	13,716	137,524	165,784	351,734
	Total liabilities, deferred inflows, and net position	$145,435	$177,748	$1,262,142	$454,082

Bond Funds			General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2016
Home-ownership Finance	Multifamily Housing	HOMES[SM]					
$ 35,034	$ 1,406	$ -	$ 345,044	$ 415,802	$ 4,249	$ 349,293	$ 420,666
1,195,830	-	-	1,710,715	1,444,863	-	1,710,715	1,444,863
1,400	-	21,627	198,428	199,498	36,015	234,443	237,412
-	14,128	-	979,771	1,139,295	51,843	1,031,614	1,183,107
3,597	52	-	10,276	10,703	75	10,351	10,785
17	-	56	969	826	71	1,040	898
-	-	-	1,575	2,634	-	1,575	2,634
-	-	-	1,229	3,103	-	1,229	3,103
-	-	-	3,845	2,783	-	3,845	2,783
29	-	-	2,055	1,725	1,001	3,056	1,729
1,235,907	15,586	21,683	3,253,907	3,221,232	93,254	3,347,161	3,307,980
-	-	-	137	199	-	137	199
-	-	-	5,264	11,764	-	5,264	11,764
-	-	-	53,275	2,980	-	53,275	2,980
-	-	-	58,676	14,943	-	58,676	14,943
$1,169,796	$13,960	$21,221	$2,369,523	$2,307,222	$ -	$2,369,523	$2,307,222
5,823	35	56	24,523	26,900	-	24,523	26,900
-	-	-	5,264	11,764	-	5,264	11,764
-	-	-	76,077	8,979	-	76,077	8,979
131	-	-	10,083	14,428	182	10,265	14,439
-	-	-	16,425	27,212	(17,023)	(598)	(889)
-	-	406	65,308	68,691	-	65,308	68,691
1,175,750	13,995	21,683	2,567,203	2,465,196	(16,841)	2,550,362	2,437,106
4,673	-	-	13,993	12,118	-	13,993	12,118
-	-	-	5,554	11,327	-	5,554	11,327
4,673	-	-	19,547	23,445	-	19,547	23,445
55,484	1,591	-	360,383	382,133	-	360,383	382,133
-	-	-	361,605	362,618	110,095	471,700	477,456
-	-	-	3,845	2,783	-	3,845	2,783
55,484	1,591	-	725,833	747,534	110,095	835,928	862,372
$1,235,907	$15,586	$21,683	$3,312,583	$3,236,175	$ 93,254	$3,405,837	$3,322,923

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, 2017 (with comparative totals for year ended June 30, 2016)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	$ -	$ 6,981	$ 33,389	$ 17,489
	Interest earned on investments-program mortgage-backed securities	-	-	13,949	-
	Interest earned on investments-other	254	266	1,740	3,784
	Net G/L on Sale of MBS Held for Sale/HOMES[SM] Certificate	-	-	-	2,521
	Administrative reimbursement	22,482	-	-	-
	Fees earned and other income	11,077	228	339	1,329
	Unrealized gains (losses) on Investments	-	(100)	(15,080)	9,105
	Total revenues	33,813	7,375	34,337	34,228
Expenses	Interest	-	1,315	32,390	738
	Financing, net	-	-	484	23
	Loan administration and trustee fees	-	83	2,097	1,144
	Administrative reimbursement	-	1,192	7,766	3,684
	Salaries and benefits	36,311	-	-	-
	Other general operating	7,690	5	40	706
	Reduction in carrying value of certain low interest rate deferred loans	-	-	-	165
	Provision for loan losses	-	(295)	(1,936)	391
	Total expenses	44,001	2,300	40,841	6,851
	Revenue over(Under) expenses	(10,188)	5,075	(6,504)	27,377
Other changes	Non-operating transfer of assets between funds	9,624	22	(1,651)	(26,764)
	Change in net position	(564)	5,097	(8,155)	613
Net Position	Total net position, beginning of Year	14,280	132,427	173,939	351,121
	Total net position, end of Year	$13,716	$137,524	$165,784	$351,734

Bond Funds			General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2016	Residential Housing Finance Pool 3 Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2016
Home-ownership Finance	Multifamily Housing	HOMES[SM]					
$ -	$ 625	$ -	$ 58,484	$ 68,027	$ 262	$ 58,746	$ 68,157
36,876	-	-	50,825	41,846	-	50,825	41,846
124	5	711	6,884	7,460	821	7,705	8,219
-	-	-	2,521	3,756	-	2,521	3,756
-	-	-	22,482	21,523	-	22,482	21,523
598	-	-	13,571	13,451	35	13,606	13,810
(31,985)	-	-	(38,060)	32,819	(797)	(38,857)	33,410
5,613	630	711	116,707	188,882	321	117,028	190,721
31,043	423	711	66,620	68,580	-	66,620	68,580
4,267	-	-	4,774	18,694	-	4,774	18,694
430	4	-	3,758	4,039	14	3,772	4,056
6,455	95	-	19,192	18,114	1,268	20,460	19,360
-	-	-	36,311	21,258	-	36,311	21,258
31	-	-	8,472	6,597	4,209	12,681	10,919
-	-	-	165	(1,585)	2,244	2,409	526
-	-	-	(1,840)	2,391	329	(1,511)	2,748
42,226	522	711	137,452	138,088	8,064	145,516	146,141
(36,613)	108	-	(20,745)	50,794	(7,743)	(28,488)	44,580
17,813	-	-	(956)	(3,000)	3,000	2,044	-
(18,800)	108	-	(21,701)	47,794	(4,743)	(26,444)	44,580
74,284	1,483	-	747,534	699,740	114,838	862,372	817,792
$ 55,484	$1,591	$ -	$725,833	$747,534	$110,095	$835,928	$862,372

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2017 (with comparative totals for year ended June 30, 2016)

			Bond Funds
		General Reserve	Rental Housing
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$ 44,407
	Investment in loans and program mortgage-backed securities	-	(14,861)
	Interest received on loans and program mortgage-backed securities	-	6,970
	Fees and other income received	10,571	228
	Salaries, benefits and other operating	(28,490)	(125)
	Administrative reimbursement from funds	22,696	(1,192)
	Deposits into funds held for others	26,468	-
	Disbursements made from funds held for others	(29,464)	-
	Interfund transfers and other assets	(2,818)	55
	Net cash provided (used) by operating activities	(1,037)	35,482
Cash flows from non-capital financing activities	Proceeds from sale of bonds and notes	-	7,895
	Principal repayment on bonds and notes	-	(25,235)
	Interest paid on bonds and notes	-	(1,419)
	Financing costs paid related to bonds issued	-	-
	Interest paid/received between funds	43	-
	Principal paid/received between funds	-	-
	Agency contribution to program funds	-	22
	Transfer of cash between funds	8,585	-
	Net cash provided (used) by noncapital financing activities	8,628	(18,737)
Cash flows from investing activities	Investment in real estate owned	-	-
	Interest received on investments	836	250
	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	-	24
	Purchase of investment securities	-	-
	Purchase of loans between funds	-	(19,713)
	Net cash provided (used) by investing activities	836	(19,439)
	Net increase (decrease) in cash and cash equivalents	8,427	(2,694)
Cash and cash equivalents	Beginning of year	58,048	47,552
	End of year	$ 66,475	$ 44,858

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		Home-ownership			Total For The Year Ended	Total For The Year Ended	Total For The Year Ended	Total For The Year Ended
Bonds	Pool 2	Finance	Multifamily Housing	HOMES[SM]	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2016
$ 163,567	$ 36,759	$ 133,396	$177	$ -	$ 378,306	$ 7,388	$ 385,694	$ 352,494
(102,215)	(36,456)	(386,943)	-	-	(540,475)	(21,666)	(562,141)	(508,693)
47,368	16,731	38,486	624	-	110,179	514	110,693	110,133
-	12,310	-	-	-	23,109	35	23,144	25,356
(2,465)	(10,012)	(455)	(4)	-	(41,551)	(4,100)	(45,651)	(45,340)
(7,766)	(3,684)	(6,455)	(95)	-	3,504	(1,268)	2,236	2,249
-	-	-	-	-	26,468	-	26,468	28,083
-	-	-	-	-	(29,464)	-	(29,464)	(27,902)
77	(37)	-	-	-	(2,723)	11	(2,712)	(2,170)
98,566	15,611	(221,971)	702	-	(72,647)	(19,086)	(91,733)	(65,790)
138,329	998,945	379,677	-	-	1,524,846	-	1,524,846	1,482,842
(311,205)	(970,875)	(145,487)	(240)	(4,252)	(1,457,294)	-	(1,457,294)	(1,206,445)
(39,604)	(582)	(31,364)	(424)	(722)	(74,115)	-	(74,115)	(74,173)
(2,101)	(21)	(3,192)	-	-	(5,314)	-	(5,314)	(6,927)
-	(181)	-	-	-	(138)	138	-	
-	(11,000)	-	-	-	(11,000)	11,000	-	
1,091	(12,254)	11,449	-	-	308	-	308	-
-	(11,585)	-	-	-	(3,000)	3,000	-	-
(213,490)	(7,553)	211,083	(664)	(4,974)	(25,707)	14,138	(11,569)	195,297
(2,166)	(32)	-	-	-	(2,198)	-	(2,198)	(2,189)
2,006	3,860	114	6	722	7,794	517	8,311	8,350
-	3,532	-	-	-	3,532	-	3,532	(7,577)
19,512	141	-	-	-	19,653	-	19,653	21,321
4,879	594,440	-	-	4,252	603,595	1,310	604,905	638,293
(1,082)	(603,698)	-	-	-	(604,780)	-	(604,780)	(652,750)
	19,713	-	-	-	-	2,506	2,506	3,348
23,149	17,956	114	6	4,974	27,596	4,333	31,929	8,796
(91,775)	26,014	(10,774)	44	-	(70,758)	(615)	(71,373)	138,303
247,832	15,200	45,808	1,362	-	415,802	4,864	420,666	282,363
$ 156,057	$ 41,214	$ 35,034	$1,406	$ -	$ 345,044	$ 4,249	$ 349,293	$ 420,666

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2017 (with comparative totals for year ended June 30, 2016)

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

		Bond Funds
	General Reserve	Rental Housing
Revenues over (under) expenses	$(10,188)	$ 5,075
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	-	(36)
Amortization of premium (discounts) and fees on sale of HOMES[SM] Certificates	-	-
Amortization of proportionate share-Pension	(12)	-
Depreciation	2,370	-
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	-	100
Salaries and Benefits-Pensions	11,042	-
Provision for loan losses	-	(295)
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	(254)	(266)
Interest expense on bonds and notes	-	1,315
Financing expense in bonds	-	-
Changes in assets and liabilities:		
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	29,546
Decrease (increase) in interest receivable on loans	-	25
Increase (decrease) in accounts payable	192	(37)
Increase (decrease) in interfund payable, affecting operating activities only	290	-
Increase (decrease) in funds held for others	(2,996)	-
Other	(1,481)	55
Total	9,151	30,407
Net cash provided (used) by operating activities	$(1,037)	$35,482

Bond Funds					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, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2017	General Reserve & Bond Funds Total For The Year Ended June 30, 2016
Residential Housing Finance								
Bonds	Pool 2	Home-ownership Finance	Multifamily Housing	HOMES[SM]				
$ (6,504)	$ 27,377	$ (36,613)	$108	$ -	$ (20,745)	$ (7,743)	$ (28,488)	$ 44,580
598	(702)	2,326	-	-	2,186	245	2,431	1,813
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(12)	-	(12)	(80)
-	-	-	-	-	2,370	-	2,370	2,224
-	(2,521)	-	-	-	(2,521)	-	(2,521)	(3,756)
(71)	6	-	-	-	(65)	-	(65)	(715)
15,080	(9,105)	31,985	-	-	38,060	797	38,857	(33,410)
-	-	-	-	-	11,042	-	11,042	(2,686)
(1,936)	391	-	-	-	(1,840)	329	(1,511)	2,748
-	165	-	-	-	165	2,244	2,409	526
(1,721)	(21)	-	-	-	(1,742)	-	(1,742)	(2,000)
(1,646)	(3,790)	(124)	(6)	(711)	(6,797)	(821)	(7,618)	(7,504)
32,390	738	31,043	423	711	66,620	-	66,620	68,580
484	21	4,267	-	-	4,772	-	4,772	18,646
61,352	303	(253,547)	177	-	(162,169)	(14,278)	(176,447)	(156,199)
1,153	(35)	(716)	-	-	427	7	434	317
(667)	2,821	(592)	-	-	1,717	123	1,840	3,663
-	(37)	-	-	-	253	8	261	97
-	-	-	-	-	(2,996)	-	(2,996)	181
54	-	-	-	-	(1,372)	3	(1,369)	(2,815)
105,070	(11,766)	(185,358)	594	-	(51,902)	(11,343)	(63,245)	(110,370)
$98,566	$ 15,611	$(221,971)	$702	$ -	$ (72,647)	$(19,086)	$ (91,733)	$ (65,790)

Other Information

General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2013-2017

		2013	2014	2015	2016	2017
Loans Receivable, net (as of June 30)	Multifamily programs	$ 354,059	$ 338,782	$ 317,655	$ 330,204	$ 298,355
	Homeownership programs	1,166,480	1,028,918	911,788	776,255	661,630
	Home Improvement programs	87,973	85,535	82,471	76,648	71,629
	Total	$1,608,512	$1,453,235	$1,311,914	$1,183,107	$1,031,614
Mortgage-backed securities, net, at par (as of June 30)	Program mortgage-backed securities	$ 801,771	$ 900,321	$1,106,749	$1,378,317	$1,681,474
	Warehoused mortgaged-backed securities	56,007	28,728	74,425	116,256	125,372
	Total	$ 857,778	$ 929,049	$1,181,174	$1,494,573	$1,806,846
Bonds Payable, net (as of June 30)	Multifamily programs	$ 86,655	$ 82,140	$ 57,360	$ 68,880	$ 51,300
	Homeownership programs	2,034,472	1,936,772	1,975,972	2,238,342	2,318,223
	Home Improvement programs	-	-	-	-	-
	Total	$2,121,127	$2,018,912	$2,033,332	$2,307,222	$2,369,523
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 36,757	$ 15,867	$ 13,765	$ 42,517	$ 30,351
	Homeownership programs	18,999	23,912	39,269	33,351	29,687
	Program and warehoused mortgage-backed securities	296,751	160,485	358,108	489,833	493,662
	Home Improvement programs	10,627	15,202	15,417	12,283	13,239
	Total	$ 363,134	$ 215,466	$ 426,559	$ 577,984	$ 566,939
Net Position (as of June 30)	Total Net Position *	$ 682,308	$ 696,154	$ 709,740	$ 747,534	$ 725,833
	Percent of total assets and deferred outflows of resources *	23.0%	24.0%	24.4%	23.1%	22.0%
Revenue over Expenses	Revenues over expenses for the fiscal year *	$ (19,587)	$ 41,846	$ 35,966	$ 50,794	$ (21,701)

Notes:
* Excludes Pool 3

Other Information (continued)

Board of Directors

John DeCramer, Chair
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

Stephanie Klinzing
Member

Damaris Hollingsworth
Member

Legal and Financial Services

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

Bond Counsel
Kutak Rock LLP, Atlanta

Financial Advisor
CSG Advisors Incorporated

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

Certified Public Accountants
RSM US LLP

Location

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

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

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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, 2017

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, 2017 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, 2017 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, 2017
(unaudited)
(with comparative totals as of December 31, 2016 (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 2018 General Reserve and Bond Funds as of December 31, 2017	Fiscal 2017 General Reserve and Bond Funds as of December 31, 2016
Assets											
Cash and cash equivalents	$ 65,560	$ 60,782	$ 137,816	$ 26,757	$ 39,152	$ 1,435	$ -	$ 331,502	$ 5,315	$ 336,817	$ 432,618
Investments-program mortgage-backed securities	-	-	669,268	-	1,382,608	-	-	2,051,876	-	2,051,876	1,636,139
Investment securities-other	19,967	1,803	22,910	70,244	-	-	19,653	134,577	31,742	166,319	187,426
Loans receivable, net	-	126,340	499,906	297,513	-	14,037	-	937,796	59,338	997,134	1,103,615
Interest receivable on loans and program mortgage-backed securites	-	585	4,711	1,315	4,140	52	-	10,803	46	10,849	10,738
Interest receivable on investments	117	62	377	224	26	1	51	858	73	931	807
FHA/VA insurance claims, net	-	-	1,814	-	-	-	-	1,814	-	1,814	3,149
Real estate owned, net	-	-	1,730	(22)	-	-	-	1,708	-	1,708	4,352
Capital assets, net	4,052	-	-	-	-	-	-	4,052	-	4,052	2,456
Other assets	1,050	2	17	301	14	-	-	1,384	1	1,385	1,295
Total assets	90,746	189,574	1,338,549	396,332	1,425,940	15,525	19,704	3,476,370	96,515	3,572,885	3,382,595
Deferred Outflows of Resources											
Deferred loss on refunding	-	-	111	-	-	-	-	111	-	111	169
Deferred loss on interest rate swap agreements	-	-	3,728	-	-	-	-	3,728	-	3,728	8,526
Deferred pension expense	53,275	-	-	-	-	-	-	53,275	-	53,275	2,980
Total deferred outflows of resources	53,275	-	3,839	-	-	-	-	57,114	-	57,114	11,675
Total assets and deferred outflows of resources	$ 144,021	$ 189,574	$ 1,342,388	$ 396,332	$ 1,425,940	$ 15,525	$ 19,704	$ 3,533,484	$ 96,515	$ 3,629,999	$ 3,394,270
Liabilities											
Bonds payable, net	$ -	$ 38,500	$ 1,145,904	$ 100	$ 1,354,224	$ 13,840	$ 19,306	$ 2,571,874	$ -	$ 2,571,874	$ 2,413,978
Interest payable	-	473	16,542	9	5,998	35	51	23,108	-	23,108	25,328
Interest rate swap agreements	-	-	3,728	-	-	-	-	3,728	-	3,728	8,526
Net pension liability	76,077	-	-	-	-	-	-	76,077	-	76,077	8,979
Accounts payable and other liabilities	4,093	10,354	474	6,669	71	-	-	21,661	1	21,662	11,825
Interfund payable (receivable)	(19,027)	-	-	28,174	-	-	-	9,147	(10,026)	(879)	(410)
Funds held for others	63,819	-	-	1,250	-	-	347	65,416	-	65,416	63,849
Total liabilities	124,962	49,327	1,166,648	36,202	1,360,293	13,875	19,704	2,771,011	(10,025)	2,760,986	2,532,075
Deferred Inflows of Resources											
Deferred revenue-service release fees	-	-	3,388	6,122	6,435	-	-	15,945	-	15,945	13,390
Deferred pension credit	5,554	-	-	-	-	-	-	5,554	-	5,554	11,327
Total deferred inflows of resources	5,554	-	3,388	6,122	6,435	-	-	21,499	-	21,499	24,717
Total liabilities and deferred inflows of resources	130,516	49,327	1,170,036	42,324	1,366,728	13,875	19,704	2,792,510	(10,025)	2,782,485	2,556,792
Commitments and Contingencies											
Net Position											
Restricted by bond resolution	-	140,247	172,352	-	59,212	1,650	-	373,461	-	373,461	355,038
Restricted by covenant	9,453	-	-	354,008	-	-	-	363,461	106,540	470,001	479,984
Invested in capital assets	4,052	0	0	0	0	0	0	4,052	0	4,052	2,456
Total net position	13,505	140,247	172,352	354,008	59,212	1,650	0	740,974	106,540	847,514	837,478
Total liabilities, deferred inflows, and net position	$ 144,021	$ 189,574	$ 1,342,388	$ 396,332	$ 1,425,940	$ 15,525	$ 19,704	$ 3,533,484	$ 96,515	$ 3,629,999	$ 3,394,270

Refer to disclaimer on page B-2.

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the six months ended
December 31, 2017
(unaudited)
(with comparative totals for the six months ended December 31, 2016 (unaudited))
(in thousands)

			Bond Funds									
			Residential Housing Finance								Fiscal 2018 General Reserve and Bond Funds	Fiscal 2017 General Reserve and Bond Funds
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES[SM]	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3		Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Revenues												
Interest earned on loans	$ -	$ 3,402	$ 14,161	$ 8,132		$ 310	$ -	$ 26,005	$ 118		$ 26,123	$ 30,716
Interest earned on investments-program mortgage-backed securities	-	-	7,502	-	20,980	-	-	28,482	-		28,482	23,976
Interest earned on investments-other	173	286	1,024	3,004	127	6	314	4,934	411		5,345	3,822
Net G/L on Sale of MBS Held for Sale/HM	-	-	-	1,184	-	-	-	1,184	-		1,184	1,601
Administrative reimbursement	12,124	-	-	-	-	-	-	12,124	-		12,124	11,288
Fees earned and other income	5,331	110	225	757	445	-	-	6,868	55		6,923	7,034
Unrealized (losses)gains on investments	-	(12)	(387)	7,926	(6,600)	-	-	927	(214)		713	(36,484)
Total revenues	17,628	3,786	22,525	21,003	14,952	316	314	80,524	370		80,894	41,953
Expenses												
Interest	-	591	9,783	685	17,793	209	314	29,375	-		29,375	32,048
Financing, net	-	-	4,556	8	3,368	-	-	7,932	-		7,932	3,269
Loan administration and trustee fees	-	69	980	537	242	1	-	1,829	7		1,836	1,952
Administrative reimbursement	-	556	3,702	1,765	3,659	47	-	9,729	656		10,385	10,481
Salaries and benefits	13,019	-	-	-	-	-	-	13,019	-		13,019	12,428
Other general operating	2,075	2	16	179	15	-	-	2,287	1,243		3,530	3,794
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	23	-	-	-	23	1,753		1,776	2,876
Provision for loan losses	-	(114)	653	650	-	-	-	1,189	266		1,455	(1)
Total expenses	15,094	1,104	19,690	3,847	25,077	257	314	65,383	3,925		69,308	66,847
Revenues over (under) expenses	2,534	2,682	2,835	17,156	(10,125)	59	-	15,141	(3,555)		11,586	(24,894)
Other changes												
Non-operating transfer of assets between funds	(2,745)	41	3,733	(14,882)	13,853	-	-	-	-		-	-
Change in net position	(211)	2,723	6,568	2,274	3,728	59	-	15,141	(3,555)		11,586	(24,894)
Net Position												
Total net position, beginning of period	13,716	137,524	165,784	351,734	55,484	1,591	-	725,833	110,095		835,928	862,372
Total net position, end of period	$ 13,505	$ 140,247	$ 172,352	$ 354,008	$ 59,212	$ 1,650	$ -	$ 740,974	$ 106,540		$ 847,514	$ 837,478

General Reserve & Bond Funds
Statement of Cash Flows
for the six months ended
December 31, 2017
(unaudited)
(with comparative totals for the six months ended December 31, 2016 (unaudited))
(in thousands)

		Bond Funds										
			Residential Housing Finance								Fiscal 2018 General Reserve and Bond Funds	Fiscal 2017 General Reserve and Bond Funds
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES[SM]	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3		Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Cash flows from operating activities:												
Principal repayments on loans and program mortgage-backed securities	$ -	$ 15,618	$ 80,420	$ 23,978	$ 82,374	$ 91	$ -	$ 202,481	$ 3,475		$ 205,956	$ 213,641
Investment in loans and program mortgage-backed securities	-	(3,654)	(184,690)	(32,687)	(270,676)	-	-	(491,707)	(16,513)		(508,220)	(376,561)
Interest received on loans and program mortgage-backed securities	-	3,368	21,570	7,925	22,009	310	-	55,182	216		55,398	54,921
Fees and other income received	6,066	110	-	10,419	-	-	-	16,595	55		16,650	16,734
Salaries, benefits and vendor payments	(15,998)	21	(1,422)	(8,109)	(306)	(1)	-	(25,815)	(1,437)		(27,252)	(26,071)
Administrative reimbursement from funds	11,922	(556)	(3,702)	(1,765)	(3,659)	(47)	-	2,193	(656)		1,537	1,287
Deposits into funds held for others	14,283	-	-	1,250	-	-	-	15,533	-		15,533	12,889
Disbursements made from funds held for others	(15,768)	-	-	-	-	-	-	(15,768)	-		(15,768)	(17,087)
Interfund transfers and other assets	(1,939)	5	153	30	-	-	-	(1,751)	(30)		(1,781)	(667)
Net cash provided (used) by operating activities	(1,434)	14,912	(87,671)	1,041	(170,258)	353	-	(243,057)	(14,890)		(257,947)	(120,914)
Cash flows from noncapital financing activities:												
Proceeds from sale of bonds and notes	-	11,565	271,318	780,955	265,393	-	-	1,329,231	-		1,329,231	1,020,619
Principal repayment on bonds and notes	-	(10,405)	(187,800)	(837,925)	(80,965)	(120)	(1,915)	(1,119,130)	-		(1,119,130)	(910,223)
Interest paid on bonds and notes	-	(606)	(19,075)	(657)	(17,618)	(209)	(319)	(38,484)	-		(38,484)	(37,182)
Financing costs paid related to bonds issued	-	-	(3,016)	(8)	(1,890)	-	-	(4,914)	-		(4,914)	(3,082)
Interest paid/received between funds	10	-	-	(76)	-	-	-	(66)	66		-	
Principal paid/received between funds	-	-	-	(4,000)	-	-	-	(4,000)	4,000		-	
Agency contribution to program funds	-	41	870	(8,849)	7,938	-	-	-	-		-	-
Transfer of cash between funds	-	-	-	(3,000)	-	-	-	(3,000)	3,000		-	-
Net cash provided (used) by noncapital financing activities	10	595	62,297	(73,560)	172,858	(329)	(2,234)	159,637	7,066		166,703	70,132
Cash flows from investing activities:												
Investment in real estate owned	-	-	(1,296)	-	-	-	-	(1,296)	-		(1,296)	(1,274)
Interest received on investments	509	252	1,153	2,894	118	5	319	5,250	255		5,505	4,191
Net gain(loss) on Sale of MBS Held for Sale and HOME[SM] Certificates	-	-	-	(1,480)	-	-	-	(1,480)	-		(1,480)	1,714
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	5,148	313	-	-	-	5,461	-		5,461	8,521
Proceeds from maturity, sale or transfer of investment securities	-	165	2,128	512,859	1,400	-	1,915	518,467	4,187		522,654	399,218
Purchase of investment securities	-	-	-	(456,524)	-	-	-	(456,524)	-		(456,524)	(352,184)
Purchase of loans between funds	-	-	-	-	-	-	-	-	4,448		4,448	2,548
Net cash provided (used) by investing activities	509	417	7,133	58,062	1,518	5	2,234	69,878	8,890		78,768	62,734
Net increase (decrease) in cash and cash equivalents	(915)	15,924	(18,241)	(14,457)	4,118	29	-	(13,542)	1,066		(12,476)	11,952
Cash and cash equivalents:												
Beginning of period	66,475	44,858	156,057	41,214	35,034	1,406	-	345,044	4,249		349,293	420,666
End of period	$ 65,560	$ 60,782	$ 137,816	$ 26,757	$ 39,152	$ 1,435	$ -	$ 331,502	$ 5,315		$ 336,817	$ 432,618

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the six months ended
December 31, 2017
(unaudited)
(with comparative totals for the six months ended December 31, 2016 (unaudited))
(in thousands)

		Bond Funds								Fiscal 2018 General Reserve and Bond Funds	Fiscal 2017 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, 2017	Six Months Ended December 31, 2016
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:											
Revenues over (under) expenses	$ 2,534	$ 2,682	$ 2,835	$ 17,156	$ (10,125)	$ 59	$ -	$ 15,141	$ (3,555)	$ 11,586	$ (24,894)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:											
Amortization of (discounts) premiums and fees on loans and program mortgage-backed securities		(44)	664	(153)	1,572		-	2,039	69	2,108	1,242
Amortization of premium and fees on sale of HOMES[SM] certificates	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,116	-	-	-	-	-	-	1,116	-	1,116	1,145
(Loss) on sale of MBS held for sale and HOMES[SM] certificates	-	-	-	(1,184)	-	-	-	(1,184)	-	(1,184)	(1,601)
Realized losses (gains) on securities, net	-	-	-	(229)	-	-	-	(229)	-	(229)	(71)
Unrealized losses(gains) on securities, net	-	12	387	(7,926)	6,600	-	-	(927)	214	(713)	36,484
Provision for loan losses	-	(114)	653	650	-	-	-	1,189	266	1,455	(1)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	-	-	23	-	-	-	23	1,753	1,776	2,876
Capitalized interest on loans and real estate owned	-	-	(748)	(61)	-	-	-	(809)	-	(809)	(1,052)
Interest earned on investments	(173)	(286)	(1,024)	(2,775)	(127)	(6)	(314)	(4,705)	(411)	(5,116)	(3,752)
Interest expense on bonds and notes	-	591	9,783	685	17,793	209	314	29,375	-	29,375	32,048
Financing expense on bonds			4,556	8	3,368			7,932		7,932	3,259
Changes in assets and liabilities:											
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	11,964	(104,270)	(8,709)	(188,302)	91	-	(289,226)	(13,038)	(302,264)	(162,920)
(Increase) decrease in interest receivable on loans	-	10	(9)	7	(543)	-	-	(535)	29	(506)	47
(Decrease) increase in arbitrage rebate liability	-	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in accounts payable	(1,989)	93	(651)	2,269	(494)	-	-	(772)	(174)	(946)	638
(Decrease) increase in interfund payable, affecting operating activities only	(259)	-	-	30	-	-	-	(229)	(43)	(272)	471
Increase in funds held for others	(1,485)	-	-	1,250	-	-	-	(235)	-	(235)	(4,198)
Other	(1,178)	4	153	-	-	-	-	(1,021)	-	(1,021)	(645)
Total	(3,968)	12,230	(90,506)	(16,115)	(160,133)	294	-	(258,198)	(11,335)	(269,533)	(96,030)
Net cash provided (used) by operating activities	$ (1,434)	$ 14,912	$ (87,671)	$ 1,041	$ (170,258)	$ 353	$ -	$ (243,057)	$ (14,890)	$ (257,947)	$ (120,924)

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, 2017 (in thousands):

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve	$ -	$ -	$ 65,560	$ -	$ 65,560
Rental Housing	-	60,782	-	-	60,782
Residential Housing Finance:					
Bonds	1,822	135,093	-	901	137,816
Pool 2	457	26,300	-	-	26,757
Homeownership Finance	-	39,152	-	-	39,152
Multifamily Housing	-	1,435	-	-	1,435
HOMES℠	-	-	-	-	-
Subtotal	2,279	262,762	65,560	901	331,502
Residential Housing Finance:					
Pool 3	(474)	5,789	-	-	5,315
Total	$ 1,805	$ 268,551	$ 65,560	$ 901	$ 336,817

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, 2017 (in thousands):

Funds	Amortized Cost	Unrealized Appreciation in Fair Market Value	Estimated Fair Market Value
General Reserve	$ 19,963	$ 4	$ 19,967
Rental Housing	1,645	158	1,803
Residential Housing Finance:			
Bonds	681,888	10,290	692,178
Pool 2	69,308	936	70,244
Homeownership Finance	1,359,978	22,630	1,382,608
Multifamily Housing	-	-	-
HOMES[SM]	19,306	347	19,653
Subtotal	2,152,088	34,365	2,186,453
Residential Housing Finance:			
Pool 3	31,320	422	31,742
Total	$ 2,183,408	$ 34,787	$ 2,218,195

*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, 2017 consist of the following (in thousands):

Funds	Gross Loans Receivable	Allowance for Loan Losses	Loans Receivable, net
General Reserve	$ -	$ -	$ -
Rental Housing	129,591	(3,251)	126,340
Residential Housing Finance:			
Bonds	502,063	(2,157)	499,906
Pool 2	301,724	(4,211)	297,513
Homeownership Finance	-	-	-
Multifamily Housing	14,108	(71)	14,037
HOMES[SM]	-	-	-
Subtotal	947,486	(9,690)	937,796
Residential Housing Finance:			
Pool 3	183,324	(123,987)	59,337
Total	$ 1,130,810	$ (133,677)	$ 997,133

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, 2017 consist of the following (in thousands):

Funds	Par Bonds Outstanding	Premiums on Bonds	Bonds Payable, Net
General Reserve	$ -	$ -	$ -
Rental Housing	38,500		38,500
Residential Housing Finance:			
Bonds	1,136,170	9,734	1,145,904
Pool 2	100		100
Homeownership Finance	1,354,224		1,354,224
Multifamily Housing	13,840		13,840
Homes[SM]	19,306		19,306
Subtotal	2,562,140	9,734	2,571,874
Residential Housing Finance:			
Pool 3	-		-
Total	$ 2,562,140	$ 9,734	$ 2,571,874

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 such fiscal year of a type substantially similar to that under the heading "Security for the Bonds—Program Securities Pledged under the Bond Resolution" in the Official Statement.

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

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

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

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

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such 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, 2018, by one of the following methods: (i) the Agency may deliver such 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 such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency shall deliver such information in Prescribed Form and by such time so that such 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 such 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 such 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 such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution. In addition, notice of the mandatory redemption 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 such 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 such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution and particular provisions of the 2017/2018 Series Resolution. Terms defined herein are identical in all material respects with the definitions in the Bond Resolution and the 2017/2018 Series Resolution.

CERTAIN DEFINED TERMS

Business Day: Any day (a) on which banks in the cities in which the Corporate Trust Office of the Trustee and the principal office of any applicable Paying Agent are located are not required or authorized by law to be closed and (b) on which the New York Stock Exchange is open.

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, except to the extent otherwise provided in a Series Resolution, the Single Family Housing 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 balance in the Mortgage Reserve Fund at the Mortgage Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than the Single Family Housing Fund as 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.

Code: The Internal Revenue Code of 1986, as amended, and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Counterparty Hedge Payment: A payment due to or received by the Agency from a Hedge Counterparty pursuant to a Hedge Agreement (including, but not limited to, payments in respect of any early termination of such Hedge Agreement) and amounts in respect thereof received by the Agency under any related Hedge Counterparty Guarantee.

Debt Service: As of the date of calculation and with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on all Outstanding Bonds during such Fiscal Year, plus (ii) any Principal Installment with respect to all Outstanding Bonds during such Fiscal Year; provided, that, if any Bonds bear interest at a rate that is not, as of the date of calculation, determinable for all or any portion of a Fiscal Year, the Agency may make reasonable assumptions regarding the interest rate borne by such Bonds during such period.

Fannie Mae: The Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq., 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: GNMA, Fannie Mae, Freddie Mac 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 shareholder-owned government-sponsored enterprise organized and existing under the laws 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 government-sponsored enterprise organized and existing under the laws 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.).

GNMA Security: The GNMA I Mortgage Pass-Through Certificate or a GNMA II Mortgage Pass-Through Certificate issued by the Servicer in the name of the Trustee in exchange for Mortgage Loans and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder, and in the form of Appendix 39 "Single Family Mortgage-Backed Certificate" of the GNMA Guide.

GSE: Either Fannie Mae or Freddie Mac or both, collectively, as the context may require.

Hedge Agreement: with respect to any Bonds, a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the Bond Resolution.

Hedge Counterparty: any Person with whom the Agency has from time to time entered into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Requirement: With respect to Outstanding Bonds and as of any particular date of calculation, except as otherwise required in a Series Resolution with respect to a Series of Bonds, the amount equal to unpaid interest then due, plus an amount equal to the interest to become due on each Outstanding Bond of all Series on the next respective Interest Payment Date or Dates within the next succeeding six months and, if any Bonds bear interest at a rate which is not determinable to and including the day preceding the next Interest Payment Date thereon, the Interest Requirement shall be calculated as if such Bonds continue to bear interest to, but not including, the next Interest Payment Date at the interest rate in effect on the Bonds on the date of calculation.

Investment Obligations: Any of the following securities and other investments (other than Program Securities), 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, which obligations include, but are not limited to, the following: (i) United States Treasury obligations which are direct or fully guaranteed obligations, and (ii) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by GNMA;

(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 impair the Rating of any Outstanding Bonds;

(c) Federal Home Loan Mortgage Corporation participation certificates guaranteed by Freddie Mac as to timely payment of principal and interest and senior debt obligations;

(d) Fannie Mae's mortgage-backed securities and senior debt obligations, excluding interest-only stripped securities;

(e) 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) whose outstanding unsecured short-term debt obligations are rated by Moody's not less than P-1 (or such comparable rating from each Rating Agency then providing a rating on the Bonds); 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 impair the Rating of any Outstanding Bonds, or (iii) the deposit of funds with such Depository will not impair the Rating of any Outstanding Bonds;

(f) Any repurchase agreement and reverse repurchase agreement 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 agreement is secured by obligations described in the preceding clauses (a) and (b) of this definition, as long as such agreement, as of the date of its execution and delivery, does not impair the Rating of any Outstanding Bonds;

(g) 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), (b) or (f) 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), (b) or (f) above, and, in the case of both (i) and (ii), which are not rated less than "Aaa" by Moody's (or such comparable rating from each Rating Agency then providing a Rating on the Bonds);

(h) Any investment contract with any provider as long as such investment contract, as of the date of its execution and delivery, does not impair the Rating of any Outstanding Bonds; and

(i) Any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Lender: Unless otherwise provided in a Series Resolution, a Person executing a Participation Agreement and which is: (i) a bank, savings bank, credit union, mortgage company or nonprofit corporation organized or licensed under the laws of the State or the United States, or a mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veteran Affairs; or (ii) an agency or instrumentality of the United States or the State, or a political subdivision of the State.

Master Servicer: The Person designated as servicer under the Servicing Agreement, and its successors or assigns, or any substitute servicer designated by the Agency in accordance with the Servicing Agreement.

Mortgage Reserve Requirement: As of any particular date of computation, the sum of amounts, if any, established for each Series of Bonds by each Series Resolution.

Other Obligations: a Hedge Agreement or, if and to the extent provided in a Series Resolution or other resolution of the Agency, with respect to Bonds of one or more Series, an insurance policy insuring, or a letter of credit, line of credit, surety bond or standby bond purchase agreement providing a direct or indirect source of funds for, the timely payment of principal of or interest on such Bonds (but not necessarily principal due upon the acceleration thereof), or any or all of the remarketing agreements, depository agreements, credit facilities, reimbursement agreements, standby bond purchase agreements and the like pertaining to Bonds with a tender right granted to or tender obligation imposed on the Owner thereof.

Outstanding: When used with respect to Bonds, as of any date, all Bonds theretofore authenticated and delivered under the Resolution except:

(a) any Bond cancelled or delivered to the Trustee for cancellation on or before such date;

(b) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust under the Resolution and set aside for such payment or redemption, moneys and/or Government Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Government Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Bond (or any portion of any Bond) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Resolution or irrevocably provided for in a manner satisfactory to the Trustee;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the Resolution; or

(d) any Bond deemed to have been paid as provided in the Resolution.

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 Mortgage Reserve Fund, (ii) the unpaid principal amount of all Program Obligations credited to the Acquisition Accounts, 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. If, however, on the date the Agency Certificate is to be delivered, the aggregate outstanding principal amount of all Program Securities held by the Trustee is equal to or greater than the aggregate principal amount of all Bonds then Outstanding, as certified in the Agency Certificate, then the percentage in clause (B) of the immediately preceding sentence shall be 100%.

Participation Agreements: One or more of the Participation Agreements, as amended, relating to the origination of Program Loans under the Program, between the Agency or the Master Servicer and a Lender.

Private Mortgage Insurer: Any private mortgage insurance company that is licensed to do business in the State and that is approved by the applicable Federal Mortgage Agency and the Agency and providing private mortgage guaranty insurance on Conventional Mortgage Loans.

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 by a mortgage, made by a Lender in accordance with the Act and the Program.

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 issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

Program Series Resolution: The Series Resolution adopted December 11, 2009 with respect to the Homeownership Finance Bonds, 2009 Series A (Mortgage-Backed Securities Program) (Treasury HFA Initiative).

Rating: With respect to any Series of Outstanding Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency hereunder, and an action that does not "impair" the Rating with respect to any Series of Outstanding Bonds shall be an action which will not cause the Rating Agency to lower, withdraw or suspend the rating it has assigned to the Series of Outstanding Bonds.

Rating Agency: Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the Resolution.

Revenues: With respect to the Outstanding Bonds, (i) all payments, proceeds, rents, premiums, penalties, charges and other cash income received by the Agency from or on account of any Program Obligation (including any payments received from a Federal Mortgage Agency, scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal of and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder), (ii) all income received by the Trustee from or in connection with any Servicing Agreement or by the Trustee or the Agency from or in connection with any Participation Agreement, unless otherwise provided in a Series Resolution with respect to all or a part thereof (but exclusive of indemnification rights of the Agency), (iii) any Counterparty Hedge Payments received from any Hedge Counterparty pursuant to a Hedge Agreement or any payments received from another Beneficiary to be applied to the payment of principal of, interest on, or the purchase price with respect to any Bonds, (iv) any amounts deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Single Family Housing Fund, except as otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution, and (v) 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 Single Family Housing Fund, except as otherwise provided in a Series Resolution), but excluding: (a) any amount retained by a servicer (including the Agency) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (b) any payments for the guaranty or insurance of any Program Obligation, (c) 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, (d) amounts payable with respect to a Program Obligation that 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 (e) 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 Program Determinations: Determinations by the Agency relating to Program Obligations and certain other matters in connection with a Series of Bonds under the Program to be set forth (or provided to be determined at certain specified times in the future) in a Series Resolution and shall include, to the extent determined by the Agency to be relevant, the following: (i) the terms of the Program Securities or the Program Loans, including such

matters as interest rates, payment dates, maturity dates, loan insurance provisions, and similar provisions; (ii) the requirements of the Code applicable to the Program Loans, if any; (iii) provisions relating to sale of Program Obligations and prepayments of Program Obligations, including application thereof for redemption of Bonds or financing new Program Obligations and provisions relating to the investment of funds relating to the Series of Bonds; (iv) the Mortgage Reserve Requirement, if any, and (v) any other provision deemed advisable by the Agency not in conflict with the Bond Resolution; provided that, pursuant to an Agency Certificate delivered to the Trustee, the Agency may amend or revise any of the above determinations with respect to any portion of the proceeds of the Series of Bonds prior to the date that such proceeds are applied to the financing of Program Obligations to the extent that such revisions do not impair the Rating on the Series of Bonds and do not affect the excludability of interest on such Series of Bonds from gross income for federal income tax purposes.

Series Resolution: A resolution of the Agency authorizing the issuance and delivery of Bonds of one or more Series pursuant to the Bond Resolution.

Servicing Agreement: The Servicing Agreement dated as of October 17, 2013, between the Agency, the Trustee and U.S. Bank, National Association, as Master Servicer, as the same has been or may be amended from time to time or any agreement executed by the Agency replacing such agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

Series Accounts

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than the Single Family Housing 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 establish a separate Acquisition Account to be held by the Trustee. There shall be deposited from time to time in an 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. 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 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.

Amounts in an Acquisition Account for a Series of Bonds may be expended for the acquisition of a Program Security, or portion thereof, only if (1) the principal amount of the Program Security is less than or equal to the principal amount of the Program Loans backing the Program Security; (2) the Program Security bears interest at a rate equal to the rate of interest on the Program Loans backing the Program Security minus the applicable servicing and guaranty fees; (3) upon such purchase, the sum of (a) amounts held in all Accounts relating to the Series of Bonds and (b) the aggregate outstanding principal amount at time of purchase by the Trustee of all Program Securities held by the Trustee is equal to or greater than (c) the aggregate principal amount of all Bonds then Outstanding, or if conditions (a), (b) and (c) of this paragraph are not met, such disbursement alone shall not result in a reduction of the Rating on the Series of Bonds following notice by the Trustee to the Rating Agencies; and (4) the Trustee (i) has physical possession of the Program Security and the Program Security is registered in the name of the Trustee, (ii) the Program Security is credited to the account of the Trustee at a clearing corporation, as defined under and pursuant to the Uniform Commercial Code applicable to the clearing corporation, and the clearing corporation is registered as a clearing agency under the Securities Exchange Act of 1934, (iii) for a Program Security issued in book-entry form through a book-entry system operated by the Federal Reserve System, the Program Security shall have been registered on the books of the Federal Reserve Bank in the name of the Trustee (acting as a "depositary" within the meaning of 24 C.F.R. Section 81.44(b)), and the Trustee shall have received confirmation in writing that the depositary is holding the Program Security on behalf of, and has identified the Program Security on its records as belonging to, the Trustee, or (iv) any other arrangement so that, in Counsel's Opinion (with customary exceptions and qualifications), the Trustee has a first perfected security interest in the Program Security.

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 or 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 the Acquisition Account pursuant to the requisition is a proper charge thereon and, if such requisition is made to Finance the acquisition of Program Obligations, that (i) the terms of the 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) the 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 Mortgage Reserve Fund, which request shall state that such transfer is appropriate to meet the requirements of the 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 or holding 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.

Any moneys deposited in an Acquisition Account which are not used or to be used to purchase Program Securities by the end of the Delivery Period specified in such Series Resolution, or by such earlier date as may be required by the Code and specified in such Series Resolution, shall be transferred by the Trustee to the Bond Redemption Fund in accordance with the provisions of the applicable Series Resolution, and applied to redeem Bonds.

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 Mortgage Reserve Fund, the amount, if any, needed to increase the amount therein to the Mortgage Reserve Requirement;

(4) if expressly provided in the Series Resolution in respect of a series of Bonds to which a Hedge Agreement relates in whole or in part, on or before the applicable due dates, but only to the extent any prior transfers required pursuant to subsections (1), (2) and (3) above have been made, to any Hedge Counterparty, the Agency Hedge Payments due from time to time pursuant to a Hedge Agreement; provided, however, that if the Series Resolution provides that Agency Hedge Payments exclusive of amounts payable upon any early termination of the Hedge Agreement are to be made on a parity with payment of principal of and interest on Outstanding Bonds, then to the Hedge Counterparty, such portion of Agency Hedge Payments when due, and if the balance in the Revenue Fund is not sufficient to make the

transfers then required under subsections (1), (2) and (3) and this payment, then the balance shall be applied, pro rata, to such transfers and this payment;

(5) at any time upon the purchase of Program Obligations from the moneys on deposit in an Acquisition Account, withdraw from the Revenue Fund and pay to the applicable Servicer or other Person the accrued and unpaid interest on the Program Obligations as of the date of purchase; 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.

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 or purchased (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 the Single Family Housing 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 which 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 Installments of the Outstanding Bonds, if any, payable on the Principal Installment Date and shall cause the same to be applied to the payment of the Principal Installments when due and is authorized to transmit the same to any Paying Agents which 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).

Upon the purchase of Program Obligations from the moneys on deposit in the applicable Acquisition Account, the Trustee shall, in accordance with the provisions of the applicable Series Resolution, withdraw from the Revenue Fund or, if funds available in the Revenue Fund are not sufficient, from the applicable Bond Fund Interest Account, and pay to the applicable Servicer the then accrued and unpaid interest on such Program Obligations.

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 (other than the Single Family Housing Fund), 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 Mortgage Reserve Fund the amount stated in such direction, which amount shall be no greater than the amount by which the Mortgage 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 of moneys in the Bond Redemption Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Mortgage Reserve Fund

There shall be deposited in the Mortgage 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 Mortgage 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 Mortgage

Reserve Fund shall be in excess of the Mortgage 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 Mortgage Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Mortgage 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 Mortgage Reserve Fund shall, to the extent the balance therein is less than the Mortgage Reserve Requirement, be retained in the Mortgage Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Single Family Housing Fund

The Trustee shall deposit in the Single Family Housing Fund any amounts authorized by an Agency Certificate to be withdrawn from the Revenue Fund and deposited therein and any other amounts provided by the Agency for deposit therein. Amounts on deposit in the Single Family Housing Fund, except as may be otherwise provided in a Series Resolution, shall be free and clear of any restrictions on the investment of funds set forth in the Bond Resolution. Amounts deposited in the Single Family Housing 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 in connection with (i) the Program and (ii) other programs of the Agency that facilitate the development and maintenance of a sufficient supply of safe and affordable single family residential housing in the State, including but not limited to Agency programs that finance the acquisition, construction, rehabilitation, improvement and betterment of single family residential property, upon such terms as the Agency may determine. Pending such use, such amounts may be invested in any securities or investments permissible generally for the investment of funds of the Agency as specified by Agency Certificate, subject, however, to any covenants or agreements made by the Agency in a Series Resolution. By Agency Certificate furnished to the Trustee, the Agency may at any time appropriate any funds and investments on deposit in the Single Family Housing Fund to any other Account or Fund created pursuant to the Bond Resolution 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, subject, however, to any covenants or agreements made by the Agency in a Series Resolution.

Subject to the uses permitted by the Bond Resolution, funds, securities and other investments, loans and other property held from time to time in the Single Family Housing Fund are available for, and pledged to, the payment of Debt Service on the Bonds when due and the payment of any other amounts required to be paid from time to time from the Funds and Accounts established pursuant to the Bond Resolution or any Series Resolution, including Agency Hedge Payments; provided that the Agency may from time to time pledge all or any of the assets of the Single Family Housing Fund to any other Person or Persons in connection with the programmatic uses permitted by the Bond Resolution upon such terms as the Agency may determine, which pledge may be superior to, on a parity with, or subordinate to the pledge made under the Bond Resolution to the Bondowners or any Beneficiaries, except as otherwise provided in a Series Resolution or resolution authorizing an Other Obligation. Available cash and cash equivalent funds on deposit in the Single Family Housing Fund may be used to make up deficiencies in the Bond Fund Interest Account or the Bond Fund Principal Account for such purposes and, if directed by an Authorized Officer, shall be transferred to the Bond Fund Interest Account or the Bond Fund Principal Account when required on any Bond Payment Date or other payment date. Unless otherwise specified in a Series Resolution or other resolution of the Agency, the Agency shall not be required to maintain any minimum balance in the Single Family Housing Fund and the Agency makes no covenant to Bondowners or any other Person that funds or other assets will be available in the Single Family Housing Fund in the event of a deficiency in the Bond Fund Interest Account or the Bond Fund Principal Account on a Bond Payment Date or other payment date.

The Agency, by Agency Certificate, may request the Trustee to establish one or more subaccounts in the Single Family Housing 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 Single Family Housing 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 (other than the Single Family Housing Fund) 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.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of the 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 or 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, (i) 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 and (ii) Program Obligations shall be valued at 100% of the outstanding principal balance thereof, plus accrued interest.

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 subaccount in the 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.

Covenants Relating to Servicing Agreement and Participation Agreements

The Agency agrees that the Trustee in its name or (to the extent required by law) in the name of the Agency may enforce all rights of the Agency and all obligations of a Servicer under and pursuant to a Servicing Agreement for and on behalf of the Bondowners whether or not an Event of Default under the Bond Resolution or the Series Resolutions has occurred or is continuing. The Agency shall supervise, or cause to be supervised, each Lender's compliance with the Participation Agreements. In the event the Servicing Agreement shall be terminated for any reason, the Agency shall proceed with due diligence to appoint a successor Master Servicer, subject to the provisions of the Servicing Agreement and the Participation Agreements and the requirements of each applicable Federal Mortgage Agency. During the period necessary to obtain such successors, the Trustee shall, subject to the approval of the applicable Federal Mortgage Agency, cause to be performed the duties and responsibilities of the Master Servicer under the Servicing Agreement and shall be compensated therefor, in addition to the compensation payable to it under the Bond Resolution or any other instrument, in the same manner and amounts as provided under the Servicing Agreement.

Sale of Program Obligations

The Agency may at any time sell, assign or otherwise dispose of one or more Program Obligations:

(i) 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 less than or equal to the value of the Program Obligation as reasonably estimated by the Agency; or

(ii) in the event that an Agency Certificate shall be filed with the Trustee and each Rating Agency, which gives effect to the proposed sale, assignment, transfer or other disposition and the application of the proceeds 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 due and reasonable and necessary Program Expenses.

Enforcement of Program Securities

The Program Securities acquired by the Trustee on behalf of the Agency shall be held at all times by the Trustee in trust and subject to the pledge of the Bond Resolution. If the Trustee does not receive a payment on a GNMA I Security when due by the close of business on the 17th day of each month, or if the Trustee does not receive a payment on a GNMA II-Custom Pool Security when due by the close of business on the 22nd day of each month, the Trustee shall immediately notify, and demand payment from GNMA. If the Trustee does not receive payment or advice from the depository of payment, with respect to a Fannie Mae Security when due by the close of business on the 25th day of any month (or the next Business Day if the 25th is not a Business Day), the Trustee shall immediately demand payment from Fannie Mae in connection with the guaranty of timely payments of principal and interest by Fannie Mae. If the Trustee does not receive payment on a Freddie Mac Security when due by the close of business on the 18th day of each month (or the next Business Day if the 18th day is not a Business Day), the Trustee shall immediately demand payment from Freddie Mac.

Modifications of Program Securities

The Agency shall not consent to the modification of the rate or rates of interest, or the amount or time of payment of any installment of interest or principal, or the security for or any of the terms or provisions of any Program Security in any manner that would result in the failure of the Program Securities, in the aggregate, to have scheduled payments of principal and interest at least sufficient, together with other expected Revenues, to pay all Debt Service when due with respect to the Bonds and Program Expenses or which would materially impair the security of the Outstanding Bonds. The Agency may otherwise consent to the modification of the security for, or any terms or provisions of, one or more Program Securities but only if the Agency reasonably determines that the modification will not be materially adverse to the security or other interests of Owners of Outstanding Bonds.

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

Except as permitted for Hedge Agreements, 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 Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement or to secure the obligations of the Agency under a different Other Obligation, the Agency may grant to the Hedge Counterparty or other Beneficiary a pledge, on a parity with, or junior and subordinate to, the pledge granted to the Trustee to secure payment of Outstanding Bonds, in all or any of the revenues, assets or other collateral pledged to the payment of the Bonds under the Bond Resolution; provided, however, that any Agency Hedge Payments payable upon early termination of a Hedge Agreement may be secured only by a pledge junior and subordinate to the pledge granted to the Trustee.

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 materially 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 a majority 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 clause (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 Outstanding 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 a majority 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 Interest Account and the Bond Fund Principal Account 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 Event of 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 continuation 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 that 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 Outstanding 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 that 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.

Application of Revenues Following an Event of Default

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee (1) forthwith, all moneys and securities then held by the Agency in any Fund or Account under the Bond Resolution, and (2) as promptly as practicable after receipt thereof, any Revenues and other payments or receipts pledged under the Bond Resolution.

During the continuation of an Event of Default the Trustee shall apply such moneys, securities, Revenues, payments and receipts and the income therefrom as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Bond Resolution;

(2) To the payment of the interest and Principal Installments or Redemption Price then due and payable on the Bonds, as follows:

(a) Unless the principal of all of Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to

the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid Principal Installments or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of Principal Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Outstanding Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

(3) To the payment of the amounts required for reasonable and necessary Program Expenses.

Whenever all principal amounts of and interest on all Outstanding Bonds have been paid under these provisions and all fees, expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining under the Bond Resolution not segregated for the payment of Bonds shall be paid to the Agency.

The Trustee

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Bond Resolution or any Series Resolution authorizing the issuance of a Series of Bonds then Outstanding. In case an Event of Default has occurred and has not been cured, the Trustee shall exercise such of the rights and powers vested in it by the Bond Resolution and use the same degree of care and skill in their exercise as a prudent trustee would exercise or use under the circumstances.

The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Bond Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Bond Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the Agency, and any Counsel's Opinion shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Bond Resolution in good faith and in accordance therewith.

The Agency shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Bond Resolution and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Bond Resolution, and each Fiduciary shall have a lien therefor on any and all Revenues, Program Obligations and Investment Obligations at any time held or received by it under the Bond Resolution (excluding money or Governmental Obligations segregated to pay outstanding Bonds).

The Trustee may resign at any time and be discharged of the duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Agency and mailing notice thereof, at its own expense and without reimbursement therefor, to each Bondowner and Rating Agency, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Agency or the Bondowners as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Trustee has been appointed pursuant to the Bond Resolution.

The Trustee may be removed (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee and each Rating Agency, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency and (ii) by the Agency at any time except during the continuation of an Event of Default for such cause as shall be determined in the sole discretion of the Agency by filing with the Trustee and each Rating Agency notice of removal in the form of an Agency Certificate. In no event, however, shall such removal take effect until a successor Trustee has been appointed pursuant to the Bond Resolution.

No successor Trustee may be appointed under the Bond Resolution without the prior written consent of the GSEs, which consent is not to be unreasonably withheld.

Amendments

Amendments of the Resolutions may be made by a Supplemental Resolution.

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution of the Agency may be adopted, which, upon the filing with the Trustee of a copy thereof, shall be fully effective in accordance with its terms, subject, however, to the rights of the GSEs to consent thereto (see "Summary of Certain Provisions of the Program Series Resolution—Covenants Regarding Administration of Bond Resolution and the Series Bonds"):

(1) To close the Bond Resolution or any Series Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution or any Series Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Agency in the Bond Resolution or any Series Resolution, other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Bond Resolution or any Series Resolution, other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Bond Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Bond Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution or any Series Resolution, of Revenues or of any other securities or funds;

(6) To modify any of the provisions of the Bond Resolution or any Series Resolution in any respect whatever, provided that (a) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, or (b) the modification, in the sole judgment of the Agency, is reasonably necessary to assure that the interest on any related Series of Outstanding Bonds remains, or on any Series of Bonds thereafter issued will be, exempt from income taxation under the Code;

(7) To authorize the issuance of additional Series of Bonds in accordance with the provisions of Article II of the Bond Resolution;

(8) To amend the Bond Resolution by creating and establishing additional accounts;

(9) To amend the provisions described under "Enforcement of Program Securities" above to provide different days on which payments on the applicable Program Security are now payable;

(10) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or any Series Resolution;

(11) 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; and

(12) 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.

Supplemental Resolutions become effective upon consent of the Trustee 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.

Certain Rights of GSEs

The Agency in the Program Series Resolution has made certain covenants for the sole benefit of the GSEs so long as any Homeownership Finance Bonds, 2009 Series A (Mortgage-Backed Securities Program) (Treasury HFA Initiative) are Outstanding, including covenants not to amend or supplement the Bond Resolution without the prior written consent of the GSEs (exclusive of amendments solely to provide for the issuance of Additional Bonds), not to issue variable rate Bonds, not to enter into any Hedge Agreement under the Bond Resolution, and not to exercise its right to make voluntary withdrawals of cash or other assets from the lien of the Bond Resolution except upon certain conditions. Only the GSEs may enforce, or cause the Trustee to enforce, these covenants and either or both GSEs may waive such covenants in their sole discretion.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond 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 the 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 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 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 are being redeemed, unless the "Pro-Rata Pass-Through Distribution of Principal" method is employed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds 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 and redemption 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 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 will be the responsibility of Direct and Indirect Participants.

Under the 2017/2018 Series Resolution, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of 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 or redemption 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 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, the Series Bonds are required to be delivered as described in the 2017/2018 Series Resolution. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the 2017/2018 Series Resolution.

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

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

_____, 2018

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
Homeownership Finance Bonds
2018 Series C
2018 Series D (Taxable)
(Mortgage-Backed Securities Pass-Through Program)

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 Homeownership Finance Bonds, 2018 Series C (Mortgage-Backed Securities Pass-Through Program), in the aggregate principal amount of $30,326,457 (the "2018 Series C Bonds"), and its Homeownership Finance Bonds, 2018 Series D (Taxable) (Mortgage-Backed Securities Pass-Through Program), in the aggregate principal amount of $20,217,638 (the "2018 Series D Bonds" and, together with the 2018 Series C Bonds, the "2018 Series CD Bonds"), each series of which are issuable only as fully registered bonds.

The 2018 Series CD Bonds are dated, mature on the date, bear interest at the rates and are payable as provided in the Series Resolutions referenced below. The 2018 Series CD Bonds are subject to optional and mandatory redemption prior to maturity, including redemption at par, as provided in the Series Resolution 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 Bond Resolution adopted December 11, 2009, as amended and supplemented (the "Bond Resolution"), and a Series Resolution relating to the 2018 Series CD Bonds adopted on August 31, 2017 (the "Series Resolution"). 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 2018 Series C Bonds in order that interest on the 2018 Series C Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolution to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond Resolution and Series Resolution.

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 Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under

the Bond Resolution and Series Resolution; (3) the 2018 Series CD 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 Resolution, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2018 Series CD Bonds are not a debt of the State; (4) the interest payable on the 2018 Series C 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; (5) the interest payable on the 2018 Series D Bonds is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and (6) the 2018 Series D Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code. No federal alternative minimum tax applies to corporations for tax years beginning after December 31, 2017.

Interest on the 2018 Series C Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and will not be included in the calculation of adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on corporations. Interest on the 2018 Series C Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2018 Series CD Bonds. All owners of 2018 Series CD 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 2018 Series CD Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2018 Series CD Bonds and the Bond Resolution and Series Resolution are subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

APPENDIX G
IDENTIFICATION OF 2018CD PROGRAM SECURITIES

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Identification of 2018CD Program Securities

CUSIP	Pool Number	Pass-Through Rate	Original Principal Amount	Principal Outstanding (as of April 12, 2018)	Percentage of Principal Payments Allocable to Series C Bonds	Principal Amount Allocable to Series C Bonds	Percentage of Principal Payments Allocable to Series D Bonds	Principal Amount Allocable to Series D Bonds	Percentage of Interest Payments Allocable to Series Bonds	Total Principal Amount Allocable to Series Bonds
3140H6YR4	FN BJ5219	3.50%	$ 551,350.00	$ 548,491.36	60.0000%	$ 329,094.82	40.0000%	$ 219,396.54	100%	$ 548,491.36
3140H7AA5	FN BJ5400	3.50%	592,638.00	589,231.66	60.0000%	353,539.00	40.0000%	235,692.66	100%	589,231.66
3140HADW7	FN BJ8216	3.50%	460,314.00	458,353.78	60.0000%	275,012.27	40.0000%	183,341.51	100%	458,353.78
3140H6ZA0	FN BJ5236	3.50%	1,292,798.00	1,291,180.17	60.0000%	774,708.10	40.0000%	516,472.07	100%	1,291,180.17
3140H6ZB8	FN BJ5237	3.50%	1,667,212.00	1,665,024.48	60.0000%	999,014.69	40.0000%	666,009.79	100%	1,665,024.48
3140HEZ54	FN BK1663	3.50%	1,466,663.00	1,464,669.45	60.0000%	878,801.67	40.0000%	585,867.78	100%	1,464,669.45
3140HEZ62	FN BK1664	3.50%	1,307,269.00	1,305,436.21	60.0000%	783,261.73	40.0000%	522,174.48	100%	1,305,436.21
3140HEZ70	FN BK1665	3.50%	1,272,213.00	1,270,233.91	60.0000%	762,140.35	40.0000%	508,093.56	100%	1,270,233.91
312979R25	FG B32305	3.50%	475,517.00	474,873.09	60.0000%	284,923.85	40.0000%	189,949.24	100%	474,873.09
3140GXHV6†	FN BH8343	4.00%	540,090.00	534,213.47	30.0000%	160,264.04	40.0000%	213,685.39	100%	373,949.43
3140H4FU3	FN BJ2878	4.00%	606,063.00	602,045.23	60.0000%	361,227.14	40.0000%	240,818.09	100%	602,045.23
3140H7AB3†	FN BJ5401	4.00%	151,598.00	150,787.73	30.0000%	45,236.32	40.0000%	60,315.09	100%	105,551.41
3140H6ZC6	FN BJ5238	4.00%	588,954.00	588,246.52	60.0000%	352,947.91	40.0000%	235,298.61	100%	588,246.52
3140HEZ88	FN BK1666	4.00%	1,532,403.00	1,530,317.15	60.0000%	918,190.29	40.0000%	612,126.86	100%	1,530,317.15
3140HEZ96	FN BK1667	4.00%	1,603,140.00	1,601,081.10	60.0000%	960,648.66	40.0000%	640,432.44	100%	1,601,081.10
3140HE2A9	FN BK1668	4.00%	2,869,965.00	2,866,093.10	60.0000%	1,719,655.86	40.0000%	1,146,437.24	100%	2,866,093.10
312979RY5†	FG B32303	4.00%	461,003.00	460,420.73	30.0000%	138,126.22	40.0000%	184,168.29	100%	322,294.51
3617G8MS9	GN BF2169	3.50%	3,973,673.00	3,960,417.82	60.0000%	2,376,250.69	40.0000%	1,584,167.13	100%	3,960,417.82
3617G8MV2†	GN BF2172	3.50%	2,174,862.00	2,167,549.29	30.0000%	650,264.79	40.0000%	867,019.72	100%	1,517,284.51
3617G8MW0	G2 BF2173	3.50%	3,751,825.00	3,740,855.08	60.0000%	2,244,513.05	40.0000%	1,496,342.03	100%	3,740,855.08
3617G8MX8	G2 BF2174	3.50%	6,849,800.00	6,829,663.85	60.0000%	4,097,798.31	40.0000%	2,731,865.54	100%	6,829,663.85
3617G8MY6	G2 BF2175	3.50%	2,313,323.00	2,305,937.32	60.0000%	1,383,562.39	40.0000%	922,374.93	100%	2,305,937.32
3617G8UA9†	GN BF2377	3.50%	1,341,221.00	1,338,752.82	30.0000%	401,625.85	40.0000%	535,501.13	100%	937,126.98
3617G8UC5†	G2 BF2379	3.50%	3,372,884.00	3,368,037.60	30.0000%	1,010,411.28	40.0000%	1,347,215.04	100%	2,357,626.32
3617G8MZ3	G2 BF2176	4.00%	1,301,649.00	1,298,085.83	60.0000%	778,851.50	40.0000%	519,234.33	100%	1,298,085.83
3617G8UD3†	G2 BF2380	4.00%	2,886,400.00	2,882,352.23	30.0000%	864,705.67	40.0000%	1,152,940.89	100%	2,017,646.56
3617G8UE1	G2 BF2381	4.00%	5,039,625.00	5,032,081.19	60.0000%	3,019,248.71	40.0000%	2,012,832.48	100%	5,032,081.19
3617G8UF8	G2 BF2382	4.50%	219,942.00	219,665.28	60.0000%	131,799.17	40.0000%	87,866.11	100%	219,665.28
3140H1N89††	FN BJ0414	3.50%	2,280,892.00	2,265,777.62	50.0000%	1,132,888.81	0.0000%	-	100%	1,132,888.81
3140H6YN3††	FN BJ5216	3.50%	2,318,723.00	2,306,674.06	50.0000%	1,153,337.03	0.0000%	-	100%	1,153,337.03
3140H67B9††	FN BJ5389	3.50%	1,982,976.00	1,968,815.37	50.0000%	984,407.69	0.0000%	-	100%	984,407.69
FNMA Totals		3.696%	$ 23,085,261.00	$ 23,006,672.37		$ 12,944,376.38		$ 6,586,162.11		$ 19,530,538.49
FHLMC Totals		3.702%	$ 936,520.00	$ 935,293.82		$ 423,050.07		$ 374,117.53		$ 797,167.60
GNMA Totals		3.645%	$ 33,225,204.00	$ 33,143,398.31		$ 16,959,031.41		$ 13,257,359.33		$ 30,216,390.74
Totals		**3.666%**	**$ 57,246,985.00**	**$ 57,085,364.50**		**$ 30,326,457.86**		**$ 20,217,638.97**		**$ 50,544,096.83**

†40% of these $10,902,113.87 MBS ($4,360,845.55 of principal) is allocable to the taxable 2018 Series D Bonds. 30% of these $10,902,113.87 MBS ($3,270,634.17 of principal) is allocable to tax-exempt 2018 Series C Bonds and 30% of these $10,902,113.87 MBS ($3,270,634.15 of principal) to another funding source. 100% of the interest on all of these MBS will be allocated to the Series Bonds.

††50% of these $6,541,267.05 MBS ($3,270,633.53 of principal) is allocable to the tax-exempt 2018 Series C Bonds and 50% ($3,270,633.52 of principal) to another funding source. 100% of the interest on all of these MBS will remain allocated to the Series Bonds.

Note - Taking into account the participations, the effective average pass-through rate to the Agency is 4.13%

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APPENDIX H

MINIMUM CUMULATIVE REDEMPTION OF SERIES BONDS

Date	Minimum Cumulative Redemption Amount*	Date	Minimum Cumulative Redemption Amount*
7/1/2018	$ 139,994.57	1/1/2034	$ 18,730,105.12
1/1/2019	566,058.01	7/1/2034	19,561,425.01
7/1/2019	1,001,395.92	1/1/2035	20,410,890.23
1/1/2020	1,446,210.81	7/1/2035	21,278,898.59
7/1/2020	1,900,710.06	1/1/2036	22,165,856.46
1/1/2021	2,365,105.24	7/1/2036	23,072,179.28
7/1/2021	2,839,612.73	1/1/2037	23,998,291.64
1/1/2022	3,324,453.55	7/1/2037	24,944,627.45
7/1/2022	3,819,853.79	1/1/2038	25,911,630.13
1/1/2023	4,326,044.29	7/1/2038	26,899,753.00
7/1/2023	4,843,261.00	1/1/2039	27,909,459.23
1/1/2024	5,371,745.12	7/1/2039	28,941,222.31
7/1/2024	5,911,743.26	1/1/2040	29,995,526.03
1/1/2025	6,463,507.08	7/1/2040	31,072,864.88
7/1/2025	7,027,294.09	1/1/2041	32,173,744.27
1/1/2026	7,603,367.39	7/1/2041	33,298,680.91
7/1/2026	8,191,995.80	1/1/2042	34,448,202.60
1/1/2027	8,793,454.07	7/1/2042	35,622,848.95
7/1/2027	9,408,023.04	1/1/2043	36,823,171.35
1/1/2028	10,035,989.62	7/1/2043	38,049,733.51
7/1/2028	10,677,647.09	1/1/2044	39,303,111.48
1/1/2029	11,333,295.12	7/1/2044	40,583,893.97
7/1/2029	12,003,240.21	1/1/2045	41,892,682.63
1/1/2030	12,687,795.23	7/1/2045	43,230,092.60
7/1/2030	13,387,280.25	1/1/2046	44,596,752.45
1/1/2031	14,102,022.12	7/1/2046	45,993,304.51
7/1/2031	14,832,355.04	1/1/2047	47,420,405.45
1/1/2032	15,578,620.59	7/1/2047	48,878,726.31
7/1/2032	16,341,167.76	1/1/2048	50,292,350.43
1/1/2033	17,120,353.19	5/1/2048	50,544,095.00
7/1/2033	17,916,541.45		

Note: Amounts are based on the assumption that there are no prepayments of principal of the Program Loans backing the 2018CD Program Securities for the life of those Program Loans.

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