		Moody's	S&P
	Ratings:	*Aa1*	*AA+*

(See "Ratings" herein)

In the opinion of Hawkins Delafield & Wood LLP, Special Tax Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. No opinion is expressed as to the exclusion from gross income of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person". For more information concerning the tax treatment of the interest on the Offered Bonds, see "Tax Matters" herein.

Under the Authority's Act, income on the Offered Bonds, including any profit made on the sale thereof, is not included in taxable income for purposes of income taxation by the Commonwealth and by the municipalities and all other political subdivisions of the Commonwealth.

$33,000,000
VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Rental Housing Bonds
2010 Series D-Non-AMT

Maturity Date	Principal Amount	Serial or Term	Interest Rate	CUSIP
Sept. 1, 2012	$ 720,000	Serial	0.80%	92812QF36
Sept. 1, 2013	725,000	Serial	1.10	92812QF44
Sept. 1, 2014	735,000	Serial	1.35	92812QF51
Sept. 1, 2015	745,000	Serial	1.85	92812QF69
Sept. 1, 2016	760,000	Serial	2.25	92812QF77
Sept. 1, 2017	775,000	Serial	2.55	92812QF85
Sept. 1, 2018	795,000	Serial	2.75	92812QF93
Sept. 1, 2019	820,000	Serial	2.95	92812QG27
Sept. 1, 2020	840,000	Serial	3.15	92812QG35
Sept. 1, 2021	870,000	Serial	3.35	92812QG43
Sept. 1, 2022	895,000	Serial	3.50	92812QG50
Sept. 1, 2023	930,000	Serial	3.65	92812QG68
Sept. 1, 2024	965,000	Serial	3.75	92812QG76
Sept. 1, 2025	1,000,000	Serial	3.85	92812QG84
Sept. 1, 2030	5,645,000	Term	4.30	92812QG92
Sept. 1, 2035	7,015,000	Term	4.55	92812QH26
Sept. 1, 2040	8,765,000	Term	4.60	92812QH34

Price of all Offered Bonds: 100%

Dated Date: Date of Delivery

Principal on the Offered Bonds is payable at maturity or prior redemption. Interest on the Offered Bonds commences to accrue on the date of delivery thereof and is payable semi-annually on each March 1 and September 1, commencing March 1, 2011. The Offered Bonds are subject to redemption, without premium, prior to maturity as described herein. The Offered Bonds are issuable in $5,000 denominations and in integral multiples thereof. The Offered Bonds will be initially issued and may be purchased only in book-entry form through the facilities of DTC. U.S. Bank National Association, Minneapolis, Minnesota, is the Trustee.

The Offered Bonds are secured by Mortgage Loans, Investment Obligations, Revenues and other Assets of the Authority pledged thereto, and are general obligations of the Authority, subject to agreements heretofore or hereafter made with owners of Authority obligations other than Owners, all as more fully described herein.

The Authority has no taxing power. The Bonds do not constitute a debt or grant or loan of credit of the Commonwealth, and the Commonwealth shall not be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

The Offered Bonds are offered when, as and if issued, subject to prior sale, or withdrawal or modification of the offer without notice. The Offered Bonds are offered subject to the receipt of the Approving Opinion of Hunton & Williams LLP, Richmond, Virginia, Bond Counsel to the Authority, as more fully described in "Legal Matters" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. In addition, the Offered Bonds are offered subject to the receipt of the Tax Opinion of Hawkins Delafield & Wood LLP, New York, New York, Special Tax Counsel to the Authority, as more fully described in "Tax Matters" and "Legal Matters" herein. It is expected that the Offered Bonds will be available for delivery through DTC in New York, New York on or about August 26, 2010.

BB&T Capital Markets

BofA Merrill Lynch **Davenport & Company LLC**

Morgan Keegan & Company, Inc. **Raymond James & Associates, Inc.** **Wells Fargo Securities**

August 10, 2010

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized. There shall not be any offer, solicitation or sale of the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Information set forth herein has been furnished by the Authority and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by the Underwriters.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the dates as of which information is given herein.

TABLE OF CONTENTS

OFFICIAL STATEMENT

Capitalized terms used in this Official Statement, unless otherwise defined herein, shall have the meanings set forth in Section 101 of the Rental Housing Bonds Resolution adopted by the Authority on March 24, 1999, as amended and supplemented to the date hereof (the "Resolution"), which is attached hereto as Appendix A. The following terms are used in this Official Statement to refer to the Bonds listed below.

Term	Referenced Bonds
"Bonds"	Currently Outstanding Bonds, the Offered Bonds and any Rental Housing Bonds hereafter issued
"Currently Outstanding Bonds"	Previously issued Rental Housing Bonds presently outstanding as of the date of this Official Statement
"Offered Bonds" or "Offered Tax Exempt Bonds"	Rental Housing Bonds, 2010 Series D-Non-AMT
"Taxable Bonds"	Bonds on which interest is included in gross income for federal income tax purposes
"Tax Exempt Bonds"	Bonds, including the Offered Tax Exempt Bonds, on which interest is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code
"Tax Exempt AMT Bonds"	Tax Exempt Bonds on which the interest is treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code
"Tax Exempt Non-AMT Bonds"	Tax Exempt Bonds, including the Offered Tax Exempt Bonds, on which the interest is NOT treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code and is NOT included in the adjusted current earnings of corporations for purposes of the alternative minimum tax
"Transitioned 1954 Code Tax Exempt Non-AMT Bonds"	Tax Exempt Bonds on which the interest is NOT treated as a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code and is included in the adjusted current earnings of corporations for purposes of the alternative minimum tax

This Official Statement is being distributed by the Authority to furnish pertinent information in connection with the initial offering of the Offered Bonds. The Offered Bonds are being offered hereby pursuant to the Act, the Resolution, the Bond Limitations Resolution adopted by the Authority on April 13, 2010 (the "Bond Limitations Resolution"), and the Written Determinations as to the terms of the Offered Bonds (the Resolution, the Bond Limitations Resolution and such Written Determinations are collectively referred to herein as the "Bond Resolution").

The Authority adopted the Resolution to issue Bonds, including the Offered Bonds, for the principal purpose of funding its multi-family housing program, including the Program described below. The Resolution permits the issuance of additional parity Bonds, and the Authority anticipates that additional parity Bonds will be issued in the future. The Resolution also permits the Authority to execute Exchange Agreements (such as swap agreements) and Enhancement Agreements (such as agreements related to bond insurance) under which the Authority's obligations are payable from Assets and are treated as Bond Obligations payable from the same sources and on a parity basis with the Bonds (see "Security — Exchange Agreements and Enhancement Agreements").

The Code imposes substantial requirements with respect to Tax Exempt Bonds which must be satisfied in order for the interest on the Tax Exempt Bonds to be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Any Mortgage Loan financed in whole or in part with proceeds of Tax Exempt Bonds must comply with Code requirements. The Authority has established procedures under which the Authority expects such Code requirements can be met (see "Summary of Certain Federal Requirements" in "Tax Matters"). The Offered Bonds are Tax Exempt Bonds. Proceeds of the Offered Bonds (see "Description of the Offered Bonds" below) may be combined with net assets in the Resolution and proceeds of Taxable Bonds and Tax Exempt Bonds (collectively, the "Other Funds") to finance Mortgage Loans.

U.S. Bank National Association, Minneapolis, Minnesota, is the Trustee. Except in the event of the occurrence and continuance of an Event of Default, the Authority may remove and replace the Trustee and may serve in the capacity of Trustee.

The summaries of and references herein to the Act and the Bond Resolution and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act and the Bond Resolution and such other documents and materials for the complete provisions thereof.

DESCRIPTION OF THE OFFERED BONDS

All of the original proceeds of the Offered Bonds are expected to be used to finance Mortgage Loans.

The Offered Bonds shall be issued in the denominations and in the aggregate principal amount and shall mature in the amounts and on the dates set forth on the front cover hereof. Interest on the Offered Bonds shall commence to accrue on their date of delivery and shall be payable semi-annually on the dates and at the interest rates set forth on the front cover hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Principal and interest on the Offered Bonds shall be payable to the Owner thereof by check, draft, electronic funds transfer or other means determined by an Authorized Officer (which payment methodology can vary depending upon the amount payable, the Owner of such Bond and the usual and customary practices in the securities industry as determined by an Authorized Officer) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Offered Bonds will be initially issued and may be purchased only in book-entry form through the facilities of DTC. Accordingly, for purposes of the Bond Resolution, the Owner of the Offered Bonds shall be DTC's partnership nominee, Cede & Co., and all references herein to the Owners of the Offered Bonds shall refer to Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds as defined in Appendix B. See Appendix B for a description of DTC and its procedures.

For every exchange or transfer of the Offered Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

Special Redemption

The Offered Bonds are subject to redemption, at the option of the Authority, either in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof on any one or more dates from (i) prepayments, in whole or in part, of the outstanding principal balances on Mortgage Loans, (ii) original proceeds from the issuance and sale of Bonds that the Authority determines will not be used to make, purchase, finance or refinance Mortgage Loans or Authority Property or that will not be used to acquire and finance Investment Obligations on other than a temporary basis, (iii) the net proceeds from the sale or other disposition (including foreclosure) of Mortgage Loans or Authority Property, and (iv) proceeds received by the Authority from mortgage insurance, title insurance or hazard insurance with respect to Mortgage Loans or Authority Property. The amounts set forth in the previous sentence include amounts derived from the Offered Bonds, Outstanding Bonds and any additional Bonds hereafter issued, except as otherwise agreed by the Authority. Accrued interest, if any, to the date of redemption will be paid upon redemption.

The Authority has closed, or has issued binding commitments for, new Mortgage Loans in an aggregate principal amount equal to or greater than the amount of the original proceeds of Offered Bonds to be disbursed to finance new Mortgage Loans, which amount to be disbursed may be less than such aggregate principal amount. In the event that any such Mortgage Loan shall fail to close or to be fully disbursed pursuant to the terms thereof, the Authority may, but is not required to, apply the unused proceeds of the Offered Bonds to fund another Mortgage Loan or Loans. However, the unused proceeds of the Offered Bonds may be applied to fund another Mortgage Loan only if the Development to be financed by such Mortgage Loan had been previously identified in the public notice and approved by the Governor prior to the issuance of the Offered Bonds in accordance with the requirements of the Code. No assurance can be given that the Authority would be able to so apply any unused proceeds of the Offered Bonds.

The Authority expects that the terms of the Mortgage Loans to be financed, in whole or in part, with the proceeds of the Offered Bonds will permit the prepayment of such Mortgage Loans commencing on a date which is on or after the First Optional Redemption Date as set forth below in the next subsection entitled "Optional Redemption". No assurance can be given that the Authority will not consent to the prepayment in whole or in part of any Mortgage Loan prior to the First Optional Redemption Date, although it has no present intention to give any such consent.

In the event of the foreclosure of any Development, a third party may acquire such Development at the foreclosure sale. Also, in the event that the Authority shall acquire any Development by foreclosure or deed in lieu of foreclosure, the Authority may thereafter transfer such Development to a third party. In order to facilitate such acquisition or transfer, the Authority may finance a new Mortgage Loan to such third party for all or part of the purchase price of such Development. If the Authority finances a new Mortgage Loan for such acquisition or transfer, the Authority may, in its discretion, either (i) not redeem any then Outstanding Bonds so that the source of financing for the Development shall continue to be such Outstanding Bonds or (ii) finance such new Mortgage Loan by issuing Bonds or other obligations. The financing of such new Mortgage Loan by the issuance of Bonds or other obligations will result in the receipt by the Authority of proceeds from the disposition of the original Mortgage Loan or Authority Property. In addition, if the Authority does not provide a new Mortgage Loan to finance the acquisition or transfer of such Development, such acquisition or transfer will also result in the receipt by the Authority of proceeds from the disposition of the original Mortgage Loan or Authority Property.

If any Mortgage Loan attributable to Tax Exempt Bonds (including the Offered Bonds) is prepaid or if any proceeds are received by the Authority from the disposition of any such Mortgage Loan or any Authority Property attributable to Tax Exempt Bonds (including the Offered Bonds), the proceeds of such prepayment or disposition, at the option of the Authority, may be used to redeem such Tax Exempt Bonds (including the Offered Bonds) or, transferred to the Authority's General Fund (subject to satisfaction of the Revenue Test – See "Revenue Test; Limited Operating Covenants" below) or, to the extent permitted by the Code, used to finance new Mortgage Loans or redeem other Bonds. However, because any Development to be financed by such new Mortgage Loan must have been identified in the public notice and approved by the Governor prior to the issuance of the Tax Exempt Bonds in accordance with the requirements of the Code and must satisfy any other applicable requirements of the Code, the Authority does not expect to use such proceeds of prepayments and dispositions to finance any such new Mortgage Loans.

If any Mortgage Loan attributable to Taxable Bonds or net assets of the Resolution is prepaid or if proceeds are received by the Authority from any disposition of such Mortgage Loans or any Authority Property attributable to Taxable Bonds or such net assets, the proceeds of any such prepayment or disposition, at the option of the Authority, may be used to finance new Mortgage Loans or to retire or redeem Bonds (including the Offered Bonds) or may be transferred to the Authority's General Fund, subject to satisfaction of the Revenue Test described below in "Revenue Test; Limited Operations Covenants".

Factors which may affect the demand for Mortgage Loans and the amount of prepayments on Mortgage Loans and consequently the Authority's ability to use the original proceeds of Bonds and any prepayments on the Mortgage Loans (as well as any proceeds of any disposition of a Mortgage Loan or Authority Property) for the financing of Mortgage Loans include not only general economic conditions but also the relationship between alternative mortgage loan interest rates (including rates on mortgage loans insured or guaranteed by agencies of the federal government, rates on conventional mortgage loans and the rates on other mortgage loans available from the Authority) and the interest rates being charged on the Mortgage Loans by the Authority. Accordingly, lower interest rates on such alternative mortgage loans could cause a lack of demand for Mortgage Loans, could result in prepayments when permitted by the terms of the Mortgage Loan, and could necessitate the exercise by the Authority of its right to apply such portions of the original proceeds of Bonds and prepayments on Mortgage Loans (as well as any proceeds of any disposition of a Mortgage Loan or Authority Property) to redeem the Offered Bonds, to the extent permitted by the Code.

When redeeming Offered Bonds as described in this section entitled "Special Redemption", the Authority has complete discretion to select the amount and maturities of Offered Bonds to be redeemed. In so selecting the Offered Bonds to be redeemed, the Authority expects to consider such factors as it deems relevant at the time to best achieve its financial and programmatic purposes. If less than all of a maturity of a series of the Offered Bonds is to be redeemed, Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine.

Optional Redemption

The Offered Bonds maturing on or after September 1, 2020, are subject to redemption, at the election of the Authority, either in whole or in part on any date on or after March 1, 2020 (the "First Optional Redemption Date"), at a Redemption Price equal to the principal amount, without premium, of the Offered Bonds to be so redeemed. Accrued interest, if any, to the date of redemption will be paid upon redemption.

When redeeming Offered Bonds on or after the First Optional Redemption Date as described in the preceding paragraph, the Authority has complete discretion to select the amount and maturities of Offered Bonds to be redeemed. In so selecting the Offered Bonds to be redeemed, the Authority expects to consider such factors as it deems relevant at the time to best achieve its financial and programmatic purposes. If less than all of a maturity of a series of the Offered Bonds is to be redeemed, Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine.

Sinking Fund Redemption

The Offered Bonds designated as Term Bonds on the front cover hereof are subject to redemption in part prior to maturity from mandatory Sinking Fund Installments which are required to be made in the amounts specified for each of the dates shown below. The Redemption Price shall be the principal amount of the Offered Bonds to be redeemed. Accrued interest, if any, to the date of redemption will be paid upon redemption. Offered Bonds to be so redeemed shall be selected by lot in such manner as the Trustee may determine.

Offered Bonds Maturing September 1, 2030		Offered Bonds Maturing September 1, 2035		Offered Bonds Maturing September 1, 2040	
Sinking Fund Installment Date (Sept. 1)	Principal Amount	Sinking Fund Installment Date (Sept. 1)	Principal Amount	Sinking Fund Installment Date (Sept. 1)	Principal Amount
2026	$1,035,000	2031	$1,280,000	2036	$1,600,000
2027	1,080,000	2032	1,340,000	2037	1,670,000
2028	1,130,000	2033	1,400,000	2038	1,750,000
2029	1,175,000	2034	1,465,000	2039	1,830,000
2030*	1,225,000	2035*	1,530,000	2040*	1,915,000
	$5,645,000		$7,015,000		$8,765,000

*Maturity Date

Notice to Owners

Notice of any redemption of an Offered Bond will be sent to the Owner thereof at least 20 days, or such lesser number of days that are permitted by DTC, prior to the date of redemption. Any notice to Owners required pursuant to the Bond Resolution shall be sent or transmitted, at the Authority's direction, by mail or other means of physical delivery, or by facsimile or other electronic means to such Owner at his last address, physical or electronic, set forth in the Registration Books.

Defeasance

The Bond Resolution provides that if the Authority deposits Defeasance Obligations that provide sufficient amounts to pay all Bond Amounts due and to become due on the Offered Bonds, such Offered Bonds shall no longer be deemed outstanding under the Bond Resolution and will be secured solely by such Defeasance Obligations. For further detail see "Defeasance" under "Summary of Certain Provisions of the Bond Resolution" herein.

Acceleration

Pursuant to the Act, in the event that the Authority shall default in the payment of principal of or interest on any issue of the Bonds and such default shall continue for 30 days or in the event that the Authority shall otherwise fail to comply with the provisions of the Bond Resolution, the Owners of 25% in aggregate principal amount of such issue of Bonds may appoint a trustee to represent the Owners of such issue of Bonds, and such trustee may, and upon written request of the Owners of 25% in aggregate principal amount of such issue of Bonds shall, in its name declare all such issue of Bonds due and payable.

SECURITY

Pledge of Assets

The Bonds are secured, to the extent and as provided in the Resolution, by a pledge of the Assets, which consist of Mortgage Loans, Authority Property, Revenues and Investment Obligations, and, to the extent made subject to the pledge or lien of the Resolution, Enhancement Agreements and Exchange Agreements (see "Summary of Certain Provisions of the Bond Resolution - Assets and the Pledge Thereof"). The Resolution imposes no requirements on the Authority as to a minimum amount or type of Assets except for the Revenue Test, as more fully described in "Revenue Test; Limited Operating Covenants" herein.

The Resolution permits the Authority to (i) purchase, sell, exchange, transfer and modify Assets, (ii) apply Assets to the payment of Expenses, and (iii) release Assets from the lien or pledge created by the Bond Resolution, subject only to the satisfaction of the Revenue Test (see "Revenue Test; Limited Operating Covenants" and "Summary of Certain Provisions of the Bond Resolution - Withdrawal, Transfer, Sale, Exchange and Modification of Assets").

The Act provides that any pledge made by the Authority is valid and binding from the time such pledge is made and that the Authority's interest, then existing or thereafter obtained, in revenues, moneys, mortgage loans, receivables, contract rights or other property or proceeds so pledged shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of such pledge shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The Act further provides that no instrument by which a pledge is created need be recorded nor shall any filing be required with respect thereto. The Authority does not expect to record or file any instrument creating or evidencing the pledge or lien created by the Resolution with respect to any Asset. Except when specifically required by the Resolution or when convenient in the normal course of business, the Authority does not expect to physically deliver Assets to the Trustee.

The Resolution does not require the establishment and funding of any debt service reserve fund or any other reserve fund, and the Authority does not expect to establish and fund any such reserve fund.

Mortgage Loans

The Bond Resolution requires that the Mortgage securing each Mortgage Loan must constitute a lien on the Development financed by the Mortgage Loan, but such lien is not required by the Bond Resolution to be a first lien and may, therefore, be subordinate to other liens on the Development. It is the policy of the Authority that the security for the Mortgage Loan be a full fee simple ownership interest; however, under the Act and the Bond Resolution, the Authority may finance leasehold estates if the term of the lease is at least twice the term of the Mortgage Loan. The Authority has financed, and may in the future finance, Mortgage Loans secured by leasehold estates of the land or the Development if the landlord is unwilling or unable to convey its interest as security for the Mortgage Loan.

Generally, the Mortgage Loans bear interest at interest rates that, subsequent to the construction period (if any), are fixed to maturity and are fully amortizing over the term of the Mortgage Loan, although the Authority has occasionally structured the Mortgage Loan (and may do so in the future) to have a balloon principal payment due on the maturity date of the Mortgage Loan if the amount of such balloon principal payment is expected to be less than the projected value of the Development on the maturity date of such Mortgage Loan.

Neither the Act nor the Bond Resolution requires that the Mortgage Loans be insured by the federal government or private mortgage insurance companies or that Developments financed under the Program be entitled to or eligible for federal assistance (see Appendix C for a description of certain federal programs under which the Authority has previously financed Developments, and see Appendix D for identification of Developments assisted by such federal programs). The Authority has issued, and expects to issue in the future, Bonds to finance Developments assisted under the Low Income Housing Tax Credit Program described in Appendix C. The Authority does not expect to issue substantial amounts of Bonds to finance new Developments assisted under the other federal programs described in Appendix C; however, the Authority has issued, and expects to issue in the future, Bonds to refund bonds (of the Authority or other governmental entities) which are then financing such Developments, and upon such refunding the Mortgage Loans on such Developments shall become security for the Bonds (see "Other Programs of the Authority — Multi-Family Program" for additional information regarding the Authority's program under which such Developments were financed). The Authority has issued, and expects to issue in the future, Bonds to finance increases in the outstanding principal amounts of the Authority's existing mortgage loans on developments that are assisted under such federal programs and are financed under other bond resolutions of the Authority, and such mortgage loan increases shall be Mortgage Loans that are security for the Bonds. In addition, the Authority has issued, and expects to issue in the future, Bonds to finance Mortgage Loans on developments which are not currently financed by the Authority and which, prior to financing by the Authority, were assisted under the Section 236 Interest Reduction Payments Program or the Section 8 Program described in Appendix C and, after such financing, shall continue to receive assistance under such program and to be subject to the rental and occupancy requirements under such program.

The Authority has established income limits for the admission of families and persons to Developments. Under the Authority's current rules and regulations (which are subject to change), the adjusted family income as defined by the Authority for admission to a rental unit in a Development may not exceed 150% of the area median gross income, except that certain developments financed by mortgage loans approved by the Authority prior to November 15, 1991 are subject to a maximum income limit of seven times the total annual rent for such unit including all utilities (except telephone). In addition, the Authority's rules and regulations authorize the establishment of lower income limits with respect to a Development in the resolution of the Authority's Board approving, or in the commitment for, the Mortgage Loan of such Development. In the case of certain Developments financed in whole with Tax Exempt Bonds after March 27, 2002, and prior to January 21, 2004, the Authority established an income limit of 50% of the area median gross income for 50% of the units and an income limit of 100% (150% if the Development is located in a rural area) of the area median gross income for the remaining 50% of the units. In the case of certain Developments financed or to be financed by Subsidized Mortgage Loans described in "The Authority - General Fund and Other Net Assets" below, the Authority has established an income limit between 50% and 100% (50% or 60% in the case of most Developments) of the area median gross income for all or a portion (any such portion generally being 40% or 50%) of the units with any remaining units in such developments subject to an income limit of 150% of area median gross income, except that all of the units in such Developments located in rural areas are subject to an income limit of 150% of the area median gross income. In the case of developments financed by such Subsidized Mortgage Loans and assisted under the federal Low-Income Housing Tax Credit Program, the Authority will apply the income limits that are applicable under such Program. See "Tax Matters - Summary of Certain Federal Requirements" for income limitations and other requirements as to the use and occupancy of units under the Code or predecessor federal tax law, and see Appendix C for income limitations under certain federal programs.

The Authority may finance "economically mixed" Developments in which a portion of the units (not to exceed 80%) will not be subject to the Authority's income limits. The Authority is also authorized to finance in such Developments non-housing buildings or portions thereof for manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings. The

Authority has initiated a pilot program for such financings and has developed the following guidelines that will govern the financing of such "economically mixed" Developments under the pilot program: (1) for Developments that are 15,000 square feet or larger, the Development must be in a revitalization area determined by the locality, at least 60% of its income must be derived from the residential portion of the Development, 20% of the units must target households earning income of 80% or less of area median income, 20% of the units must target households earning income of 120% or less of area median income, and the remaining 60% of the units have no income restriction; (2) for Developments under 15,000 square feet, the Development must be in a revitalization area determined by the locality, and the percentage of income that must be derived from the residential portion and the incomes targeted will be determined by the Authority on a case-by-case basis; and (3) for Developments receiving Mortgage Loans financed by Subsidized Mortgage Loans (see "The Authority - General Fund and Other Net Assets" below), 30% of the units must target households earning income of 80% or less of area median income, 20% of the units must target households earning income of 120% or less of area median income, and the remaining 50% of the units have no income restriction.

Mortgage Loan Performance

In January 1999, the Authority commenced the financing of the Mortgage Loans under the Program. The total of the original principal amounts of and commitments for such Mortgage Loans was approximately $3.4 billion as of March 31, 2010 as shown in Appendix D. As of June 30, 2010 the Mortgagors of all of the Developments then funded under the Program were current in their Mortgage Loan payments, except nine Mortgagors with respect to nine Mortgage Loans having an aggregate current principal balance of approximately $4.1 million. Since the inception of the Program, the Authority has acquired by foreclosure or deed in lieu of foreclosure twelve Developments financed under the Program having an aggregate original principal balance of approximately $68 million. The Authority currently owns ten of such Developments which are identified in Appendix D by footnote (7) (such Developments, together with other developments described herein that the Authority has acquired by foreclosure or deed in lieu of foreclosure, are referred to collectively as the "Owned Developments") and sold two of such Developments to third parties. The Authority has also foreclosed on one Development that was purchased by a third party at the foreclosure sale. The rental and other income of the Owned Developments is, in many instances, insufficient to provide a market rate return to the Authority on its capital investment in such Owned Developments. For Developments experiencing financial difficulties, the Authority may restructure the timing of the receipt of principal and interest payments on the Mortgage Loan or reduce the interest rate on a temporary or permanent basis. See "Other Programs of the Authority — Multi-Family Program" under the heading "The Authority" for the Authority's experience with multi-family programs similar to the Program. The Authority regularly conducts analyses of the risk of loss on its portfolio of multi-family mortgage loans (including the Mortgage Loans) in order to determine the amount to be included in the calculation of the Authority's Allowance for Loan Loss for anticipated losses on Mortgage Loans under the Program and on multi-family mortgage loans under other multi-family programs of the Authority. Such amount is $56.7 million as of June 30, 2010 (the Authority's total Allowance for Loan Loss which includes such amount and amounts for possible losses on single family mortgage loans financed by the Authority was $106.5 million as of June 30, 2010).

Investment Obligations

The Authority maintains a substantial portion of Assets as Investment Obligations. Eligible Investment Obligations are set forth in the definition thereof in Appendix A and include (i) any investment (debt or other contractual obligation or equity interest) which, in the determination of an Authorized Officer, is a suitable investment, in light of the amount and timing of Bond Obligation payments, the amount of Assets, and the availability of monies to pay Bond Obligations as they become due, at the time of acquisition thereof, and (ii) certain investments which bear, or the obligor(s) or guarantor(s) thereof bear, an investment grade rating assigned by a nationally recognized rating agency. See "Investments" in "The Authority".

Exchange Agreements and Enhancement Agreements

The Resolution permits the Authority to execute Exchange Agreements (such as swap agreements) and Enhancement Agreements (such as agreements related to bond insurance) under which the Authority obligations are payable from Assets and are treated as Bond Obligations payable from the same sources and on a parity basis with the Bonds (see "Summary of Certain Provisions of the General Bond Resolution - Incurrence of Additional Bond Obligations"). Any Enhancement Agreements or any Exchange Agreements including those made subject to the pledge or lien of the Bond Resolution, are subject to the risk that the other parties to such Agreements may not satisfy their obligations set forth in such Agreements. The Bond Resolution does not establish minimum rating requirements for such other parties. There are no outstanding Exchange Agreements or Enhancement Agreements under which the Authority's obligations are payable from Assets. As of June 30, 2010, approximately $267.5 million of the Authority's Commonwealth Mortgage Bonds are insured, at the request of the Authority, by a third party. The annual premium on such insurance is payable from assets attributable to the Commonwealth Mortgage Bonds bond resolution.

General Obligations of the Authority

The Offered Bonds are also general obligations of the Authority payable out of any of its revenues, moneys or assets, subject to agreements heretofore or hereafter made with owners of Authority obligations other than the Owners pledging particular revenues, moneys or assets for the payment thereof. The security provided the Offered

Bonds by the Authority's general obligation should be evaluated in connection with the performance of other loan programs of the Authority and such pledging of particular revenues, moneys or assets. See "Other Programs of the Authority", "Summary of Revenues, Expenses, and Net Assets", and "General Fund and Other Net Assets" in "The Authority".

The Authority has no taxing power. The Bonds do not constitute a debt or grant or loan of credit of the Commonwealth, and the Commonwealth shall not be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority. The Authority has not created a capital reserve fund to secure the Bonds, and therefore, the Bonds are not subject to the provision in the Act that requires the Governor to include in the Governor's budget funds to cover any deficiency in the capital reserve funds of the Authority and that authorizes the General Assembly to appropriate funds therefor.

Sources of Payment

The scheduled payments of Bond Amounts, including the principal of and the interest on the Offered Bonds and any Enhancement Agreements or any Exchange Agreements that are payable from Assets, have been or are expected to be based upon the assumed receipt by the Authority of principal and interest or other payments on or with respect to Mortgage Loans and Investment Obligations, the income received with respect to Authority Property (excluding such income to be applied to the payment of operating expenses or to be deposited into reserve or escrow funds for such Authority Property), payments received with respect to any Enhancement Agreement or any Exchange Agreement pledged as Assets, and net assets of the Authority, including net assets pledged under the Resolution. In so scheduling such payments of Bond Amounts the Authority has assumed or is expected to assume that no prepayments of principal will be received with respect to the Mortgage Loans; accordingly, scheduled payments of Bond Amounts are not expected to be dependent upon the receipt of prepayments of principal with respect to the Mortgage Loans.

The ability of the Authority to pay Bond Amounts, including principal and interest on the Offered Bonds, may be adversely affected by (i) failure to receive principal and interest or other payments when due or any time thereafter with respect to Mortgage Loans, Investment Obligations and any Enhancement Agreements and any Exchange Agreements pledged as Assets, (ii) receipt of income with respect to Authority Property (net of amounts to be applied to the payment of operating expenses or to be deposited into reserve or escrow funds for such Authority Property) in amounts less than expected by the Authority, (iii) Mortgage Loans, Authority Property and Investment Obligations and other Authority assets not being made, financed or acquired at the times, interest rates or prices, as applicable, contemplated by the Authority or not being made, financed or acquired at all (see "Special Redemption"), and (iv) receipt of net proceeds from the sale or other disposition of Assets in amounts less than expected by the Authority. The ability of a Mortgagor to make principal and interest payments on a Mortgage Loan may be adversely affected by reductions (or the failure to receive adequate increases) in federal subsidy payments with respect to any Developments financed pursuant to the Bond Resolution and assisted by such subsidy payments (see Appendix C — "Section 8 Program — Adjustments of Contract Rents"), as well as by general economic conditions.

Amendments to Resolution; Bonds Acquired by the Authority

The Resolution provides authorization for amendments to certain provisions therein by supplemental resolution of the Authority without the consent of Owners (see "Amendments" in "Summary of Certain Provisions of the Bond Resolution"). Pursuant to such authorization, the Authority may, subject to the Revenue Test described below, amend the Bond Resolution in any respect, except as set forth in Section 701(7) of the Resolution. The Resolution, including the Revenue Test, also may be amended with the consent of the Owners of more than fifty percent (50%) of the Bond Obligation as provided in Sections 702 and 802 of the Resolution. Any of the foregoing amendments may adversely affect the security for the Bonds. See Appendix A for Sections 701(7), 702 and 802.

Pursuant to the Act and the Resolution, the Authority may purchase or otherwise acquire the actual or constructive ownership of Bonds prior to the maturity or redemption thereof with the intent that such Bonds remain Outstanding and that any such Bonds so purchased or acquired shall remain Outstanding, subject to any terms and conditions determined by the Authority. Any Bonds so owned by the Authority shall be entitled to vote or give consents under the Resolution, except with respect to amendments to the Resolution, and remedies and appointment and removal of the Trustee upon an Event of Default. Any such vote or consent may adversely affect the security for the Bonds.

REVENUE TEST; LIMITED OPERATING COVENANTS

Except for the Revenue Test described below, the Bond Resolution imposes no restrictions on the Authority's ability to transfer Assets to the Authority's General Fund and release assets from the lien or pledge of the Bond Resolutions and no requirements on the Authority as to the minimum amount or type of Assets, nor does it impose any requirements on the Authority with respect to annual income or net worth.

The Bond Resolution does require that certain actions, including transfer of all or any portion of any Asset to the Authority's General Fund and release assets from the lien or pledge of the Bond Resolution, can be undertaken only pursuant to the Revenue Test set forth in the Bond Resolution. Such test requires an Authorized Officer of the

Authority, based on such assumptions as such Authorized Officer shall deem reasonable and subject to certain other conditions, to determine that subsequent to taking such action, Revenues, as defined in the Resolution, "shall be at least sufficient to pay all Bond Amounts as such Amounts are or are anticipated to become due and payable (by purchase, redemption, or otherwise)." See the definition of Revenue Test in Section 101 of the Resolution attached hereto as Appendix A to this Official Statement.

TAX MATTERS

Federal Taxes

In the opinion of Hawkins Delafield & Wood LLP, Special Tax Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance by the Authority with certain tax covenants described herein, (i) interest on the Offered Tax Exempt Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Offered Tax Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. No opinion is expressed as to the exclusion from gross income of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person". In rendering its opinion, Special Tax Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Offered Tax Exempt Bonds, and Special Tax Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Tax Exempt Bonds from gross income under Section 103 of the Code.

Special Tax Counsel expresses no opinion as to any other matter with respect to the exemption of interest on the Offered Tax Exempt Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, country or other jurisdiction. Special Tax Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Special Tax Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Offered Tax Exempt Bonds, or under state and local tax law.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Tax Exempt Bonds in order that interest on the Offered Tax Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, occupancy and use limitations on the financing by the Authority of residential rental developments, residential real property for family units and governmental property, requirements relating to use and expenditure of gross proceeds of the Offered Tax Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Offered Tax Exempt Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. (See "Summary of Certain Federal Requirements").

The following is a brief discussion of certain collateral federal income tax matters with respect to the Offered Tax Exempt Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of an Offered Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Offered Tax Exempt Bonds.

Prospective owners of the Offered Tax Exempt Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Offered Tax Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The Authority's Tax Certification, which will be delivered concurrently with the delivery of the Offered Tax Exempt Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. The Authority, in executing its Tax Certification, will certify to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. The Authority has also covenanted in the Bond Resolution that it shall at all times do and perform all acts required by law in order to assure that interest paid on the Offered Tax Exempt Bonds is not included in the gross incomes of the Owners thereof pursuant to the Code. In furtherance thereof, if and to the extent necessary to comply with the Code, the Authority has required or will require each Mortgagor with respect to each Mortgage Loan to be financed from the proceeds of the Offered Tax Exempt Bonds to make certain covenants in the Mortgage Loan documents (the form of which is subject to the review of Hawkins Delafield & Wood LLP, Special Tax Counsel to the Authority) in order to satisfy the above described requirements of the Code. However, no assurance can be given that in the event of a breach of any such provisions, procedures and covenants, the remedies available to the Authority and/or Owners of the Offered Tax Exempt Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable federal tax law and therefore to prevent the loss of the exclusion of interest on the Offered Tax Exempt Bonds pursuant to the Code. Furthermore, with respect to any Mortgage Loan insured by the Federal Housing Administration (the "FHA") which may be financed with the proceeds of the Offered Tax Exempt Bonds, such provisions, procedures and covenants will be subordinate to the rights of FHA under the Mortgage Loan documents, and the enforcement of such provisions, procedures and covenants will be subject to FHA approval; however, the Code provides that the above described requirements shall cease to apply to the Development if (i) any action of the FHA prevents the Authority from enforcing such provisions, procedures and covenants, and (ii) if the Offered Tax Exempt Bonds issued to finance the FHA Mortgage Loan are retired within a reasonable time. Any loss of the exclusion of interest on the Offered Tax Exempt Bonds may be retroactive to the date the Offered Tax Exempt Bonds began to accrue interest, irrespective of when an event of noncompliance may occur or be ascertained.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Offered Tax Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients.

A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. If an Owner purchasing an Offered Tax Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Offered Tax Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Summary of Certain Federal Requirements

The following requirements apply to Developments financed by Mortgage Loans funded with the proceeds of Tax Exempt Bonds.

Requirements Applicable to Developments Financed by Tax Exempt AMT Bonds and Tax Exempt Non-AMT Bonds

The following requirements apply to Developments to be financed or which have been financed, in whole or in part, with proceeds of Tax Exempt AMT Bonds or Tax Exempt Non-AMT Bonds. The Offered Bonds are Tax Exempt Non-AMT Bonds.

Under the Code, Developments financed by Tax Exempt AMT Bonds or Tax Exempt Non-AMT Bonds must meet a requirement that either (i) at least 20% of the units in such Development be occupied during the Qualified Project Period (as defined in this subsection below) by individuals whose incomes are 50% or less of area median gross income, as adjusted for family size, or (ii) at least 40% of the units in such Development be occupied during the Qualified Project Period (as defined in this subsection below) by individuals whose incomes are 60% or less of area median gross income, as adjusted for family size. (The foregoing requirement is hereinafter referred to as the "20/50 or 40/60 Requirement", as applicable.)

The term "Qualified Project Period" is defined in the Code such that its ending date is the latest of (i) the date which is at least 15 years after the date on which 50% of the units in such Development are first occupied, (ii) the first day on which no Tax Exempt AMT Bond issued with respect to such Development is outstanding, or (iii) the date on which any assistance provided with respect to such Development under Section 8 terminates.

In addition to the 20/50 or 40/60 Requirement, all of each such Development's units must remain rental property throughout the applicable Qualified Project Period.

Requirements Applicable to Developments Financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds

The following requirements apply to Developments to be financed or which have been financed, in whole or in part, with proceeds of certain Transitioned 1954 Code Tax Exempt Non-AMT Bonds. None of the Offered Bonds are Transitioned 1954 Code Tax Exempt Non-AMT Bonds. The Authority has issued, and expects to issue, Tax Exempt Bonds from time to time under the Resolution to refund certain previously issued tax exempt bonds of the Authority as described below. In such an event, the developments financed by such refunded bonds shall become Developments under the Resolution. The Authority may also issue Transitioned 1954 Code Tax Exempt Non-AMT Bonds to finance Developments owned by the Authority, by other governmental entities or by charitable organizations exempt from federal taxation under Section 501(c)(3) of the Code and to finance Authority Property (including its offices).

Developments financed by certain Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds which were either issued on or after January 1, 1981, and before August 16, 1986 or issued pursuant to a transition rule in the Tax Reform Act of 1986 are subject to certain restrictions as to the use and occupancy of units therein under the Code and the predecessor provisions of the Internal Revenue Code of 1954, as amended (the "1954 Code"). Such Developments consisting of residential rental property, as such term is defined in Section 103(b)(4) of the 1954 Code, are subject to the requirement that (i) at least 20 percent of the units in each Development financed by such bonds (15 percent if the Development is located in certain low income or economically distressed areas) be occupied during the "Qualified Project Period" (defined below) by individuals whose incomes do not exceed 80% of the median income for the area (the "20/80 Requirement"), (ii) all of the units of each Development be rented or available for rental on a continuous basis for the longer of the remaining term of the applicable series of such bonds or the Qualified Project Period for the Development, and (iii) no building in any Development contains less than 5 units if one of such units is occupied by an owner of the units. The 20/80 Requirement does not apply to Developments financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued prior to January 1, 1981.

The term "Qualified Project Period" means (i) for the above described Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued prior to September 4, 1982, a period of 20 years commencing on the date of initial occupancy of the Development or the date of issuance of such bonds, whichever is later, and (ii) for the above described Transitioned 1954 Code Tax Exempt Non-AMT Bonds issued to refund bonds issued on or after September 4, 1982, a period commencing upon occupancy of 10% of the units in the Development and ending on the later of (a) the date which is 10 years after occupancy of 50% of the units in the Development, (b) the date which is subsequent to initial occupancy of any unit in the Development by a period of time equal to one-half of the sum of the period the refunded bonds were outstanding and the longest term of the Transitioned 1954 Code Tax Exempt Non-AMT Bonds or (c) the date upon which any Section 8 assistance for the Development terminates.

Developments that are financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds and that are owned by the Authority, by other governmental entities or by charitable organizations exempt from federal taxation under Section 501(c)(3) of the Code are not subject to the 20/50 or 40/60 Requirement or the 20/80 Requirement. However, if any Development that is financed by Transitioned 1954 Code Tax-Exempt Non-AMT Bonds issued after August 16, 1986 and that is owned by such a charitable organization shall not be newly constructed or substantially rehabilitated, such Development shall be subject to the 20/50 or 40/60 Requirement.

Virginia Taxes

Under the Act, income on the Offered Tax Exempt Bonds, including any profit made on the sale thereof, is not included in taxable income for purposes of income taxation by the Commonwealth and by the municipalities and all other political subdivisions of the Commonwealth. All potential purchasers should consult their tax advisors regarding tax treatment of the Offered Tax Exempt Bonds by the Commonwealth.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Offered Tax Exempt Bonds under Federal or state law and could affect the market price or marketability of the Offered Tax Exempt Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Offered Bonds, will not have an adverse effect on the tax-exempt status, market price or marketability of the Offered Bonds.

Prospective purchasers of the Offered Tax Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the Holders and Beneficial Owners (as defined in the Continuing Disclosure Agreement — see Appendix F) of the Offered Bonds, to provide certain financial information and operating data relating to the Authority by not later than 180 days following the end of the Authority's Fiscal Year (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Financial Information and notices of material events will be filed by the Authority with the Electronic Municipal Markets Access ("EMMA") system established by the Municipal Securities Rulemaking Board. EMMA's website address currently is www.emma.msrb.org.

The specific nature of the information to be contained in the Annual Financial Information or the notices of material events and other terms of the Continuing Disclosure Agreement are summarized in Appendix F — "Summary of Certain Provisions of the Continuing Disclosure Agreement." These covenants have been made in order to assist the

Underwriters to comply with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"). The Authority has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide Annual Financial Information or notices of material events.

The rights of the Trustee and of Owners to enforce the provisions of the Continuing Disclosure Agreement are limited as described more fully in "Enforcement" in Appendix F and, any failure by the Authority to comply with the Continuing Disclosure Agreement will not constitute an Event of Default under the Bond Resolution.

The Continuing Disclosure Agreement requires the Authority to provide only limited information at specified times and may not require the disclosure of all information necessary for determining the value of the Offered Bonds.

The Authority periodically compiles certain information on its bond and mortgage loan programs which is available upon request to the Authority (see "The Authority" for address, telephone number and website address). Although the Authority presently intends to continue to compile such information and make it available upon request, it is not obligated to do so pursuant to the Continuing Disclosure Agreement.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Offered Bonds will be subject to the receipt of the approving opinion of Hunton & Williams LLP, Richmond, Virginia, Bond Counsel. Such opinion (the "Approving Opinion") will be limited to matters relating to the authorization and validity of the Offered Bonds. As described in "Tax Matters" above, certain legal matters relating to federal income tax treatment of interest on the Offered Bonds will be subject to the receipt of the tax opinion (the "Tax Opinion") of Hawkins Delafield & Wood LLP, Special Tax Counsel. The proposed form of opinions of Bond Counsel and Special Tax Counsel are attached hereto as Appendices G and H. Neither Bond Counsel nor Special Tax Counsel has been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Offered Bonds, and neither the Approving Opinion nor the Tax Opinion will make any statement as to such matters or as to the accuracy or completeness of this Official Statement generally. Certain legal matters will be passed on for the Authority by its General Counsel, J. Judson McKellar, Jr., Esquire. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia.

UNDERWRITING

The Offered Bonds are being purchased (or placed with a private purchaser) by the underwriters listed on the front cover of this Official Statement as delivered in its final form (the "Underwriters"). The Underwriters have agreed, pursuant to certain terms and conditions with respect to the Offered Bonds, to purchase at the prices set forth on the front cover hereof all of the Offered Bonds (including any of such Bonds to be placed with a private purchaser if such purchaser shall fail to purchase any of such Bonds) if any are purchased. In connection with said purchase (or placement) and underwriting, the Underwriters are to receive a fee of $299,645, representing approximately 0.91% of the principal amount of the Offered Bonds.

BB&T Capital Markets is a division of Scott & Stringfellow, LLC. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

The information regarding initial public offering prices or yields set forth on the front cover of this Official Statement as delivered in its final form has been provided by the Underwriters. In connection with the offering of the Offered Bonds, the Underwriters engage in transactions that stabilize, maintain or otherwise affect the price of the Offered Bonds, including transactions to (i) overallot in arranging the sales of the Offered Bonds and (ii) make purchases and sales of the Offered Bonds, for long or short account, on a when-issued or other basis at such prices, in such amounts and such manner as the Underwriters may determine.

RATINGS

As noted on the front cover, the Offered Bonds have received a long-term rating of "Aa1" from Moody's Investors Service ("Moody's") and a long-term rating of "AA+" from Standard & Poor's Ratings Services ("Standard & Poor's" or "S&P"). It is a condition to the Underwriters' obligation to purchase the Offered Bonds that neither rating agency shall have lowered, withdrawn or suspended its rating prior to the Date of Delivery.

Moody's issues ratings from "Aaa" to "C" to designate the relative investment qualities of debt securities. The "Aaa" rating is the highest of the nine such ratings. Moody's describes its "Aa1" rating as follows: Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present that make the long-term risks appear somewhat larger than in Aaa securities. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category.

Standard & Poor's issues ratings from "AAA" to "D" to designate the relative investment qualities of debt securities. The "AAA" rating is the highest of the ten such ratings. Standard & Poor's describes its "AA+" rating as follows: An obligation rated AA differs from the highest-rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong. The addition of a plus or minus sign show relative standing within a major rating category.

Further explanation of the significance of these ratings may be obtained from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Offered Bonds and should be evaluated independently. There is no assurance that the ratings will be maintained for any period of time or that the ratings may not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Offered Bonds.

Ratings address the likelihood of receipt by investors of all payments on the Offered Bonds. The ratings also address the structural, legal and Authority-related aspects associated with the Offered Bonds, the nature of the underlying assets and the credit quality of the credit enhancer or guarantor, if any.

THE PROGRAM

The information that follows is provided to explain the Authority's program of making or purchasing Mortgage Loans and financing Authority Property pursuant to the Bond Resolution (the "Program"). The Authority has also made or purchased mortgage loans pursuant to other bond resolutions. This information does not purport to be comprehensive or definitive, and the limits, amounts of financial reserves, rules and criteria described are not required by the Bond Resolution and are subject to modification, change or waiver by the Authority, in whole or in part at any time, and with respect to any particular Development proposal or any particular type of Development (such as Developments containing a small number of units intended for occupancy by person with disabilities).

New mortgage loans to be originated under the Authority's multi-family program are expected to be financed primarily with the proceeds of Bonds and pursuant to the Program. The Authority also expects to utilize proceeds of other bonds and other moneys of the Authority to finance other mortgage loans under its multi-family program as set forth herein under "The Authority - Other Programs of the Authority," "Miscellaneous Programs" and "General Fund and Other Net Assets".

General

The Bond Resolution authorizes the Authority to apply Assets to make, purchase, finance or refinance Mortgage Loans or to acquire, rehabilitate, construct, finance or refinance Authority Property. The Bond Resolution requires that each Mortgage Loan must be either (i) a loan evidenced by an interest-bearing obligation secured by a Mortgage for financing the acquisition, construction, rehabilitation and/or ownership of multi-family residential housing (which housing may be economically mixed housing described below) and any nonhousing building or buildings as authorized by the Act, (ii) an obligation, certificate or instrument for which such a loan secured by a Mortgage is the security or the source of payment, or (iii) a participation or other ownership interest in either a loan described in (i) or an obligation, certificate or instrument described in (ii) with another party or parties or with another source of funds of the Authority not pledged pursuant to the Bond Resolution. The Bond Resolution defines Authority Property as real property and improvements thereon or an ownership share in a cooperative housing association or a leasehold interest under a lease and any personal property attached to or used in connection with any of the foregoing owned by the Authority and either financed or refinanced pursuant to the Bond Resolution or acquired by the Authority by purchase or foreclosure of a Mortgage Loan or by deed in lieu thereof.

Underwriting of Mortgage Loans and Management of Developments

Underwriting

When a sponsor submits a proposal for a Development to the Authority, it is assigned to an Authority staff Development Officer, who evaluates the proposed Development concept, the Development site and its location. Based upon the initial screening, the Development Officer will then evaluate the suitability of the site and the adequacy of the market for rental housing in the area. The evaluation will include an analysis of the site characteristics, the surrounding land uses, the available utilities, transportation, employment opportunities, recreation opportunities, shopping facilities and other factors affecting the site. An initial evaluation is made of the experience and financial capacity of the general contractor and the qualifications of the architects, attorneys and rental agent of the proposed Development at this time. The Authority's review includes a projection of rental levels and the adequacy of the rental and other income to sustain the proposed Development based upon the assumed occupancy rate and existing construction and financing costs, as well as the compatibility of such rent levels with Authority programs and goals. During this stage of processing, the Executive Director submits the Mortgage Loan to the Board of Commissioners of the Authority for review and authorization to approve the Mortgage Loan, subject to satisfactory completion of the underwriting as described below.

After the above-described evaluation and review, the sponsor must submit additional information, including an analysis of the Development's costs and operating expenses, marketing and management information and information about the sponsor and the development team. An analysis of the economic feasibility of the Development, including estimates of construction cost and rental and other income necessary to cover Mortgage Loan amortization and operating expenses, is made. The Authority's Development Officer evaluates overall market conditions, makes a site evaluation, identifies and analyzes competitive projects, and gives an opinion on the present and projected demand for the Development in the market area. The analysis of overall market conditions includes trends and projections of housing production, employment and population for the market area. The site evaluation includes access and topography of the site, the neighborhood environment of the site, facilities serving the site and present and proposed uses of nearby land.

A review of the management and marketing information is made with attention to marketing strategies, operating budgets and affirmative marketing. Particular emphasis is given to determining if the operating costs are realistic and if the proposed managing agent is qualified to manage the Development in conformity with the management standards and procedures established by the Authority. Schematic and preliminary drawings, specifications and site plans are reviewed by the Authority's staff architect for design concept with emphasis being placed on functional use for the residents and marketability over the life of the Development. Energy conservation and economy are emphasized.

The Development Officer reviews the financial statements of both the sponsor and the general contractor and may also obtain independent credit reports on both. All individuals who are principals in the proposed Mortgagor must also submit personal financial statements for review.

During its feasibility review, the Authority must determine that, based on the actual or projected interest rate and amortization schedule on the Mortgage Loan and an operating expense budget, the Mortgage Loan amount will not result in rents which adversely affect feasibility. Construction costs are reviewed and analyzed, utilizing the Authority's computerized cost estimating and feasibility analysis system. An appraisal of the land is obtained from an independent real estate appraiser. If upon completion of these analyses the Executive Director approves the Development, a commitment for a Mortgage Loan is issued with any terms or conditions specified by the Executive Director.

Commitment and Initial Closing

Upon receipt and acceptance of a Mortgage Loan commitment, the sponsor is to direct its attorney to prepare the documents for the initial Mortgage Loan closing. After review and approval by the Authority of all loan documents and final working drawings and specifications, the initial closing of the Mortgage Loan will be held. At this closing the Mortgagor and the Authority will execute all documents required by the commitment, and the Mortgagor will make any required equity investment and other deposits required by the Mortgage Loan commitment.

Construction

The Authority has established various requirements intended, in particular, to assure timely completion of construction and to provide funds in the event difficulties are encountered during construction. Among these requirements, which may be waived by the Authority, are the following:

- A holdback equal to 10% of construction disbursements until completion;
- Unconditional, irrevocable letters of credit (generally 10-15% of construction costs) to secure completion of construction; and
- Letters of credit to secure correction of latent construction defects (generally 2.5% of construction costs).

Construction of the Development generally commences within 30 days after the initial closing. During construction, the Authority's field inspectors make frequent on-site observations of the progress of construction. The Authority approves or disapproves all construction loan disbursements and construction change orders.

Final Closing and Certifications

Upon completion of construction, the Authority makes a final review to determine that, based on its inspection of the Development and the representations of the architect, (i) construction of the Development has been completed in accordance with approved plans and specifications and other terms of the Mortgage Loan, and in accordance with any applicable zoning, building, housing and other codes and ordinances, and (ii) the Development is in good and tenantable condition. If the final review is satisfactory, the general contractor and the Mortgagor submit cost certifications of all actual costs of construction and development. Such cost certificates must be completed by an independent Certified Public Accountant in accordance with the Authority's guidelines, except that in the case of Developments having limited rehabilitation, the Mortgagor is required only to certify that the costs are reasonable, ordinary and necessary for such rehabilitation.

Prior to final closing the Authority's staff reviews and approves the cost certifications, final title insurance policy and certain documents required by the Authority, such as final plans and specifications, as-built survey, waiver of liens and the architect's certification as to completion of the Development. Upon final closing the final Mortgage Loan amount is established and disbursement of the remaining Mortgage Loan proceeds is made.

The final Mortgage Loan amount may be reduced from the initial closing amount based upon the certification of actual costs. Although it is the Authority's present policy not to grant Mortgage Loan increases at the final closing of a Mortgage Loan, a Mortgage Loan increase may be granted if deemed justified by the Authority.

Permanent Financing

In the case of a Mortgage Loan which is to provide only the permanent financing for a Development, certain of the above described processing procedures relating to the closing of the Mortgage Loan and the construction of the Development are inapplicable (e.g., the closing of the Mortgage Loan is held upon completion of construction, if any, of the Development in accordance with the plans and specifications approved by the Authority and upon satisfaction of the conditions of the Commitment, and the proceeds of the Mortgage Loan are fully disbursed at such closing).

Regulation and Management

Generally, each Development is subject to a regulatory agreement between the Authority and the Mortgagor, which regulates the occupancy, management and operations of the Development. However, the rents to be charged for units in a Development are established by the Mortgagor without the approval of the Authority.

The management of the Development is also governed by a housing management agreement between the Mortgagor and its management agent or, if the Mortgagor and the management agent are the same entity, between the Mortgagor and the Authority. In the case of a Development that is not financed by Tax Exempt Bonds and that has an original principal amount of less than $2,000,000, the Authority does not require the execution of a regulatory agreement or housing management agreement but does require the inclusion of covenants in the deed of trust regulating the occupancy, operation and ownership of the Development.

The Authority has the right to terminate the housing management agreement for just cause as determined by the Authority. After completion of construction and occupancy, the Authority periodically inspects the Development and conducts spot audits of the management agent's verification of resident eligibility, receives a report on the Development accounts, accounts payable and receivable and Development bank accounts, and generally observes all management operations. Except in the case of Mortgage Loans having an outstanding principal balance of less than $1 million, the Mortgagor is required to submit monthly reports to the Authority which include information on the status of accounts payable and receivable for the Development, occupancy of the units, and operating income and expenses. When any potential problems are identified, the Authority attempts to determine the causes in order to facilitate the initiation of appropriate corrective action, which may include management changes, additional equity contributions by the Mortgagors, foreclosure, loan modification and other appropriate remedial actions.

After final closing, each Mortgagor pays a monthly amount to fund a reserve for replacements account for the Development. The Mortgagor may request the withdrawal of funds from the reserve for replacements account for payment of the cost of major replacement items. Disbursements are to be made in accordance with the Authority's determinations as to what is in the best interest of the Development.

An escrow account for the payment of real estate taxes and hazard insurance premiums is maintained by the Authority for each Development after final closing and is funded by monthly payments by the Mortgagor of 1/12 of the estimated annual real estate tax assessments and hazard insurance premiums. The Authority pays real estate taxes and hazard insurance premiums for each Development out of the sums available for each Development from the Mortgagor's deposits. The Mortgagor is required to contribute additional funds in the event of a deficiency in the escrow account.

See "Tax Matters" and Appendix C for a description of certain additional restrictions imposed by federal law and regulations regarding the use and occupancy of Developments.

THE AUTHORITY

The Authority is a political subdivision of the Commonwealth constituting a public instrumentality. It was established in 1972 to assist in meeting the needs and achieving the objectives of the Commonwealth with respect to housing for persons and households of low and moderate income. The principal office of the Authority is located at 601 South Belvidere Street, Richmond, Virginia 23220, telephone: (804) 782-1986. The Authority's website address is www.vhda.com.

Commissioners

The Commissioners of the Authority consist of eight members appointed by the Governor and confirmed by the General Assembly and three ex-officio members – a representative of the Board of Housing and Community Development of the Commonwealth, the Treasurer of the Commonwealth and the Director of the Department of Housing and Community Development of the Commonwealth. The Authority's Commissioners are:

Name	Position	Term Expires June 30	Occupation
Charles McConnell	Commissioner and Chairman	2012	Retired Executive Director, Wise County Redevelopment and Housing Authority, Abingdon
Yvonne Toms Allmond....	Commissioner and Vice Chairman	2013	Senior Vice President, TowneBank, Norfolk
Jacqueline T. Black..........	Commissioner	2010**	Section 8 Housing Choice Voucher assisted tenant, Chester
Jay Fisette	Commissioner	2010*	Member, Board of Supervisors, Arlington County
John P. McCann	Commissioner	2011	Retired, Chairman of United Dominion Realty Trust, Richmond
Kermit E. Hale	Commissioner	2012	General Manager, MKB Realtors, Roanoke
Gerald W. Hopkins...........	Commissioner	2012	Retired President, Worldwide Insurance Services, Inc., Oakton
Marjorie N. Leon	Commissioner	2012	Program Associate, Family and Consumer Sciences, Virginia Cooperative Extension Partnership, Warrenton
Manju Ganeriwala............	Commissioner	ex-officio†	Treasurer, Commonwealth of Virginia, Richmond
William C. Shelton	Commissioner	ex-officio	Director, Department of Housing and Community Development of the Commonwealth of Virginia, Richmond
Nancy K. O'Brien.............	Commissioner	ex-officio	Member, Board of Housing and Community Development of the Commonwealth of Virginia, Charlottesville

* Continues to serve until successor is appointed
** Continues to serve until reappointed or successor is appointed
† Subject to confirmation by the General Assembly

Management Structure; Principal Staff Officers

The Executive Director is appointed by the Board of Commissioners and implements the policies of such Board and manages the operations of the Authority. The Authority has one business unit for multi-family and single family development (including loan origination) and one business unit for multi-family and single family loan servicing and compliance. Listed below are the Authority's principal officers directly involved in the Program and their responsibilities.

Susan F. Dewey. Executive Director. Ms. Dewey joined the Authority in 1999 as Executive Director. Prior to joining the Authority, Ms. Dewey was employed by the Commonwealth as Treasurer, Deputy Treasurer, Director of Debt Management and Director of Financial Policy. Ms. Dewey is a Certified Public Accountant and has an undergraduate degree and a Master of Business Administration degree from The College of William & Mary.

Arthur N. Bowen, III. Managing Director of Finance and Administration. Mr. Bowen joined the Authority in 2000 as Public Policy Director. Prior to joining the Authority, Mr. Bowen was employed as Deputy Secretary of Transportation for the Commonwealth of Virginia, and prior to that he served as Deputy Treasurer. Mr. Bowen is a graduate of the University of North Carolina, Chapel Hill.

Patrick J. Carey. Finance Director. Mr. Carey joined the Authority in 1987 as Finance Manager. Mr. Carey is a graduate of the University of Richmond and has a Master of Business Administration degree from Virginia Commonwealth University.

J. Judson McKellar, Jr. General Counsel. Mr. McKellar joined the Authority in 1975 as Associate Counsel. Prior to joining the Authority, Mr. McKellar was engaged in the practice of law in Fairfax County, Virginia. Mr. McKellar is a member of the Bar Association of Richmond, the Virginia State Bar and the American Bar Association, and is a graduate of Davidson College and the University of Virginia Law School.

Donald L. Ritenour. Managing Director of Development. Mr. Ritenour joined the Authority in 1974 as a Mortgage Loan Officer and previously served as the Authority's Director of Single Family. Prior to joining the Authority, Mr. Ritenour was employed as an Executive Assistant to the President of Hanover Mortgage Corporation, a wholly-owned subsidiary of the Bank of Virginia, and as an Authorization Manager of Bank of Virginia Master Charge. Mr. Ritenour is a graduate of Virginia Commonwealth University.

Thomas A. Dolce. Managing Director of Servicing and Compliance. Mr. Dolce joined the Authority in 1997 as the Assistant Director of Single Family. Prior to joining the Authority, Mr. Dolce was employed as First Vice President at Long Island Savings Bank, FSB. Mr. Dolce is a graduate of Western New England College.

Other Programs of the Authority

The funds for the Authority's mortgage loan programs are derived from the proceeds of its notes and bonds, prepayments and repayments on mortgage loans, excess revenues and Net Assets. Certain information on such notes and bonds is set forth in footnote 5 of the Authority's financial statements attached hereto as Appendix E. The Authority pays its expenses from the income generated from its operations and has received no funds from the Commonwealth other than an initial advance, which the Authority has repaid. The amount of notes and bonds which the Authority may issue or have outstanding is limited only by the provisions in the Code which restrict the amount of tax-exempt bonds which may be issued and by the provision of the Code of Virginia which limits the outstanding principal amount of Authority obligations secured by a capital reserve fund to $1.5 billion, excluding certain refunding transactions. The Authority is currently in compliance with such limits in the Code and the Code of Virginia.

Other Multi-Family Programs

New mortgage loans to be originated under the Authority's multi-family program, including Mortgage Loans under the Program, are expected to be financed principally with the proceeds of Bonds as set forth herein. The Authority also expects to utilize proceeds of other bonds for the financing of mortgage loans under its other multi-family program described below and to use other moneys of the Authority to finance such mortgage loans as set forth herein under "Miscellaneous Programs" and the "General Fund and Other Net Assets".

The Authority has bonds outstanding under a bond resolution other than the Bond Resolution and has financed under such resolution mortgage loans to mortgagors of multi-family developments. Such bond resolution does not require that the mortgage loans be insured by the federal government or private mortgage insurance companies or that developments financed thereby be entitled to or eligible for federal assistance (see Appendix C for a description of certain federal programs under which the Authority has previously financed developments). Substantially all of the developments financed thereby were underwritten, are managed and are subject to use and occupancy restrictions as described under "The Program" and are assisted under one or more of the federal programs described in Appendix C. Developments originally financed by tax exempt bonds issued after January 1, 1981 are subject to the applicable restrictions described under "Tax Matters - Summary of Certain Federal Requirements". Such resolution pledges the mortgage loans and other assets attributable to such bonds as security for the payment of such bonds, and has requirements which must be satisfied prior to the withdrawal of such mortgage loans and other assets from the pledge and lien of such resolution. All of such bonds are general obligations of the Authority.

The scheduled payments of principal and interest on such bonds have been based upon the assumed receipt by the Authority of principal and interest or other payments on or with respect to the assets pledged thereto. In so scheduling such payments of principal and interest on the bonds, the Authority has assumed that no prepayments of principal would be received with respect to the mortgage loans. Based upon such assumptions, the Authority believes that the principal and interest or other payments on or with respect to the assets pledged to such bonds will be in excess of the scheduled debt service on such bonds.

As is also the case with respect to the Bonds, the ability of the Authority to pay such principal and interest on such other bonds may be adversely affected by (i) failure to receive principal and interest or other payments or income when due or any time thereafter with respect to mortgage loans, investment obligations and any other assets pledged thereto, (ii) receipt of income with respect to developments owned by the Authority and financed by the bonds in amounts less than expected by the Authority, (iii) mortgage loans, investment obligations and other assets not being made, financed or acquired at the times, interest rates or prices, as applicable, contemplated by the Authority or not being made, financed or acquired at all, and (iv) receipt of net proceeds from the sale or other disposition of assets pledged thereto in amounts less than expected by the Authority. The ability of a mortgagor to make principal and interest payments on a mortgage loan may be adversely affected by reductions (or the failure to receive adequate increases) in federal subsidy payments with respect to any developments financed by the bonds and assisted by such subsidy payments (see Appendix C – "Section 8 Program – Adjustments of Contract Rents"), as well as by general economic conditions.

As of June 30, 2010, all of such mortgagors whose mortgage loans are financed by such other bonds were current in their payments, except six mortgagors with respect to six mortgage loans having an aggregate current principal balance of approximately $8.4 million. Since the inception of the program utilizing the proceeds of such bonds, the Authority has acquired by foreclosure or deed in lieu of foreclosure and owns three developments (one of such developments is currently financed under the Program and is also referred to in "Security – Mortgage Loans – Mortgage Loan Performance" above), has foreclosed on one development that was subsequently sold by the Authority to a third party, has foreclosed on one development that was purchased by a third party at the foreclosure sale and has assigned four FHA-insured mortgage loans to the U.S. Department of Housing and Urban Development ("HUD"). The rental and other income of the Owned Developments is, in many instances, insufficient to provide a market rate return to the Authority on its capital investment in such Owned Developments. For developments experiencing financial difficulties, the Authority may also restructure the timing of the receipt of the principal and interest payments on the mortgage loan or reduce the interest rate on a temporary or permanent basis. The Authority regularly conducts analyses of the risk of loss on its portfolio of multi-family mortgage loans in order to determine the amount to be included in the calculation of the Authority's Allowance for Loan Loss for anticipated losses on multi-family mortgage loans under such multi-family programs and on Mortgage Loans under the Program. Such amount is $56.7 million as of June 30, 2010 (the Authority's total Allowance for Loan Loss which includes such amount and amounts for possible losses on single family mortgage loans financed by the Authority was $106.5 million as of June 30, 2010).

Single Family Program

The Authority has bonds outstanding under three bond resolutions which allow for the financing of mortgage loans to low and moderate income owner-occupants of single family residences, although other moneys of the Authority may be utilized for such purpose as set forth herein under "Miscellaneous Programs" and the "General Fund and Other Net Assets" (see Appendix E). Such resolutions pledge the mortgage loans and other assets attributable to such bonds as security for the payment of such bonds on a parity basis (except for certain original proceeds of the Homeownership Mortgage Bonds, 2009 Series B-Taxable, as described in "New Issuance Bond Program" below), and have requirements which must be satisfied prior to the withdrawal of such mortgage loans and other assets from the pledge and lien of such resolutions. All of such bonds are general obligations of the Authority. The Authority has also financed, and expects to continue to finance, single family mortgage loans through the issuance of Ginnie Mae securities (see "Ginnie Mae Financing").

New Issuance Bond Program

The Authority has issued bonds under its bond resolution relating to Homeownership Mortgage Bonds (the "Homeownership General Resolution") in connection with the New Issuance Bond Program ("NIBP") of the U.S. Department of the Treasury (the "Treasury") by which the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, the "GSEs") have accepted bonds (the "GSE Bonds") from state and local housing agencies in a principal amount not to exceed 60% of the total principal amount of certain bond issues (including the principal amount of the GSE Bonds) of such agencies at interest rates that at the time of issuance of the bonds were either (i) fixed to maturity or (ii) bore a short-term interest rate that will convert, unless extended by Treasury, no later than February 16, 2011 to rates fixed to maturity upon each issuance of the remaining 40% of the bond issues as described below, subject to a current limitation of three such conversions. Under the NIBP, the fixed interest rates are expected to be lower than prevailing interest rates available through a public bond offering. In the case of GSE Bonds issued at variable interest rates, the original proceeds of such Bonds will be held in escrow as described below.

On December 23, 2009, the Authority issued the Homeownership Mortgage Bonds, 2009 Series B-Taxable (the "2009 B Bonds") in the principal amount of $482,960,000 at variable interest rates. All of the 2009 B Bonds are GSE Bonds. The Authority has issued and sold one series of bonds (see description of the 2010 A Bonds below) and may issue and sell during 2010 two additional series of bonds (such three series collectively constituting the remaining 40% of the single family bond issues referred to herein as the "Market Bonds") to the general public at interest rates fixed to maturity. The aggregate cumulative principal amount of all Market Bonds is not expected to materially exceed the above described 40% of the sum of the GSE Bonds and the Market Bonds, and all Market Bonds must be issued prior to December 16, 2010. However, the Authority may elect not to issue one or both of the two additional series of Market Bonds and not to effect the related conversion(s) of the additional subseries of 2009 Series B Bonds (any 2009 Series B Bonds not so converted are required to be redeemed) and, in the alternative, may obtain financing for its single family mortgage loans principally through the issuance of Ginnie Mae securities in such amounts as necessary to fund its single family program (see "Ginnie Mae Financing").

The original proceeds of the 2009 B Bonds are held in escrow by the trustee under the Homeownership General Resolution. While held in such escrow, the original proceeds are pledged exclusively to the repayment of the 2009 B Bonds (unless and until there is a default under the Homeownership General Resolution, in which case such funds will be applied as required by the Homeownership General Resolution) whose proceeds have not been released from such escrow and are invested in the investments represented by and provided pursuant to the Global Escrow Agreement by and among the GSEs, the trustee under the Homeownership General Resolution and U.S. Bank National Association, as escrow agent. Under the NIBP, Market Bonds may be issued by the Authority on no more than three dates prior to December 16, 2010, and on or about the date (each a "Conversion Date") two months after each such date a principal amount of the 2009 B Bonds determined by the Authority, but not, to exceed 150% of the principal amount of the Market Bonds issued on such date, is to be converted to a fixed interest rate. As a result, the principal amount of the 2009 B Bonds shall not constitute more than 60% of the total aggregate principal amounts of the 2009 B Bonds and Market Bonds. In addition, on each such date of issuance of Market Bonds or the next day thereafter (each a "Release Date"), original proceeds of the 2009 B Bonds, in an amount equal to the principal amount of the 2009 B Bonds that the Authority has determined will bear interest rates fixed to maturity on the applicable Conversion Date, are to be released from escrow and become available for the financing of single family mortgage loans described below. On or before each Release Date, the Authority is to deliver to the trustee under the Homeownership General Resolution and the GSEs a certificate of the issuance of the Market Bonds and a calculation of the amount to be so released from the escrow. 2009 B Bonds that have not been subject to a Release Date on or prior to December 16, 2010 will be redeemed no later than February 1, 2011.

On February 10, 2010, the Authority issued $107,330,000 of its Homeownership Mortgage Bonds 2010 Series A-Non-AMT (the "2010 A Bonds"). The 2010 A Bonds are Market Bonds. On February 10, 2010, in connection with the issuance of the 2010 A Bonds, a portion of the 2009 B Bonds in the principal amount of $160,990,000 was redesignated as the Homeownership Mortgage Bonds 2009 Series B-Non-AMT, Subseries B-1 Bonds ("Subseries B-1 Bonds"). Such Subseries B-1 Bonds have a maturity date of November 1, 2041, and quarterly Sinking Fund Installments beginning March 1, 2022 that were structured so that the annual debt service payments will be approximately equal. The 2010 Series A Bonds and the Subseries B-1 Bonds were deemed to be issued pursuant to a common plan of financing and were treated as a composite issue for the purposes of the Code.

The proceeds of the 2009 B Bonds, subsequent to their applicable Release Dates, and the Market Bonds have been and are expected to be used to finance single family mortgage loans that are eligible to be financed with Tax Exempt Bonds. Such proceeds of the 2009 B Bonds and the Market Bonds may be so used to finance such single family mortgage loans alone or in combination with any net assets in the Homeownership General Resolution and proceeds of other bonds. Original proceeds of the 2009 B Bonds and the Market Bonds may also be used to refund outstanding notes and bonds of the Authority, if such refunding will produce an equivalent amount of funds to finance single family mortgage loans. As of June 30, 2010, approximately $236.7 million aggregate principal balance of single family mortgage loans financed by Homeownership Mortgage Bonds was outstanding, of which $0.3 million aggregate principal balance was more than two months delinquent in monthly payments and no aggregate principal balance was in foreclosure, representing .13% and 0.00%, respectively, of such aggregate principal balance of mortgage loans. Approximately $222.1 million of the total outstanding principal balance of such loans are insured by federal government entities such as FHA, VA and RD, as defined below.

On June 9, 2010, Treasury officials responsible for the NIBP indicated that they are considering modifications to the NIBP which may extend the NIBP beyond December 16, 2010 and allow more than three Release Dates. Any such modifications may affect the likelihood, timing and amount of the Authority's possible conversion of 2009 B Bonds and sale and issuance of Market Bonds described above.

Ginnie Mae Financing

In May 2009, the Authority commenced the financing of single family mortgage loans through the issuance of Ginnie Mae securities backed by Authority originated single family mortgage loans insured by FHA, VA or RD. Such FHA, VA and RD insurance is described below. The issuance of such Ginnie Mae securities may provide the financing for substantially all of such originated single family mortgage loans or may provide the financing of such mortgage loans in conjunction with funds provided by issuance of bonds by the Authority or other available funds of the Authority. Such securities are to be held under the Authority's existing single family bond resolutions and/or in the Authority's General Fund and may be thereafter sold at market prices in order to provide funds for the origination of such single family mortgage loans or for other programs and operations of the Authority. If held under a bond resolution, the securities will be pledged as security under such bond resolutions. The Authority expects to retain the servicing rights on all such mortgage loans so financed. As of June 30, 2010, the Authority has issued approximately $241 million of Ginnie Mae securities and currently owns approximately $62.7 million of such securities. No assurance can be given as to whether the Authority will continue such issuance or, if continued, as to the amount of such issuances.

Summary of Types of Single Family Mortgage Loans

Below is a summary of each of the types of single family mortgage loans financed by the Authority under the single family program as more fully described herein.

Type of Single Family Mortgage Loan	Description
First Mortgage Loan	A single family mortgage loan which is secured by a lien which is not subordinate to a lien for another mortgage loan. All single family mortgage loans, except Second Mortgage Loans, are First Mortgage Loans. First Mortgage Loans may be Insured Mortgage Loans or Self-Insured Mortgage Loans.
Second Mortgage Loan	A single family mortgage loan which is secured by a lien which is subordinate to a lien securing another single family mortgage loan (including an Authority single family mortgage loan). FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans are Second Mortgage Loans. All Second Mortgage Loans are Self-Insured Mortgage Loans.
FHA Plus Second Mortgage Loan	A Second Mortgage Loan which is originated in conjunction with a FHA insured First Mortgage Loan.
Homebuyer Tax Credit Plus Mortgage Loan	A Second Mortgage Loan which is originated in conjunction with a FHA insured First Mortgage Loan and which has a 0% interest rate and no monthly payments for the initial 12 months.
Home Stride Second Mortgage Loan	A Second Mortgage Loan, in the maximum principal amount of $25,000, which is originated in conjunction with an Authority financed First Mortgage Loan in certain high cost areas.
Insured Mortgage Loan	A single family mortgage loan which is insured or guaranteed by a federal government entity or private mortgage insurance company.
Self-Insured Mortgage Loan	A single family mortgage loan which is not insured or guaranteed by a federal government entity or private mortgage insurance company. All Interest Only Mortgage Loans, FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans, and Home Stride Second Mortgage Loans are Self-Insured Mortgage Loans. The Authority has previously financed other single family mortgage loans which are Self-Insured Mortgage Loans. The Authority has previously financed and currently finances single family mortgage loans having a loan to value ratio at or below 80% without requiring that the loan be insured or guaranteed.
Level Payment Mortgage Loan	A single family mortgage loan which has substantially equal monthly principal and interest payments for the entire or remaining term of the mortgage loan. Level Payment Mortgage Loans include single family mortgage loans that were originally Non-Level Payment Mortgage Loans but which now have substantially equal principal and interest payment schedules for their remaining terms.
Non-Level Payment Mortgage Loan	A single family mortgage loan which has future monthly principal and interest payments which are not substantially equal. Interest Only Mortgage Loans, Step Rate Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans and Home Stride Second Mortgage Loans are Non-Level Payment Mortgage Loans on the date of their origination.
Interest Only Mortgage Loan	A single family mortgage loan which has scheduled interest only payments for the initial seven years and are thereafter Level Payment Mortgage Loans for the remaining 23 years of the loan term. The interest rate is fixed for the life of the mortgage loan. Interest Only Mortgage Loans are Self-Insured Mortgage Loans.
Step Rate Mortgage Loan	A single family mortgage loan which has an interest rate that increases by 1.0% at the end of the first year and by another 1.0% at the end of the second year and remains at such interest rate for the balance of the term of the mortgage loan. Typically, the initial interest rate was set at 1.50% below the interest rate on the Authority's standard Level Payment Mortgage Loans.

The above descriptions are qualified by the more detailed descriptions herein of the types of single family mortgage loans.

Single Family First Mortgage Loans Currently and Previously Financed

The Authority has used and currently uses proceeds of bonds and Other Funds to make mortgage loans that are secured by first liens ("First Mortgage Loans") and that finance the acquisition of single family homes and related costs in amounts not to exceed 97% of the lesser of (a) the sales price or (b) the appraised value of the single family homes or, in the case of single family mortgage loans insured or guaranteed by the Federal Housing Administration ("FHA"), Veterans Administration or Department of Veterans' Affairs ("VA") or Rural Development ("RD"), the mortgage loan may be in such other amounts (which may exceed 100% of the sales price or appraised value) as is permitted by FHA, VA or RD. The Authority has adopted changes to its regulations that permit the Authority to establish a lower percentage to be financed by its First Mortgage Loans if necessary to protect its financial interests or enable it to effectively and efficiently allocate its current and anticipated financial resources. The Authority has previously financed First Mortgage Loans in amounts not to exceed 104% of the lesser of (a) or (b) above.

Single Family Second Mortgage Loans Currently and Previously Financed

The Authority has used and currently uses proceeds of bonds and Other Funds to make single family mortgage loans which are secured by second liens ("Second Mortgage Loans"). Second Mortgage Loans are not insured or guaranteed by the federal government or private mortgage insurance companies. One type of Second Mortgage Loan provides financing, in conjunction with the origination of an Authority financed First Mortgage Loan insured by FHA, to fund part of the Mortgagors' down payment and closing costs not financed by the related FHA insured First Mortgage Loans. Such type of Second Mortgage Loan is referred to as the "FHA Plus Second Mortgage Loan." Each FHA Plus Second Mortgage Loan may, when combined with the related FHA insured First Mortgage Loan, be in a principal amount not to exceed 104% of the sales price and appraised value of the residence and is secured by the lien of a deed of trust subordinate to the lien of the deed of trust securing the FHA insured First Mortgage Loan. The term and the interest rate on the FHA Plus Second Mortgage Loans are the same as those on the related FHA insured First Mortgage Loan.

Effective June 2009, the Authority began originating another type of Second Mortgage Loan which provides financing, in conjunction with the origination of an Authority financed First Mortgage Loan insured by FHA, to fund part of the Mortgagors' down payment and closing costs not financed by the related FHA insured First Mortgage Loan. Such type of Second Mortgage Loan is referred to as the "Homebuyer Tax Credit Plus Mortgage Loan". Each Homebuyer Tax Credit Plus Mortgage Loan may, when combined with the related FHA insured First Mortgage Loan, be in a principal amount not to exceed 104% of the sales price and appraised value of the residence and is secured by the lien of a deed of trust subordinate to the lien of the deed of trust securing the FHA insured First Mortgage Loan. For the initial 12 months, such Second Mortgage Loan bears a 0% interest rate, and no monthly payments are due on such Loan during such 12 months. The term and interest rate (after the initial twelve month period) on the Homebuyer Tax Credit Plus Mortgage Loan are the same as those on the related FHA insured First Mortgage Loan. The Authority expects to discontinue originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010 (June 30, 2011 for certain qualified members of the military); however, no assurance can be given that the Authority will not delay discontinuing such originations.

Pursuant to changes to the Authority's regulations, FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans may be financed in conjunction with the origination of a first mortgage loan financed by a lender other than the Authority. The Authority has no plans to finance such loans; however, no assurance can be given that the Authority will not commence the financing of such Loans.

Prior to July 1, 2008, the Authority also financed another type of Second Mortgage Loan pursuant to the Authority's Home Stride Loan Program ("Home Stride Second Mortgage Loans") as a Subsidized Mortgage Loan, as defined below under "General Fund and Other Net Assets". Home Stride Second Mortgage Loans were only made in conjunction with an Authority financed First Mortgage Loan and had a maximum principal amount of $25,000. Home Stride Second Mortgage Loans were available only in certain high costs areas identified by the Authority. For the initial three years, the Home Stride Second Mortgage Loans have a 0% interest rate and no monthly payments are due during such three years. Following the initial three years, the interest rate changes to 5% and monthly payments commence at a level that will fully amortize such mortgage loan over its remaining 27 years. The combined amounts of the First Mortgage Loan and the Home Stride Second Mortgage Loan typically exceeded the sales price and appraised value of the residence. Effective July 1, 2008, the Authority suspended the financing of Home Stride Second Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Home Stride Second Mortgage Loans.

Other Single Family Mortgage Loans Previously Financed

Prior to April 1, 2008, the Authority financed mortgage loans that refinanced single family homes. In the case of such mortgage loans, the loan amount (plus all subordinate debt secured by the property after closing of such mortgage loan) could not exceed the lesser of the then current appraised value of the property or the sum of (i) the payoff (if any) of the applicant's or applicants' existing first mortgage loan; (ii) the payoff (if any) of applicant's or applicants' subordinate mortgage loans (provided such loans did not permit periodic advancement of loan proceeds) closed for not less than 12 months preceding the date of the closing of the Authority mortgage loan and the payoff (if any) of applicant's or applicants' home equity line of credit loan (i.e. loan which permitted periodic advancement of proceeds) with no more than $2,000 in advances within the 12 months preceding the date of the closing of the Authority mortgage loan, excluding funds used for the purpose of documented improvements to the residence; (iii) the cost of improvements which were performed to the property after the closing of the Authority mortgage loan and for which loan proceeds were escrowed at closing; (iv) closing costs, discount points, fees and escrows payable in connection with the origination and closing of the Authority mortgage loan; and (v) up to $500 to be payable to the applicant or applicants at closing. In addition, if the applicant or applicants requested to receive loan proceeds at closing in excess of the limit set forth in (v) above, the loan amount (plus all subordinate debt secured by the property after closing of the Authority mortgage loan) could be increased to finance such excess cash up to a loan amount not in excess of 95% of the current appraised value. If the applicant's or applicants' existing mortgage loan to be refinanced was an Authority mortgage loan, the applicant or applicants could request a streamlined refinance of such existing mortgage loan in which the Authority required less underwriting documentation (e.g. verification of employment) and charged reduced points and fees. For such streamlined refinances, the loan amount (plus all subordinate debt secured by the property after closing of the new Authority mortgage loan) was limited to (i) the payoff of the existing mortgage loan and (ii) required closing costs, discount points, fees and escrows payable in connection with the origination and closing of the new Authority mortgage loan; provided, however, that the loan amount (plus all subordinate debt to be secured by the property after closing of the new Authority mortgage loan) could not exceed 100% of the greatest of original appraised value, current real estate tax assessment, current appraised value or other alternative valuation method approved by the Authority. Such mortgage loans are First Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of mortgage loans that refinance single family homes. No assurance can be given whether the Authority will recommence the financing of any of such loans.

Prior to April 1, 2008, the Authority also financed single family mortgage loans that included (a) costs of rehabilitation and improvements completed subsequent to the closing of such mortgage loan, subject to a maximum loan-to-value ratio of 105% of the lesser of the sales price (in the case of mortgage loans that financed the acquisition of a single family home) or appraised value and (b) costs of retrofitting or adding accessibility features to accommodate the needs of disabled occupants up to an additional 5% of the lesser of the sales price (in case of mortgage loans that financed the acquisition of a single family home) or the appraised value. The Authority would also finance the costs of rehabilitation not in excess of 50% of the as-completed appraised value, provided that the principal amount of the single family mortgage loan did not exceed 100% of (a) in the case of a mortgage loan that financed the acquisition of a single family home, the lesser of the sum of the sales price plus the rehabilitation costs or the as-completed appraised value or (b) in the case of a mortgage loan that refinanced a single family home, the lesser of the sum of the outstanding principal balance thereof plus the rehabilitation costs or the as-completed appraised value. The single family mortgage loans that include the financing of costs described in this paragraph are First Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of the single family mortgage loans that include the financing of the above described costs. No assurance can be given whether the Authority will recommence the financing of such costs.

Future Refinancings of Single Family Adjustable Rate Loans

Pursuant to the temporary authority contained in the Housing and Economic Recovery Act of 2008, the Code permits proceeds of Qualified Mortgage Bonds to be used to make single family mortgage loans to refinance "qualified subprime loans", defined as adjustable-rate single family residential mortgage loans made after December 31, 2001, and before January 1, 2008, that the Authority determines would be reasonably likely to cause financial hardship to the borrower if not refinanced. The Code requires that such loans to refinance "qualified subprime loans" be made within twelve months of the issue date of the bonds. As of the date hereof, the Authority does not expect to use a portion of the proceeds of bonds to refinance such "qualified subprime loans". However, no assurance can be given that the Authority will not commence the financing of any such loans.

Single Family Mortgage Loan Insurance

The bond resolutions do not require that single family mortgage loans be insured or guaranteed. The Authority's program guidelines currently require that First Mortgage Loans financed, in whole or in part, with the proceeds of Tax-Exempt Bonds and having a loan to value ratio in excess of 80% (i) be subject to private mortgage insurance, or (ii) be insured or guaranteed by the VA, FHA, RD or other entity of the federal government. However, the Authority's program guidelines do not require any mortgage insurance or guaranty for (i) Interest Only Mortgage Loans (as defined in "Summary of Types of Single Family Mortgage Loans" above), (ii) single family mortgage loans financed solely with the proceeds of Taxable Bonds (except for loans with loan to value ratios in excess of 80% that finance manufactured housing) or Authority net assets, or (iii) Second Mortgage Loans. Such mortgage loans described in the preceding sentence that are not insured or guaranteed are referred to herein as "Self-Insured Mortgage Loans". The Authority may modify its program guidelines at its discretion.

The Homeowners Protection Act of 1998 permits a borrower to cancel private mortgage insurance (for which the borrower pays the premium) on the date on which the principal balance of the single family mortgage loan is scheduled to reach 80% of the original value of the residence or on the date on which the principal balance actually reaches 80% of the original value of the residence. The original value is the lesser of the sales price or the appraised value at the time the single family mortgage loan transaction was consummated. In order to effect such cancellation, the borrower must request in writing that the cancellation be initiated, must have a good payment history with respect to the mortgage loan (i.e., no mortgage payment was, during the year beginning two years prior to cancellation, 60 or more days delinquent, and no mortgage payment was, during the year beginning one year prior to cancellation, 30 or more days delinquent), and must satisfy any requirements of the lender for evidence that the value of the residence has not declined below its original value and for certification that the borrower's equity in the residence is not encumbered by a subordinate loan. This Act further provides for automatic termination of mortgage insurance on the date on which the principal balance of the single family mortgage loan is scheduled to reach 78% of the original value of the residence, or if the borrower is not then current on his mortgage loan payments, on the date on which the borrower subsequently becomes current on such payments. These termination and cancellation provisions do not apply to single family mortgage loans characterized as high risk loans. Even if the private mortgage insurance is not canceled or terminated as described above, private mortgage insurance must be terminated on the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan if the mortgagor is then current on his mortgage loan payments. This Act also requires that borrowers be provided with certain disclosures and notices regarding termination and cancellation of private mortgage insurance. This Act applies to single family mortgage loans closed on or after July 29, 1999. The Authority provides the same right to borrowers whose single family mortgage loans closed prior to such effective date and have provided the same rights to borrowers of FHA-insured mortgage loans. The Authority also permits the cancellation of mortgage insurance if the balance of the single family mortgage loans is equal to or less than 80%, or such lesser percentage determined by the Authority, of the current property value, subject to the satisfaction of such criteria, requirements and conditions as the Authority may impose for such cancellation. The Authority cannot currently predict what will be the effect, if any, on future losses incurred on single family mortgage loans as a result of this Act or as a result of its application of such Act to mortgage loans closed prior to July 29, 1999 or to FHA-insured single family mortgage loans or of the cancellation of mortgage insurance described in the preceding sentence.

The Authority has previously financed and currently finances Self-Insured Mortgage Loans having a loan-to-value ratio at or below 80%.

Prior to April 1, 2008, the Authority financed Self-Insured Mortgage Loans with loan to value ratios above 80% but not in excess of 100%. The Authority's regulations authorize the financing of an additional 5% for closing costs and fees (but the Authority has not provided such financing for closing costs and fees) and for rehabilitation and improvements to be completed after the closing of the Self-Insured Mortgage Loan as described above and an additional 5% may be financed for costs of retrofitting or adding accessibility features to accommodate the needs of a disabled occupant as described above. However, effective April 1, 2008, the Authority suspended the financing of Self-Insured Mortgage Loans, except FHA Plus Second Mortgage Loans, Homebuyer Tax Credit Plus Mortgage Loans and mortgage loans having a loan-to-value ratio at or below 80%. No assurance can be given whether the Authority will recommence the financing of such Self-Insured Mortgage Loans.

Pursuant to changes to the Authority's regulations, the Authority may impose minimum ratings on the issuers of private mortgage insurance policies; however, no assurance can be given whether the Authority will commence requiring such ratings.

Single Family Mortgage Loan Terms

Substantially all existing single family mortgage loans have, and future single family mortgage loans are expected to have, original terms of approximately 30 years and bear or are expected to bear, interest at fixed rates. As described above, for the initial 12 months, Homebuyer Tax Credit Plus Mortgage Loans bear a 0% interest rate, and no monthly payments are due during such 12 months (see "Other Programs of the Authority – Single Family Second Mortgage Loans Currently and Previously Financed"). Some of the single family mortgage loans are Step Rate Mortgage Loans which bear or are expected to bear interest rates approximately one and one-half percentage points below the customary fixed rates and such initial interest rate increases by one percentage point at the end of the first year of the mortgage loan and by another percentage point at the end of the second year of the mortgage loan and remain at that rate for the remaining life of the mortgage loan. However, effective April 1, 2008, the Authority suspended the financing of such Step Rate Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of such Step Rate Mortgage Loans.

In September 2004, the Authority implemented a program to finance single family mortgage loans on which interest only will be payable for seven years and which will thereafter be fully amortized over the remainder of the 30-year term of the mortgage loan (each a "Interest Only Mortgage Loan"). The interest rate on each such Interest Only Mortgage Loan is fixed during its term. The maximum principal amount of each Interest Only Mortgage Loan is 100% of the lesser of sales price or appraised value. Interest Only Mortgage Loans are Self-Insured Mortgage Loans. Effective April 1, 2008, the Authority suspended the financing of Interest Only Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Interest Only Mortgage Loans in the future. The Authority currently expects to make restructuring offers to all mortgagors of Interest Only Mortgage Loans which are scheduled to commence principal payments in 2011. Such restructuring offers are expected to result in Level Payment Mortgage Loans with new full 30 year terms. The Authority is considering whether to offer similar restructuring on other Interest Only Mortgage Loans.

Prior to September of 2004, the Authority required the applicant to pay, at the time of closing, between 1 and 3.5 points, with each point being equal to 1% of the principal amount of the single family mortgage loan. The number of points depended on the single family mortgage loan program. Since September of 2004, the Authority has offered applicants in certain single family mortgage loan programs the option of paying between 0 and 4.5 points in exchange for having a higher or lower interest rate on the mortgage loan. The yield that the Authority realizes on single family mortgage loans is affected by the amount of points paid and the rate of prepayments of such mortgage loans. If the single family mortgage loan is originated by an Originating Agent (as defined below) or Mortgage Broker (as defined below) and the applicant pays less than 1 point, the Authority will pay the difference between 1 point and the amount paid by the applicant to the Originating Agent or Mortgage Broker so that such Originating Agent or Mortgage Broker receives the equivalent of 1 point.

Some single family mortgage loans are funded entirely from a single source of funding (e.g., proceeds of Tax-Exempt Bonds, Taxable Bonds or Net Assets) and other single family mortgage loans are funded from a combination of such sources. The interest rate (or, if multiple sources of funding, the blended interest rate) on any single family mortgage loan is expected to be higher than the interest rate cost (or, if multiple sources of funding, the blended interest rate costs) of the corresponding source or sources of funds. The Code imposes limits on the interest rates that can be charged on single family mortgage loans that are funded, in whole or in part, with the proceeds of Tax Exempt Bonds.

Security for Single Family Mortgage Loans

In addition to the requirements with regard to the loan to value ratio and mortgage loan insurance or guarantees, the Authority relies upon the following security elements in the making and purchasing of single family mortgage loans: (i) mortgage loan underwriting and servicing procedures, (ii) an equity buildup through mortgage loan principal repayments and appreciation, if any, in the value of the properties securing the mortgage loans and (iii) geographical diversification of the mortgage loan portfolio within the Commonwealth.

The mortgages which are to secure the single family mortgage loans made or purchased by the Authority are to be in the form of deeds of trust, in accordance with Virginia practice, and are to constitute and create first liens (except in the case of Second Mortgage Loans) on single family residential housing.

Data on Single Family Mortgage Loans

The outstanding balance, delinquency and foreclosure statistics for single family mortgage loans financed under the Authority's single family mortgage loan program have been as set forth below. Effective December 31, 2007, such statistics include only single family mortgage loans financed under the Authority's Commonwealth Mortgage Bond program. In particular, such statistics do not include single family mortgage loans recently financed in 2010 under the Authority's Homeownership General Resolution. See "New Issue Bond Program" herein. As of June 30, 2010 the Authority held title to 228 single family properties which had been foreclosed upon, but not yet sold.

	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
June 1976	$ 50,010,260	$ 824,687	1.65%	$ 471,578	.94%
June 1977	90,519,943	611,210	.68	580,874	.64
June 1978	171,554,983	1,581,906	.92	79,291	.05
June 1979	268,148,233	1,895,958	.71	269,776	.10
June 1980	357,933,006	2,547,500	.71	693,569	.19
June 1981	460,950,915	1,631,812	.35	1,247,993	.27
June 1982	526,154,831	1,934,509	.37	1,551,653	.29
June 1983	576,838,408	2,129,704	.37	1,033,567	.18
June 1984	815,042,910	1,736,677	.21	2,013,348	.25
June 1985	1,055,604,290	2,265,368	.21	2,422,175	.23
June 1986	1,195,864,387	4,158,521	.35	2,172,558	.18
June 1987	1,237,415,544	4,409,492	.36	2,524,506	.20
June 1988	1,537,364,756	5,412,004	.35	3,523,664	.23
June 1989	1,801,428,511	8,146,835	.45	3,628,834	.20
June 1990	1,905,581,579	10,316,930	.54	3,527,303	.19
June 1991	1,973,348,630	16,496,589	.84	7,103,284	.36

	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
June 1992	2,029,417,516	22,755,830	1.12	7,026,107	.35
June 1993	2,015,567,145	23,796,850	1.18	7,600,183	.38
June 1994	1,877,929,438	20,662,329	1.10	6,385,775	.34
June 1995	2,590,062,023	26,301,889	1.02	5,252,832	.20
June 1996	2,926,020,625	45,838,102	1.57	10,863,571	.37
June 1997	3,212,259,451	71,277,888	2.22	12,156,328	.38
June 1998	3,306,246,756	72,577,895	2.20	14,094,196	.43
June 1999	3,343,463,438	69,343,954	2.07	12,247,829	.37
June 2000	3,467,701,927	77,752,107	2.24	11,905,551	.34
June 2001	3,691,477,394	67,359,881	1.82	9,987,932	.27
June 2002	3,688,135,950	67,275,150	1.82	10,311,402	.28
June 2003	2,895,005,283	63,273,245	2.19	8,853,846	.31
June 2004	2,443,450,255	52,166,695	2.13	6,244,039	.26
June 2005	2,606,208,240	44,245,729	1.70	5,234,535	.20
June 2006	3,276,285,786	44,494,131	1.36	2,772,675	.08
June 2007	4,183,806,161	56,623,486	1.35	6,608,655	.16
June 2008	4,690,244,980	92,129,053	1.96	17,156,362	.37
June 2009	4,862,285,803	223,368,854	4.59	22,419,017	.46
June 2010	4,599,334,626	254,711,955	5.54	50,042,079	1.09

* Two or more monthly payments delinquent (excluding loans in foreclosure).

The following five charts show the distribution of single family mortgage loans in different ways. All five charts are as of June 30, 2010, include only single family mortgage loans financed under the Authority's Commonwealth Mortgage Bond program and single family mortgage loan balances are in millions of dollars. Certain amounts may not agree due to rounding.

The following chart shows the distribution of the single family mortgage loans by lien status and by program status.

Type of Single Family Mortgage Loan	Program Status	Outstanding Balance of Single Family Mortgage Loans	Percentage
First Mortgage Loans			
Insured Mortgage Loans	Active	$ 2,733	59.4%
Self-Insured Mortgage Loans*	Suspended - April 1, 2008	1,796	39.0%
Subtotal		4,529	98.5%
Second Mortgage Loans (all Self-Insured)			
FHA Plus Second Mortgage Loans	Active	53	1.2%
Homebuyer Tax Credit Plus Mortgage Loans	Active***	2	0.0%
Home Stride Second Mortgage Loans	Suspended - July 1, 2008	16	0.3%
Subtotal		71	1.5%
Total Single Family Mortgage Loans		$ 4,599	100.0%

The distribution of the outstanding balances of single family mortgage loans in the above chart is further shown by year of origination in the below chart.

Type of Single Family Mortgage Loan	Calendar Year of Origination thru 2003	2004	2005	2006	2007	2008	2009	YTD 2010	Total
First Mortgage Loans									
Insured Mortgage Loans	$ 404	$ 116	$ 213	$ 367	$ 540	$ 623	$ 412	$ 57	$ 2,733
Self-Insured Mortgage Loans*	182	129	424	514	442	88	15	2	1,796
Subtotal	586	245	638	881	983	711	427	59	4,529
Second Mortgage Loans (all Self-Insured)									
FHA Plus Second Mortgage Loans	1	1	4	6	6	15	19	1	53
Homebuyer Tax Credit Plus Mortgage Loans	0	0	0	0	0	0	2	**	2
Home Stride Second Mortgage Loans	**	1	2	3	5	4	**	0	16
Subtotal	1	2	6	9	12	18	21	1	71
Total Single Family Mortgage Loans	$ 587	$ 247	$ 643	$ 890	$ 994	$ 730	$ 448	$ 60	$ 4,599

* Includes single family mortgage loans that refinanced single family homes. Also, includes the portions of single family mortgage loans that financed costs of rehabilitation and improvements in conjunction with the financing of the acquisition or the refinancing of the single family home. Does not include Second Mortgage Loans. The Authority has not suspended the financing of, and continues to finance, Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

** Less than $0.5 million.

*** The Authority expects to discontinue originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010 (June 30, 2011 for certain qualified members of the military).

The following chart shows the distribution of single family mortgage loans shown by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans.

Type of Single Family Mortgage Loan	Outstanding Balance of Single Family Mortgage Loans	Percentage
Level Payment Mortgage Loans	$ 3,898	84.7%
Non-Level Payment Mortgage Loans +		
Step Rate Mortgage Loans	5	0.1%
Interest Only Mortgage Loans	687	14.9%
Homebuyer Tax Credit Plus Second Mortgage Loans	2	0.0%
Home Stride Second Mortgage Loans	8	0.2%
Subtotal	702	15.3%
Total Single Family Mortgage Loans	$ 4,599	100.0%

\+ Excludes single family mortgage loans which were initially Non-Level Mortgage Loans but currently have substantially equal principal and interest payments for the balance of the term of the single family mortgage loan. Such single family mortgage loans are included in Level Payment Mortgage Loans.

The following chart shows the outstanding balances of single family mortgage loans by types of mortgage insurance.

Type of Mortgage Insurance	Outstanding Balance of Single Family Mortgage Loans	Percentage of Outstanding Balance	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
Securitized by Ginnie Mae	$ 62.3	1%	$ 0.0	0.0%	$ 0.0	0.0%
FHA	1,647.2	36%	145.4	8.8%	26.8	1.6%
VA	364.4	8%	19.1	5.3%	7.2	2.0%
RD	168.7	4%	10.2	6.0%	1.6	0.9%
Subtotal Government Insurance	2,242.5	49%	174.7	7.8%	35.5	1.6%
MGIC Mortgage Insurance Co.	179.3	4%	7.9	4.4%	1.7	0.9%
Republic Mortgage Insurance Co.	97.0	2%	3.2	3.3%	1.2	1.2%
Genworth Mortgage Insurance	86.5	2%	3.8	4.4%	0.9	1.1%
PMI Mortgage Insurance Co.	58.8	1%	3.7	6.2%	0.8	1.3%
AIG United Guaranty	32.7	1%	1.9	5.9%	0.5	1.6%
Triad Guaranty Insurance Corp.	15.5	0%	1.1	7.3%	0.1	1.0%
Radian Mortgage Insurance	17.2	0%	0.8	4.8%	0.1	0.8%
Other companies	3.6	0%	0.0	0.0%	0.0	0.0%
Subtotal Private Mortgage Ins.	490.6	11%	22.5	4.6%	5.3	1.1%
Self-Insured	1,866.3	41%	57.5	3.1%	9.2	0.5%
Total Single Family Mortgage Loans	$ 4,599.3	100%	$ 254.7	5.5%	$ 50.0	1.1%

* Two or more monthly payments delinquent (excluding loans in foreclosure).

Many providers of private mortgage insurance, including the providers set forth above, are experiencing financial difficulties and have had their credit ratings downgraded or placed on watch for a future downgrade. The Authority makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to the Authority of claims on the single family mortgage loans on which the Authority may experience losses. Pursuant to changes to the Authority's regulations, the Authority may impose minimum ratings on the issuers of private mortgage insurance policies; however, no assurance can be given whether the Authority will commence requiring such ratings.

The following chart shows the distribution of single family mortgage loans by calendar year of origination.

Year of Origination	Outstanding Balance of Single Family Mortgage Loans	Percentage of Outstanding Balance	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
2003 and earlier	$ 587.3	12.8%	$ 30.0	5.1%	$ 5.2	0.9%
2004	247.1	5.4%	12.4	5.0%	2.2	0.9%
2005	643.4	14.0%	30.5	4.7%	6.6	1.0%
2006	889.6	19.3%	51.6	5.8%	13.4	1.5%
2007	994.2	21.6%	63.1	6.4%	15.3	1.5%
2008	729.5	15.9%	52.5	7.2%	6.0	0.8%
2009	448.1	9.7%	14.6	3.3%	1.4	0.3%
2010 year to date	60.1	1.3%	0.0	0.0%	0.0	0.0%
Total	$ 4599.3	100.0%	$ 254.7	5.5%	$ 50.0	1.1%

* Two or more monthly payments delinquent (excluding loans in foreclosure).
** Less than $0.5 million.

General

The Authority makes and may purchase single family mortgage loans for financing and/or refinancing (including the refinancing of any existing single family mortgage loan and any equity in the single family residential housing in excess of any such existing single family mortgage loan) the rehabilitation or ownership or both of owner-occupied single family residential housing consisting of not more than four dwelling units, including condominium units, intended for occupancy by persons and households of low and moderate income. As stated above, effective April 1, 2008, the Authority suspended the financing of single family mortgage loans that refinanced single family homes; however, the Authority may, but does not currently expect to, commence the refinancing of "qualified subprime loans" as described above. Single family mortgage loans will be originated pursuant to the Authority's origination system as described below. If the Authority is unable to utilize all of the proceeds of bonds to make or purchase mortgage loans, the Authority may exercise its right, or may be required by the Code, to apply such unused proceeds to redeem bonds.

Single family mortgage loans are, except as noted below, originated by commercial banks, savings and loan associations, private mortgage bankers and local redevelopment and housing authorities approved by the Authority to act as its originating agents ("Originating Agents") pursuant to originating agreements ("Originating Agreements"). In addition, the Authority utilizes mortgage brokers ("Mortgage Brokers") to originate single family mortgage loans on the Authority's behalf, pursuant to originating broker agreements ("Originating Broker Agreements"), and the Authority may utilize its own employees to receive applications for single family mortgage loans in certain areas of the Commonwealth in which the Authority desires to increase lending activity under the single family program. In the case of any applications received by the Authority's employees, the Authority processes and originates the single family mortgage loans and retains all fees which would have otherwise been available to Originating Agents with respect to such mortgage loans.

The single family mortgage loans are currently serviced by the Authority and by SunTrust Mortgage, Inc., which is an Originating Agent and is approved by the Authority to act as its servicing agent ("Servicing Agent"). The servicing of single family mortgage loans by the Servicing Agent is performed pursuant to a servicing agreement ("Servicing Agreement") between the Authority and the Servicing Agent. The Authority currently services approximately 93% of its existing single family mortgage loan portfolio and is currently retaining the servicing on all newly originated single family mortgage loans. Effective October 31, 2010, the Authority expects to assume servicing of all of the single family mortgage loans currently serviced by the Servicing Agent.

Single Family Mortgage Loan Origination System

Under the origination system, a prospective mortgagor submits his single family mortgage loan application to an Originating Agent, Mortgage Broker or the Authority. In the case of a single family mortgage loan to finance the purchase of a residence, the application is submitted after the prospective mortgagor has contracted for the purchase of the residence. If a preliminary review by the Originating Agent, Mortgage Broker or the Authority indicates that the prospective mortgagor and single family mortgage loan will qualify under the Authority's underwriting criteria and the Code, the Authority reserves proceeds of bonds and other funds available under the applicable bond resolution for a period of 60 days for the financing of the mortgage loan, although extensions may be granted by the Authority. The Authority expects to continue to accept such reservations on a first-come, first-served basis up to pre-authorized limits. The Authority has allocated, and may in the future allocate, the proceeds of bonds and other funds available under the bond resolution other than as described above.

Single Family Mortgage Loan Underwriting Criteria and Processing Procedures

The Authority establishes maximum sales prices and maximum annual gross incomes which vary depending principally upon location within the Commonwealth. The maximum sales prices which the Authority will approve for single family mortgage loans financed by Tax Exempt Bonds presently range from $245,700 to $450,000, and the maximum annual gross incomes for eligibility for single family mortgage loans to be financed by Tax-Exempt Bonds presently range from $70,000 to $112,950. In certain Targeted Areas, the Authority has established maximum sales prices of $498,800 and maximum annual gross incomes that range from $76,300 to $121,900. All of the Authority's current maximum sales prices and maximum annual gross incomes applicable to single family mortgage loans financed in whole or in part, by Tax Exempt Bonds comply with the limits currently established pursuant to the Code. The Authority's regulations permit the Executive Director to establish the maximum sales prices and maximum annual gross incomes that will enable the Authority to effectively and efficiently allocate its current and anticipated financial resources. The Authority can currently give no assurance as to whether or when the Executive Director may in the future approve increases or decreases in such limits or as to the amount of any such increases or decreases. For single family mortgage loans previously financed, in whole, by Taxable Bonds or Authority net assets, the Authority established maximum annual gross incomes equal to 150% of the applicable median family incomes, had no maximum sales prices, and established a maximum principal amount equal to the maximum loan amount permitted by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. However, effective April 1, 2008, the financing of such single family mortgage loans, all of which are Self-Insured Mortgage Loans, was suspended by the Authority. The Authority may waive or change its maximum sales prices and maximum annual gross incomes, subject to compliance with the applicable limits established by the Code.

Applications for single family mortgage loans are submitted to the Authority for review and approval based on income eligibility, credit and other criteria relating to the proposed mortgagor's ability to meet payments and compliance with the Code, the Act and the Authority's regulations. In the case of single family mortgage loans to be insured or guaranteed by the FHA, VA or Rural Development, the application is reviewed for compliance with the Code, the Act and the credit and property standards of the FHA, VA or Rural Development only. FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans (as described above) are processed and underwritten in conjunction with the related FHA insured First Mortgage Loans and in accordance with applicable FHA credit and property standards. The Authority requires the applicants to provide usual and customary documentation in support of their applications. In the case of the above-described Step Rate Mortgage Loans bearing interest during the first and second years of the mortgage loans at interest rates two percentage points and one percentage point, respectively, lower than the final interest rate at the beginning of the third year of the mortgage loan, the Authority used the interest rate to be charged during the second year (or the first year in the case of mortgage loans that have a loan to value ratio below 80% or mortgage loans insured by private mortgage insurance or FHA) of the mortgage loan in underwriting the proposed mortgagor's ability to meet payments on the single family mortgage loan. In the case of Interest Only Mortgage Loans on which interest only will be payable during the initial seven (7) years, the Authority underwrote the proposed mortgagor on the basis of his ability to make the interest only payments. For Home Stride Second Mortgage Loans, the Authority underwrote the mortgagor on his ability to make payments on the Authority financed First Mortgage Loan without regard to the payments of principal and interest on the Home Stride Second Mortgage Loan that commence three years thereafter. As stated above, effective July 1, 2008, the Authority suspended the financing of Step Rate Mortgage Loans, Interest Only Mortgage Loans, and Home Stride Second Mortgage Loans. No assurance can be given whether the Authority will recommence the financing of Step Rate Mortgage Loans, Interest Only Mortgage Loans or Home Stride Second Mortgage Loans. The Authority's staff reviews the loan application, credit report, verifications of employment and bank deposits, and the appraisal (if required). In addition, applications for mortgage loans are reviewed by the Authority as to the value and other characteristics of the individual dwelling unit proposed to be financed as security for such loan. When such an application is approved by the Authority's single family underwriting staff, an Authority mortgage loan commitment is issued to the applicant. Upon compliance with all terms and conditions of the Authority's mortgage loan commitment, the proceeds of the mortgage loan are disbursed.

Prior to August 1, 2009, the Authority did not impose a minimum credit score requirement for proposed mortgagors. Effective as of August 1, 2009, the Authority established a minimum credit score of 620 for proposed mortgagors to be eligible for FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans. Effective as of December 1, 2009, the Authority established a minimum credit score of 620 for proposed mortgagors to be eligible for all mortgage loans. Effective as of May 1, 2010, the Authority established a minimum credit score of 680 for proposed mortgagors to be eligible for the maximum principal amount of FHA Plus Second Mortgage Loans and Homebuyer Tax Credit Plus Mortgage Loans, and proposed mortgagors with credit scores between 620 and 679 are eligible for reduced maximum principal loan amounts.

All Originating Agents and Mortgage Brokers are required to enter into Originating Agreements and Originating Broker Agreements, respectively, setting forth the conditions and requirements for origination and disbursement of single family mortgage loans. The Originating Agents and Mortgage Brokers must process, settle and disburse the single family mortgage loans in accordance with the underwriting standards and administrative procedures in such Agreements. For each such single family mortgage loan, the Originating Agent or Mortgage Broker receives an origination fee of 1% of the principal amount of the mortgage loan.

The Authority has delegated to certain of its Originating Agents the loan underwriting, commitment and closing functions described above. The Authority may also agree to purchase single family mortgage loans originated by such Originating Agents. In the case of such delegation or purchase, the Authority will, subsequent to the closing of the single family mortgage loans, review the loan applications and documentation and determine compliance of the mortgage loans with the Authority's underwriting requirements and criteria and the Code. The Authority may require the Originating Agent to purchase or retain any single family mortgage loans which are not subject to mortgage insurance or guaranty in accordance with the requirements of the Authority, which fail to comply with the provisions of the Code, which do not conform with the Authority's sales price and income limits, which are not properly documented as required by the Authority, or which were originated based upon any misrepresentation known to the Originating Agent.

Servicing of Single Family Mortgage Loans

Each single family mortgage loan is serviced by the Authority or its Servicing Agent. Effective October 31, 2010, the Authority expects to assume servicing of all of the single family mortgage loans currently serviced by the Servicing Agent.

The Servicing Agent or the Authority, as applicable, collects monthly payments, retains and applies Escrow Payments when due, and remits loan principal and interest payments, net of servicing fees, to the bond trustee. The annual servicing fee paid to the Servicing Agent by the Authority at present is generally three-eighths of one percent of the outstanding principal balance of the single family mortgage loan, which fee is retained from each such remittance to the Authority. The Servicing Agent is entitled to retain any late charges on the single family mortgage loans that it is servicing.

All funds received on account of single family mortgage loans are deposited in segregated trust or custodial accounts or other accounts approved by the Authority in state or national banks or savings and loan associations, the deposits in which are insured, in part, by the Federal Deposit Insurance Corporation. From the funds so deposited the Servicing Agent or the Authority, as applicable, pays to the proper parties, when and if due, mortgage insurance premiums, taxes, special assessments and hazard insurance premiums. The Servicing Agent or the Authority, as applicable, remits the balance, less any servicing fee payable to the Servicing Agent and any late charges, to the bond trustee.

The Servicing Agent is required to keep complete and accurate accounts of, and properly apply, all sums collected by it on account of each single family mortgage loan and furnish the Authority with evidence of all expenditures of taxes, assessments, and other public charges, hazard insurance premiums, and mortgage insurance premiums. The Servicing Agent is required to furnish the Authority annual reports of its assets and liabilities with statements of income and expenses in form satisfactory to the Authority.

The Servicing Agent or the Authority, as applicable, maintains hazard and casualty insurance on the mortgaged premises, insuring the Authority as mortgagee to the full extent of its interest in the mortgaged premises. The Servicing Agent is also required to effect a fidelity bond, errors and omissions insurance in amounts and with coverage acceptable to the Authority.

Effective June 5, 2009, the Authority's single family mortgage loans are assumable only if permitted by the Authority. An exception is provided for loans (such as mortgage loans insured or guaranteed by FHA and VA) that are assumable in accordance with insurer or guarantor guidelines or applicable law.

In the case of default under any single family mortgage loan that is not cured, the Servicing Agent or the Authority, as applicable, takes all actions necessary to obtain the full benefits of any mortgage insurance or guarantee. Currently, in the case of a single family mortgage loan serviced by the Servicing Agent that becomes 60 days delinquent, the Authority takes back the servicing and becomes the primary servicer of such mortgage loan. If foreclosure proceedings are instituted, the Authority manages and protects the mortgaged premises under foreclosure, including maintenance of insurance on the premises, management and supervision of repairs and maintenance of the premises. In lieu of foreclosure, the Authority may, if deemed to be in its best interests and if acceptable to the mortgage insurer of guarantor (if any), accept a deed of the property from the mortgagor or approve a sale of the property that will not provide sufficient proceeds to pay the mortgage loan in full, and in such cases the lien of the deed of trust securing the mortgage loan will be released.

Each month, the Servicing Agent must submit a Single Debit Report in a form approved by the Mortgage Bankers Association of America, which provides a detailed and uniform accounting of the loan balance and payments of each single family mortgage loan serviced and a monthly delinquency status report. The Authority reconciles these reports to ensure properly allocated and complete remittances; to confirm and update the Authority's books, records and financial statements; and to monitor delinquency rate trends. If delinquency rates on single family mortgage loans serviced by the Servicing Agent increase, it is the Authority's policy to promptly contact the Servicing Agent to determine the cause. Such monitoring is intended to effect (a) reinstitution of scheduled payments by mortgagors who have been temporarily unemployed, (b) adjusted collection procedures by the Servicing Agent, (c) change or increase in the Servicing Agent's servicing personnel, and (d) more aggressive or rapid foreclosure proceedings.

Loan Modifications

In the case of delinquencies of single family mortgage loans insured or guaranteed by FHA, VA or Rural Development or by any private insurance companies, the Authority modifies the terms of such mortgage loans in accordance with the requirements of the mortgage insurer or guarantor. Such modifications may include the deferral of monthly payments of principal and interest, the extension of the maturity dates and re-amortization of the outstanding principal balances of the mortgage loans, and, in the case of FHA insured mortgage loans, the payment by FHA of partial insurance claims. In the case of delinquencies of Self-Insured Mortgage Loans, the Authority modifies the terms of the mortgage loans generally in accordance with the guidelines applicable to FHA insured mortgage loans (other than the guidelines for partial insurance claims) or as otherwise determined by the Authority to be in its best interests to mitigate any potential losses.

Since October 23, 2009, FHA has required lenders holding FHA insured mortgage loans in default to modify such mortgage loans by reducing the interest rates to current market rates and by extending the term to a full 30 years from the date of loan modification. The Authority has received a letter from FHA waiving such requirement; however, no assurance can be given as to whether FHA will continue such waiver or, if not continued, what the impact will be on the Bonds as a result of any such modifications of the Authority's FHA insured mortgage loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. The

Authority is not participating in the Making Home Affordable Program and is not modifying the Authority's single family mortgage loans through the Home Affordable Modification Program. No assurance can be given whether the Authority, or the Servicing Agent, will commence the modification of the Authority's single family mortgage loans pursuant to such guidelines.

The Authority has implemented its Borrower Assistance Program ("BAP") to modify certain of its single family mortgage loans as part of its loss mitigation and foreclosure prevention efforts. Only borrowers with Self Insured Mortgage Loans that are First Mortgage Loans are eligible to participate in the BAP. To be eligible, the borrower must be occupying the property as his principal residence and complete a borrower statement of income and debts and a hardship affidavit. These documents must evidence a financial hardship and the ability to repay the mortgage loan as modified. Under BAP, the Authority may modify its single family mortgage loan to provide for a reduced monthly payment based upon a stated lower interest rate (currently not less than 4% per annum) for a period up to 36 months or, in the case of an Interest Only Mortgage Loan, the end of the interest only period. Following the effective date of the modification, interest in excess of interest payable at such stated rate continues to accrue but payment of such amount is deferred. The deferred interest is due and payable upon the earlier of (i) a prepayment in full of the mortgage loan upon sale or refinancing of the property, (2) the maturity date of the mortgage loan or (3) foreclosure. The Authority may also, in its discretion, waive repayment of the deferred interest. As of June 30, 2010, under the BAP the Authority had modified approximately 34 single family mortgage loans with an aggregate outstanding principal balance of approximately $6.7 million. The Authority is also considering deferral of principal under the BAP whereby the monthly payments would be decreased based upon a reduced principal balance, interest would not accrue on the deferred principal, and the deferred principal would be due upon prepayment, maturity or foreclosure.

Declining Markets

Since 2007, the residential mortgage loan market has experienced increasing levels of delinquencies, defaults and losses, and the Authority cannot give any assurance that this will not continue. In addition, since 2007 housing prices and appraisal values in the Commonwealth of Virginia have declined or stopped appreciating, after extended periods of significant appreciation. In certain areas of Virginia, particularly the Washington-Arlington-Alexandria area, the decline has been substantial. The Housing Price Index of the Federal Housing Finance Agency (such Index measures average price changes on single family properties whose mortgages have been purchased or securitized by Fannie Mae and Freddie Mac) indicates that home values in Virginia declined approximately 15% between their peak in the second quarter of 2007 and the first quarter of 2010; however, the data used in such report may not be representative of the Authority's portfolio of single family mortgage loans, and, therefore, the Authority can give no assurance as to whether or not homes financed by the Authority in its single family mortgage loan programs have experienced a similar decline. This decline and flattening of values has resulted and may continue to result in additional increases in delinquencies, defaults and losses on residential mortgage loans generally, particularly with respect to residential mortgage loans whose aggregate loan amounts (including any subordinate liens) are close to or greater than the related property values. Upon a default on a single family mortgage loan, a decline in value will affect the Authority's risk of loss depending upon the type of mortgage loan. In the case of a FHA insured mortgage loan, any loss to the Authority is usually limited to approximately 2-3% of the principal balance of the mortgage loan, regardless of any decline in value. In the case of a mortgage loan insured by VA, Rural Development or a private mortgage insurance company, the Authority experiences minimal loss due to any such decline in value, except to the extent that the amount owed on such mortgage loan exceeds the value of the property by an amount greater than the maximum insurance amount (generally 20-25% of the original loan amount). In the case of a Self-Insured Mortgage Loan that is a FHA Plus Second Mortgage Loan or a Homebuyer Tax Credit Plus Mortgage Loan, the Authority will usually suffer a full loss of the amount owed on such Loan. In the case of a Self-Insured Mortgage Loan that is a Home Stride Second Mortgage Loan, the Authority will suffer a loss to the extent that the value of the property minus the amount owed on the Authority financed First Mortgage Loan is less than such Home Stride Second Mortgage Loan; therefore, any decline in value may increase the risk of loss on such Loan. In the case of any other Self-Insured Mortgage Loan, the Authority will suffer a loss to the extent that the value of the property is less than the amount owed on such Loan and, as a result, any decline in value may increase the risk of loss on such Loan. The Authority regularly conducts analyses of the risk of loss on its portfolio of single family mortgage loans in order to determine the amount to be included in the calculation of the Authority's Allowance for Loan Loss for anticipated losses on single family mortgage loans. Such amount is $49.8 million as of June 30, 2010 (the Authority's total Allowance for Loan Loss which includes such amount and amounts for possible losses on Mortgage Loans under the Program and other multi-family mortgage loans financed by the Authority was $106.5 million as of June 30, 2010). The Authority can give no assurance that housing prices will not continue to decline or flatten or that such decline or flattening will not have a material adverse effect on delinquencies and losses on mortgage loans or on the Authority's financial condition.

In recent months, in response to increased delinquencies and losses with respect to single family mortgage loans, Fannie Mae, Freddie Mac and many other mortgage loan originators have implemented more conservative underwriting criteria for loans, particularly in the subprime, Alt-A and other nonprime sectors. This may result in reduced availability of financing alternatives for mortgagors seeking to refinance their single family mortgage loans. The reduced availability of refinancing options for a mortgagor may result in higher rates of delinquencies, defaults and losses on the single family mortgage loans, particularly mortgagors with adjustable rate mortgage loans or interest only mortgage loans that experience significant increases in their monthly payments following the adjustment date or the end of the interest only period, respectively.

The general market conditions discussed above may affect the performance of the Authority's single-family loans and may adversely affect the Authority's financial condition.

The following chart shows, for each Metropolitan Statistical Area ("MSA") of the Commonwealth, the outstanding balances and delinquency and foreclosure status of mortgage loans (in millions of dollars) financed under the Authority's Commonwealth Mortgage Bond program as of June 30, 2010. Such chart does not include single family mortgage loans which have been recently financed in 2010 under the Authority's Homeownership General Resolution. See "New Issuance Bond Program" herein.

Metropolitan Statistical Area	Outstanding Balance of Single Family Mortgage Loans	Outstanding Balance of Delinquent* Single Family Mortgage Loans	Percentage of Single Family Mortgage Loans Delinquent*	Outstanding Balance of Single Family Mortgage Loans in Foreclosure	Percentage of Single Family Mortgage Loans in Foreclosure
Blacksburg Christiansburg-Radford	$ 38.9	$ 1.4	3.5%	$ 0.5	1.4%
Bluefield	5.8	0.2	4.3	0.0	0.0
Charlottesville	78.5	3.0	3.8	0.9	1.1
Culpeper	16.5	1.4	8.2	0.3	1.6
Danville	61.9	4.0	6.4	0.2	0.4
Harrisonburg	88.6	4.7	5.3	0.5	0.6
Kingsport-Bristol-Bristol	7.2	0.3	4.2	0.0	0.0
Lynchburg	158.2	7.8	4.9	1.6	1.0
Martinsville	39.7	1.3	3.3	0.2	0.4
Richmond	1,090.6	71.2	6.5	12.9	1.2
Roanoke	171.5	9.3	5.4	1.3	0.8
Staunton-Waynesboro	111.2	8.2	7.3	0.8	0.8
Virginia Beach-Norfolk-Newport News	1,522.0	84.9	5.6	21.2	1.4
Washington-Arlington-Alexandria	1,009.6	46.0	4.6	7.5	0.7
Winchester	24.9	1.2	4.9	0.2	0.6
Balance of State	174.2	9.9	5.7	1.9	1.1
Total	$ 4,599.3	$ 254.7	5.5%	$ 50.0	1.1%

* Two or more monthly payments delinquent (excluding loans in foreclosure).

Miscellaneous Programs

The Authority makes certain mortgage loans supported or financed by net assets of the Authority (see "General Fund and Other Net Assets" for a description of mortgage loan programs effected with assets in the General Fund). The Authority also administers the federal low income housing tax credit program under Section 42 of the Code and federal grant or subsidy programs and assists the Commonwealth's Department of Housing and Community Development in the administration of the federal HOME loan and grant program. Mortgage loans and other assets financed or acquired by money from federal grant or subsidy programs are not pledged or available for the payment of any of the Authority's bonds or other obligations.

Summary of Revenues, Expenses, and Net Assets

The following is a summary of the Authority's revenues, expenses and net assets at year end for each of the fiscal years from 2005 through 2009 and at March 31, 2009 and 2010. With respect to March 31, 2009 and 2010, and the nine month periods then ended, the summary includes all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of combined revenues, expenses and changes in net assets of the Authority. Operations for the nine month period ended March 31, 2010 are not necessarily indicative of operations expected for the fiscal year. The net assets of certain funds are restricted and are subject to varying valuation methodologies pursuant to contracts with bond owners. The totaling of the accounts does not indicate that the combined net assets are available for the payment of principal of or interest on the Bonds, for the payment of the Authority's operating expenses or for any other purpose. The summary should be read in conjunction with the financial statements and notes appearing in Appendix E. The amounts in the summary for each year ended June 30 are derived from the audited financial statements for each such year.

	Year Ended June 30 (in millions)					Nine Months Ended March 31	
	2005	2006	2007	2008	2009	2009	2010
	(Not included in independent accountants' report)						
Memorandum Only – Combined totals							
Revenues:							
Interest on mortgage loans	$363	$389	$436	$487	$519	$389	$385
Investment income	27	45	52	(17)	2	1	3
Pass-through grants received	72	72	72	72	69	51	84
Housing Choice Voucher program	58	66	64	63	61	44	51
Other	9	14	22	20	23	17	27
Total revenues	529	586	646	625	674	502	550
Expenses:							
Interest	232	260	287	335	355	264	254
Pass-through grants disbursed	72	72	72	72	69	51	84
Housing Choice Voucher program	57	54	61	65	71	53	52
Total administrative expenses, etc	42	54	71	81	102	66	81
Total expenses	403	440	491	553	597	434	471
Excess of revenues over expenses	126	146	155	72	77	68	79
Net Assets at beginning of period	1,543	1,669	1,815	1,970	2,042	2,042	2,119
Net Assets at end of period	$1,669	$1,815	$1,970	$2,042	$2,119	$2,110	$2,198
Net Assets of the General Fund at end of period	$246	$259	$230	$199	$154	$168	$173

Selected Figures Excluding Effects of GASB 31

Statement No. 31 of The Governmental Accounting Standards Board (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools ("GASB 31") requires investments, but not liabilities or mortgage loans, held by governmental entities to be reported at fair market value on the balance sheet with changes in fair market value to be included as adjustments to revenues in the statement of revenues, expenses, and changes in net assets. The following summary excludes the effects of GASB 31 and is subject to the qualifications set forth in the previous paragraph.

	Year ended June 30 (in millions)					Nine Months Ended March 31	
	2005	2006	2007	2008	2009	2009	2010
	(Not included in independent accountants' report)						
Memorandum Only – Combined totals							
Excess of revenues over expenses excluding GASB 31 adjustments	$127	$151	$155	$131	$79	$78	$53
Net Assets at end of period excluding GASB 31 adjustments	$1,662	$1,813	$1,968	$2,099	$2,178	$2,177	$2,232
Net Assets of the General Fund at end of period excluding GASB 31 adjustments	$242	$256	$228	$220	$184	$201	$197

The GASB 31 adjustments in fiscal years 2005 through 2007 were due primarily to below market interest rates on the Authority's investments. The GASB 31 adjustment in fiscal years 2008 and 2009 were due primarily to credit impairment on two mortgage backed securities.

Prepayments

A decline in mortgage interest rates will generally result in an increase in prepayments on single family mortgage loans. Such prepayments on the single family mortgage loans may have the effect of reducing the outstanding principal balance of the Authority's single family portfolio and thereby adversely affecting the Authority's revenues. No assurances can be given as to future changes in mortgage interest rates or prepayments or the financial impact of such prepayments on the Authority's revenues.

Geographic Concentration in Virginia

Different geographic regions of the United States from time to time will experience weaker regional economic conditions and housing markets, and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Any concentration of the mortgage loans in a region may present risk considerations in addition to those generally present for similar securities without that concentration. If the mortgage loans are concentrated in one or more regions, a downturn in the economy in these regions of the country would more greatly affect the mortgage portfolio than if the mortgage portfolio were more diversified. In particular, all of the Authority's multi-family mortgage loans and single family mortgage loans are secured by mortgaged properties in Virginia.

Because of the geographic concentration of the mortgaged properties within Virginia, losses on the Authority's multi-family mortgage loans and single family mortgage loans may be higher than would be the case if the mortgaged properties were more geographically diversified. For example, some of the mortgaged properties may be more susceptible to certain types of special hazards (such as hurricanes, floods, fires and other natural disasters) and major civil disturbances than residential properties located in other parts of the country. In addition, the economy of Virginia may be adversely affected to a greater degree than the economies of other areas of the country by certain regional developments. If the residential real estate markets in an area of concentration experience an overall decline in property values after the dates of origination of the respective mortgage loans, then the rates of delinquencies, foreclosures and losses on the mortgage loans may increase and the increase may be substantial.

The concentration of the Authority's multi-family mortgage loans and single family mortgage loans with specific characteristics relating to the types of properties, property characteristics, and geographic location are likely to change over time. Principal payments may affect the concentration levels. Principal payments could include voluntary prepayments and prepayments resulting from casualty or condemnation, defaults and liquidations and from repurchases of mortgage loans due to breaches of representations and warranties by the Authority's Originating Agents.

The geographic concentration of the Authority's single family mortgage loans and multi-family mortgage loans (including the Mortgage Loans) may increase the risk to the Authority of losses on those loans which, in turn, could affect the financial performance of the Authority.

Changes in Federal or State Law

Legislation affecting the Offered Bonds, the Authority's multi-family mortgage loans and the Authority's single family mortgage loans may be considered and enacted by the United States Congress or the Virginia General Assembly. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which contains consumer protection provisions affecting the Authority's single family program, was signed into law. No assurance can be given that the enactment of such Act or the consideration or enactment of any other such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks to the Owners.

In particular, over the past two years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress may pass additional consumer protection and bankruptcy legislation (including legislation that would allow bankruptcy courts to reduce or "cram down" the principal amounts and/or interest rates on mortgage loans on principal residences) as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Virginia General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. Such legislation, if enacted, could have an adverse effect on the Authority's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the Commonwealth of Virginia could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the Authority's single-family loans could adversely affect the Authority's ability to collect amounts due on such loans and could impair the value of such loans.

Prior and Anticipated Financings of the Authority

As of March 31, 2010, the Authority had approximately \$7.1 billion of notes and bonds outstanding (see Appendix E). Subsequent to such date, the Authority issued (or expects to issue) the following notes and bonds:

Issue	Par Amount	Issuance Date
Rental Housing Bonds, 2010 Series B-Non-AMT	$22,750,000	April 27, 2010
Rental Housing Bonds, 2010 Series C-Non-AMT	$11,790,000	July 28, 2010
FHLB-Atlanta Note	$37,380,000	June 29, 2010

See "New Issuance Bond Program" above for a description of the additional Homeownership Mortgage Bonds that may be issued pursuant to such program prior to December 16, 2010. The Authority may elect not to issue one or both of the two additional series of Market Bonds and not to effect the related conversion(s) of the additional subseries of 2009 Series B Bonds (any 2009 Series B Bonds not so converted are required to be redeemed) and, in the alternative, may obtain financing for its single family mortgage loans principally through the issuance of Ginnie Mae securities in such amounts as necessary to fund its single family program (see "Ginnie Mae Financing").

Investments

Moneys in the General Fund may be invested by the Authority in (i) obligations or securities which are lawful investments for fiduciaries as set forth in Section 26-40 of the Code of Virginia, 1950, as amended, (ii) any investments and deposits authorized by Sections 2.1-327 through 2.1-327.13 of the Code of Virginia 1950, as amended, permitting the investment of the funds of the Commonwealth and its political subdivisions, such as the Authority, in certain other types of investments, and (iii) any other investments permitted under any bond resolution or trust indenture of the Authority which, when acquired, have, or are general obligations of issuers who have, long-term ratings of at least AA or Aa or the highest short-term ratings, as applicable, by two rating agencies, one of which shall be Moody's or Standard & Poor's or any successor thereto. Moneys pledged pursuant to a bond resolution or trust indenture of the Authority may be invested in any manner permitted by such bond resolution or trust indenture. Investment decisions are made by the Authority's Treasury and Investment Manager. It is the Authority's current investment policy not to (i) invest long-term those moneys expected to be utilized in the short-term or (ii) effect leverage transactions (e.g. reverse repurchase agreements or other borrowings) for the principal purpose of profiting from changes in interest rates. The Authority reserves the right to modify its investment policy from time to time.

The Authority's current investment portfolio consists principally of direct or indirect obligations of the United States of America or of its agencies and instrumentalities, including but not limited to organizations such as the Federal National Mortgage Association (collectively, "Federal Obligations"), corporate notes, bonds and debentures, asset backed securities, certificates of deposit, commercial paper, bankers' acceptances, and repurchase agreements, all of which satisfy the requirements in the above referenced Sections of the Code of Virginia (see Appendix E). The secondary market for investments which are not Federal Obligations has been in the past and may be in the future very illiquid. No assurances can be given that such investments can be sold prior to maturity or, if sold, can be sold at a price which is not materially less than the Authority's capital investment in such investment.

General Fund and Other Net Assets

The General Fund is used to pay the operating expenses of the Authority and is a source of payment for all general obligations of the Authority, including the Bonds, although it is not specifically pledged to secure the Bonds. Moneys comprising the General Fund's net assets may be used for any lawful purpose of the Authority. No assurance can be given that moneys will be available in the General Fund for payment of debt service on Bonds, including the Offered Bonds, at any particular time.

The Authority has conducted and continues to conduct various subsidized mortgage loan programs financed or supported by the net assets of the Authority, including the net assets of the General Fund. Each mortgage loan so financed or supported is herein referred to as a "Subsidized Mortgage Loan". A mortgage loan is a Subsidized Mortgage Loan if the effective interest rate thereon is at or below the effective cost of the capital (debt or net asset) of the Authority so financing such mortgage loan. For a Subsidized Mortgage Loan financed with net assets, the effective cost of such net assets is assumed to be the effective cost that the Authority would have paid (at the time of the issuance of the Authority's commitment to finance such Subsidized Mortgage Loan) to finance such Subsidized Mortgage Loan with debt capital on which interest is not excluded from gross income for federal income tax purposes.

Prior to July 1, 2005, the Authority made available the amount of $275.7 million for Subsidized Mortgage Loans, principally for the elderly, disabled, homeless and other low income persons. The Authority implemented, beginning July 1, 2005, a new methodology for determining the amount of its net assets that will be used to provide reduced interest rates for Subsidized Mortgage Loans and otherwise subsidize its programs (the "Subsidized Programs"). Under this new methodology, the annual amount of the Authority's net assets to be dedicated, on a present value basis as determined by the Authority, to provide reduced interest rates or other support for Subsidized Mortgage Loans or to otherwise provide housing subsidies under its programs, including bond financed programs, shall be equal to 15% of the average of the Authority's excess revenue (as unadjusted for the effect of GASB 31) for the preceding three fiscal years or, commencing with fiscal year 2011, the preceding five fiscal years (the "Percentage Amount"). For example, the present value of the interest rate reductions or other support or subsidies made available for fiscal year 2011 programs is $19.3 million (including $1 million of unused allocations from prior years) which is equal to 15% of the average unadjusted excess revenues for fiscal years 2005 through 2009. Such annual amounts will, in effect, represent the present values of the costs to the Authority to finance (at interest rates below the Authority's capital costs as described above) or otherwise support the Subsidized Mortgage Loans or to provide other housing subsidies. This use of net assets is expected to reduce the amount available to the Authority for payment of the Bonds or other purposes permitted by the Act. The principal amount of Subsidized Mortgage Loans that will be available at reduced interest rates under this new methodology will vary depending on such factors as the amount of the interest rate reductions and the expected lives of the Subsidized Mortgage Loans. Furthermore, the Authority may decide to use such annual subsidy amount for purposes other than Subsidized Mortgage Loans, and such uses may affect such principal amount of the Subsidized Mortgage Loans. The amounts to be made available under this new methodology in the future will be subject to review by the Authority of the impact thereof on its financial position. The Authority has financed and expects to finance some, but not all, of such Subsidized Mortgage Loans, in whole or in part, with funds under its various bond resolutions, including the Bond Resolution. The Authority may, in its discretion, apply net assets in excess of the Percentage Amount for its Subsidized Programs or may change the percentage or methodology for calculating the amount of net assets to be made available for Subsidized Mortgage Loans, and in 2007 increased the amount of net assets in excess of the Percentage Amount for fiscal year 2007 Subsidized Programs by approximately $3.1 million in order to provide additional funds for multi-family rental developments to be financed by the Authority. The total of the annual amounts used or expected to be made available for Subsidized Programs under this new methodology through fiscal year 2011 is $117.6 million.

As of June 30, 2010, all Subsidized Mortgage Loans with respect to multi-family developments were current in their payments, except four Subsidized Mortgage Loans having an aggregate current principal balance of approximately $1.2 million that were delinquent. The Authority has acquired by foreclosure ten multi-family developments that were financed by Subsidized Mortgage Loans, currently owns four of such developments and has foreclosed on one development that was purchased by a third party at the foreclosure sale. The rental and other income of the Owned Developments is, in many instances, insufficient to provide a market rate return to the Authority on its capital investment in such Owned Developments. As of June 30, 2010, the percentage of single family mortgage loans that were financed by General Fund net assets and were two or more months delinquent in monthly payments was 1.19%, and none of the single family mortgage loans that were so financed were in foreclosure.

Pursuant to legislation enacted by the 2003 Session of the General Assembly, the Authority purchased from the Commonwealth's Department of Housing and Community Development ("DHCD") on June 30, 2003, the portfolio of outstanding loans and other assets comprising the Commonwealth's Virginia Housing Partnership Revolving Fund (the "Partnership Fund") that was created by the Virginia General Assembly for the purpose of funding low and moderate income housing. Such outstanding loans, which had total outstanding principal balances of approximately $71 million, bear below market interest rates, generally have loan to value ratios in excess of 95%, and serve lower income persons and families than the Authority's programs serve generally. The Authority also purchased approximately $16 million of investments which have been used to fund an approximately equal amount of similar loans pursuant to outstanding commitments and allocations. The purchase price for the loans and investments was approximately $60 million. The Authority issued the VHDA General Purpose Bonds, 2003 Series V-Taxable, on June 26, 2003, in the amount of $52,440,000 to finance the purchase of the loans and assets in the Partnership Fund, with the balance of the purchase price paid from other funds of the Authority. Pursuant to such legislation $40,822,000 of the approximately $60 million in proceeds from the sale were transferred to the Commonwealth's General Fund, and the residual balance of approximately $19 million was transferred to the Authority to be used in conjunction with existing resources to provide financing for affordable housing not otherwise eligible through other programs. The Authority and DHCD executed a Memorandum of Understanding that provided for administration of the residual balance as a revolving loan fund for single family and multifamily housing programs. Pursuant to legislation enacted in the 2005 Session of the General Assembly, $7,500,000 of such residual balance was transferred to a Community Development Bank formed by the Commonwealth. The remainder of such residual balance has been committed or disbursed for the financing by the Authority of mortgage loans.

The Authority has a $100 million revolving credit agreement (the "Bank of America Agreement") with Bank of America, N.A. ("Bank of America") to provide a source of immediately available funds for the general corporate purposes of the Authority, including, at the option of the Authority, the payment of the purchase price of bonds which are tendered but are not remarketed. Upon submission of a completed and duly executed request for advance, the Authority may draw funds under the Bank of America Agreement up to the maximum outstanding amount of $100 million, provided that no default by the Authority under the Bank of America Agreement shall have occurred and be continuing. Defaults include (1) failure by the Authority to pay any amounts due under the Bank of America Agreement; (2) any representation or warranty made by the Authority in or pursuant to the Bank of America Agreement being incorrect or untrue in any material respect as of the date of the Bank of America Agreement or as of the date of any extension thereof; (3) failure by the Authority to comply with certain of its covenants in the Bank of America Agreement requiring the Authority (a) to submit financial records and information, including our official statements, to the Bank of America, (b) to provide notice to the Bank of America of any default by the Authority under the Bank of America Agreement or any default or other event under any instrument evidencing the Authority's debt that may result in the accelerating of the maturity of such debt and could have a material adverse effect on the Authority, (c) to provide notice to the Bank of America of any material litigation pending or threatened against the Authority or of any initiative, referendum, or similar events reasonably expected to have any material adverse effect on the Authority, (d) to maintain adequate and proper books and records, (e) to use best efforts to maintain the Authority's existence and the Authority's rights and privileges material to its ability to repay obligations under the Bank of America Agreement, and (f) to comply with laws and regulations of the Commonwealth of Virginia and the United States; and (4) merger, consolidation or disposition of all or a substantial part of the Authority's property reasonably expected to result in any material adverse effect on the Authority. The Bank of America Agreement will terminate on December 1, 2010, unless extended by the Bank of America and the Authority. All outstanding amounts are due and payable on the termination date. No amounts are currently outstanding under the Bank of America Agreement.

The Authority also has a $150 million revolving credit agreement (the "Bank of Nova Scotia Agreement") with The Bank of Nova Scotia to provide a source of immediately available funds for the general corporate purposes of the Authority, including, at the option of the Authority, the payment of the purchase price of bonds which are tendered but are not remarketed. Upon submission of a completed and duly executed request for advance, the Authority may draw funds under the Bank of Nova Scotia Agreement up to the maximum outstanding amount of $150 million, provided that no default by the Authority under the Bank of Nova Scotia Agreement shall have occurred and be continuing. Defaults under the Bank of Nova Scotia Agreement are the same as under the Bank of America Agreement described in the preceding paragraph. The initial term of the Bank of Nova Scotia Agreement expires on November 28, 2013, subject to any notice of termination by the Bank of Nova Scotia due to a default or by the Authority. All amounts due by the Authority are due and payable on the termination date, provided that, if no default shall have occurred and be continuing, all such amounts shall, upon the written request of the Authority, be converted into a five-year term loan. No amounts are currently outstanding under the Bank of Nova Scotia Agreement.

The Authority from time to time issues notes to the Federal Home Loan Bank of Atlanta (the "FHLB"). The proceeds of the notes issued to the FHLB are deposited with the FHLB and serve as collateral for the notes. Each note may be redeemed at par at any time. The notes refund tax-exempt bonds, and the Authority expects to refund the notes in the future with tax-exempt bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution. Such statements are qualified in each case by reference to the Bond Resolution (see Appendix A for the full text of the Resolution). Capitalized items not previously defined in this Official Statement or not defined in this Summary shall have the meanings set forth in the Bond Resolution.

Assets and the Pledge Thereof

"Asset" means any Mortgage Loan, Authority Property, Investment Obligation, Revenue, and, to the extent subject to the pledge or lien of the Bond Resolution, any cash, Exchange Agreement or Enhancement Agreement. Subject only to the right of the Authority to withdraw, transfer, sell, exchange or otherwise apply Assets in accordance with the provisions of the Bond Resolution, a pledge of Assets is made by the Bond Resolution to secure the payment of the Authority's obligations with respect to the Bond Resolution, including any and all Bond Amounts.

Funds and investments on deposit in any Payment Account and Defeasance Obligations in any Defeasance Account are not Assets; however, a pledge of funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account is made by the Bond Resolution to secure the payment of the Authority's obligations (including any and all Bond Amounts as defined below) on the Bonds, any Enhancement Agreement and any Exchange Agreement with respect to which such funds and investments and Defeasance Obligations are so deposited.

Subject only to the right of the Authority to withdraw, transfer, sell, exchange or otherwise apply Assets in accordance with the provisions of the Bond Resolution, the Assets, regardless of their location or method of identification, are and shall be held in trust for the purposes and under the terms and conditions of the Bond Resolution.

Application of Assets for Payment of Bond Amounts

"Bond Amount" means the one or more payments of principal and interest, including any Compounded Amount, Purchase Price, Redemption Price or Sinking Fund Installment, if applicable, due and payable from time to time with respect to a Bond from its date of issuance to its maturity, tender or redemption date, or any payment required to be made by the Authority pursuant to an Exchange Agreement or an Enhancement Agreement to the extent such payment thereunder is payable from Assets.

On any day on which a Bond Amount is due and payable (or, if such day is not a Business Day, the next Business Day thereafter), the Authority shall pay such Bond Amount from Assets or other funds of the Authority to either, at the Authority's option, the Trustee or to the Owner of such Bond Amount. No such payment shall be made unless the Authority shall pay, in full, all Bond Amounts due and payable on such date. Any such payment to the Trustee shall be in the form of cash or Investment Obligation which is a cash equivalent and the Trustee shall make payment of such Bond Amount to the Owner thereof in accordance with the immediately succeeding paragraph. Any such payment to the Trustee shall, pending disbursement thereof to the Owner thereof, be deposited into a Payment Account.

Funds and investments on deposit in any Payment Account shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such funds and investments were deposited by the Authority or the Trustee in such Payment Account, and the Owners of any such Bond Amounts shall no longer have a lien on or the benefit of a pledge of the Assets with respect to such Bond Amounts but shall have a lien on, and the benefit of the pledge of, the funds and investments in such Payment Account and shall look only to such funds and investments for payment. No funds and investments shall be withdrawn from any Payment Account other than to pay the applicable Bond Amounts.

Withdrawal, Transfer, Sale, Exchange and Modification of Assets

On any date, the Authority may either directly or by direction to the Trustee (i) apply Assets to make, purchase, finance or refinance Mortgage Loans, to acquire, rehabilitate, construct, finance or refinance Authority Property, to purchase Investment Obligations and make any required payments associated therewith, to make payments pursuant to any agreement associated, related or entered into with respect to the Bonds, to make payments to any party to comply with the Tax Covenant, to purchase any Bond, to pay any Expense, or to make any other withdrawal, transfer, sale, exchange or other application of Assets required, permitted or contemplated by the Bond Resolution, or (ii) subject to satisfaction of the Revenue Test described below, transfer all or any portion of any Asset to the Authority. Assets so transferred to the Authority shall not thereafter be subject to the lien or pledge created by the Bond Resolution.

The Authority shall be authorized to sell or exchange any Asset to or with any party (including the Authority) at a price and/or for other assets equal to such Asset's fair market value, or subject to satisfaction of the Revenue Test described below, at any price and/or for any assets.

The Authority may modify or amend, in any manner it deems appropriate in its sole judgment, the terms and conditions of any Asset, subject to satisfaction of the Revenue Test described below or subject to the determination of an Authorized Officer that such modification or amendment is either (i) not materially adverse to the payment of any Bond Amount, or (ii) in the best interests of the Owners.

Revenue Test

The Revenue Test requires that, prior to effecting any proposed action which is subject thereto, an Authorized Officer shall, based on such assumptions as such Officer shall deem reasonable (but without taking into account any future issuances of Bonds and any Assets derived therefrom, or any future execution of Exchange Agreements or Enhancement Agreements payable from Assets), determine that, subsequent to the effecting of such action, the anticipated Revenues (including Revenues anticipated to be derived from any acquisition, sale, transfer, exchange, withdrawal or other application or prepayment of any Asset and taking into account any default in the payment of Revenues which such Authorized Officer reasonably expects) to be derived from all Assets which are to remain or anticipated to become subject to the lien or pledge of the Bond Resolution shall be at least sufficient to pay all Bond Amounts as such Amounts are or are anticipated to become due and payable (by purchase, redemption, or otherwise).

Investment of Funds

Funds pledged pursuant to the Bond Resolution may be invested in Investment Obligations.

Covenants

Except funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account, an asset or property may be acquired (by purchase or exchange) or financed pursuant to the Bond Resolution only if such asset or property constitutes an Asset.

Subject to the Tax Covenant set forth in the following paragraph, the Authority shall do all such acts as may be reasonably necessary in the sole judgment of the Authority to receive and collect Revenues and to enforce the terms and conditions relating to the Assets.

The Authority shall at all times do and perform all acts required by the Code in order to assure that interest paid by the Authority on a Tax Exempt Bond shall not be included in gross income of the Owner thereof pursuant to the Code.

Incurrence of Additional Bond Obligations

The Resolution permits the incurrence of additional Bond Obligations, including the issuance of additional Bonds and the execution of any Exchange Agreement or Enhancement Agreement payable from Assets. The Bonds and such additional Bond Obligations so incurred, regardless of the time or times of their issuance, execution or maturity, shall be of equal rank without preference, priority or distinction, except as otherwise expressly provided in or determined pursuant to a supplemental resolution to the Bond Resolution in accordance with subparagraph (9) in "Amendments" below.

Amendments

Amendments to the Bond Resolution may be made by a supplemental resolution. Supplemental resolutions which become effective upon filing with the Trustee may be adopted for any one or more of the following purposes:

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

(2) To include such provisions as are deemed by an Authorized Officer to be necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(3) To add other covenants, agreements, limitations, or restrictions to be observed by the Authority which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(4) To add to the rights or privileges of the Owners;

(5) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Bond Resolution;

(6) To comply with any provision of the Code or federal or state law or regulation;

(7) To modify or amend the Bond Resolution in any respect, subject to satisfaction of the Revenue Test; provided, however, that no such modification or amendment pursuant to this Subsection (7) shall modify or delete, or shall authorize or permit any deletion or modification of, any of the following: (i) any of the covenants, rights or remedies pursuant to the Tax Covenant or Article IX of the Bond Resolution relating to remedies on default, (ii) the definition of Revenue Test, (iii) any requirement for satisfaction of the Revenue Test, (iv) the definition of Defeasance Obligation, (v) the provisions of Sections 103 through 106 of the Bond Resolution relating to the constitution of the Bond Resolution as a contract, the general obligation of the Authority and the pledge of Assets, (vi) the provisions of Section 701 of the Bond Resolution which set forth those provisions permitting amendments to the Bond Resolution, (vii) the provisions of Section 1007 of the Bond Resolution relating to the removal of the Trustee, (viii) the provisions of Section 1101 of the Bond Resolution relating to defeasance, (ix) any requirement for notice to or consent, approval or direction of Owners, or (x) the terms of redemption or the due date or amount of payment of any Bond Amount without the consent of the Owner of such Bond Amount; or

(8) To set forth the amendments to the Bond Resolution necessary or desirable to provide for the issuance of Bonds or the execution of Exchange Agreements or Enhancement Agreements payable from Assets, (i) on which the payment of the Bond Amounts may be subordinate to the payment of the Bond Amounts with respect to other Bonds or Exchange Agreements or Enhancement Agreements payable from Assets, (ii) which may have the payment of their Bond Amounts conditional upon the happening of certain events, (iii) which may not be general obligations of the Authority, (iv) which may not be secured by all or any of the Assets, or (v) whose Owners do not have all of the rights or benefits of the other Owners.

Other supplemental resolutions may become effective only with consent of the Owners of at least fifty percent (50%) of the Bond Obligation responding to the request for consent within the time period as shall be established (and as may be extended) by the Trustee. No such resolution shall permit a change in the terms of redemption or in the due date or amount of payment of any Bond amount without the consent of the Owner of such Bonds Amount or lower the percentage of percentage of the Owners required to effect any such amendment.

Defeasance

If (i) Defeasance Obligations shall have been deposited in a Defeasance Account, (ii) the principal of and interest on such Defeasance Obligations at maturity, without reinvestment, shall be sufficient, in the determination of an Authorized Officer, to pay all Bond Amounts when due at maturity or upon earlier redemption with respect to a Bond and all fees and expenses of the Trustee with respect to such Defeasance Account, and (iii) any notice of redemption, if applicable, shall have been given to the Owner thereof or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then notwithstanding any other provision of the Bond Resolution to the contrary, the Owner of such Bond shall no longer have a lien on, or the benefit of a pledge of, the Assets. If the foregoing requirements shall have been satisfied with respect to all Outstanding Bonds and no Enhancement Agreement or Exchange Agreement remains payable from Assets, then the lien, pledge, covenants, agreements and other obligations under the Bond Resolution shall, at the election of the Authority, be discharged and satisfied, and the Trustee shall thereupon deliver to the Authority all Assets held by it.

Defeasance Obligations shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such Defeasance Obligations shall have been deposited by the Authority in the applicable Defeasance Account. The Owners of such Bond Amounts so deposited shall have a lien on, and the benefit of the pledge of, the Defeasance Obligations in such Defeasance Account and shall look only to such Defeasance Obligations for payment.

No Defeasance Obligation shall be withdrawn from any Defeasance Account other than to pay, when due, the applicable Bond Amounts or the fees and expenses of the Trustee with respect to such Defeasance Account. If any Defeasance Obligation remains in a Defeasance Account subsequent to the payment of all the applicable Bond Amounts and all fees and expenses of the Trustee with respect to such Defeasance Account have been paid, such Defeasance Obligations shall be transferred to the Authority free of any lien or pledge of the Bond Resolution.

For the purpose of defeasance, interest on any Bond on which the interest is or may be payable at a variable rate shall be calculated at the maximum interest rate (or, if none, the estimated maximum interest rate as determined by an Authorized Officer in an Officer's Certificate) payable on such Bond.

Cash on deposit in a Defeasance Account shall, upon the direction of an Authorized Officer, be invested by the Trustee in Defeasance Obligations or any repurchase agreement fully collateralized, as determined by an Authorized Officer, by any Defeasance Obligations.

Events of Default

Pursuant to the Bond Resolution, each of the following is an Event of Default: (i) a Bond Amount shall become due on any date and shall not be paid by the Authority to either the Trustee or party due such Bond Amount on said date; or (ii) a default shall be made in the observance or performance of any covenant, contract or other provision of the Bonds or Bond Resolution, and such default shall continue for a period of ninety (90) days after written notice to the Authority from Owners of ten percent (10%) of the Bond Obligation or from the Trustee specifying such default and requiring the same to be remedied; or (iii) there shall be filed by or against the Authority as debtor a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) under any applicable law or statute now or hereafter in effect.

Remedies

Upon the occurrence and continuance of an Event of Default described in clause (i) in the prior paragraph entitled "Events of Default", the Trustee may, and upon the written request of the Owners of not less than 25% of the Bond Obligation with respect to which such Event of Default has happened, shall, proceed to protect the rights of the Owners under applicable law or the Bond Resolution. Pursuant to the Act, in the event that the Authority shall default in the payment of principal of or interest on any issue of the Bonds and such default shall otherwise continue for 30 days or in the event that the Authority shall fail to comply with the provisions of the Bond Resolution, the Owners of 25% in aggregate principal amount of such issue of Bonds may appoint a trustee to represent the Owners of such issue of Bonds, and such trustee may, and upon written request of the Owners of 25% in aggregate principal amount of such issue of Bonds shall, in its name declare all such issue of Bonds due and payable.

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% of the Bond Obligation, shall, proceed to protect the rights of the Owners under applicable law or the Bond Resolution.

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (i) (a) such Owner previously shall have given to the Authority and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the Owners of not less than twenty-five percent (25%) of the Bond Obligation or, if such Event of Default is an Event of Default described in clause (i) in the prior section entitled "Events of Default", by the Owners of not less than twenty-five percent (25%) of the Bond Obligation with respect to which such Event of Default has happened, and there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (ii) (a) such Owner previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and (b) such suit, action or proceeding is brought for the ratable benefit of all Owners subject to the provisions of the Bond Resolution.

However, nothing in the Bond Resolution shall affect or impair the right of any Owner to enforce the payment of any Bond Amount due such Owner.

Registration

The Authority and the Trustee may deem and treat the party in whose name any Bond shall be registered upon the Registration Books on an applicable Record Date as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of any Bond Amount due and payable during the time period such person is the Owner of said Bond, and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability with respect to such Bond to the extent of the Bond Amount(s) so paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

LITIGATION

No litigation of any nature as of the date hereof is pending against the Authority or, to the Authority's knowledge, threatened against the Authority (i) to restrain or enjoin the issuance or delivery of any of the Offered Bonds, (ii) to in any material way restrain or enjoin the collection and application of Assets pledged pursuant to the Bond Resolution, (iii) in any way contesting or affecting any authority for the issuance or validity of the Offered Bonds or the validity of the Bond Resolution, the Purchase Contract for the sale of the Offered Bonds, (iv) in any material way contesting the existence or powers of the Authority, or (v) in any material way contesting or affecting the Assets pledged for the payment of the Offered Bonds.

LEGAL INVESTMENT

The Act provides, in part, that the Bonds, including the Offered Bonds, are legal investments in which all public officers and public bodies of the Commonwealth, and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations, banks, bankers, banking associations, trust companies, savings banks, savings associations, savings and loan associations, building and loan associations, investment companies, administrators, guardians, executors, trustees and other fiduciaries may properly and legally invest funds, including capital, in their control or belonging to them. The Act further provides that the Bonds are also securities which may properly and legally be deposited with and received by all public officers and bodies of the Commonwealth or any agencies or political subdivisions of the Commonwealth and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

MISCELLANEOUS

The Authority has furnished all information in this Official Statement relating to the Authority. The financial statements of the Authority in Appendix E as of June 30, 2009 and for the year then ended have been examined by KPMG LLP, independent certified public accountants, to the extent set forth in their report, without further review to the date hereof. Also included in Appendix E are the unaudited financial statements of the Authority as of March 31, 2010 and for the nine month period then ended.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. The Official Statement is not to be construed as a contract or agreement between the Authority and the Owners of the Offered Bonds being offered hereby.

The distribution of this Official Statement has been duly authorized by the Authority.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

APPENDIX A

THE RESOLUTION

A RESOLUTION PROVIDING FOR THE ISSUANCE OF RENTAL HOUSING BONDS OF THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY AND FOR THE RIGHTS OF THE OWNERS THEREOF

BE IT RESOLVED BY THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY AND THE COMMISSIONERS THEREOF AS FOLLOWS:

ARTICLE I

DEFINITIONS, DETERMINATIONS, SECURITY AND INTERPRETATION

SECTION 101. Definitions. In the Bond Resolution, unless a different meaning clearly appears from the context, the following definitions shall apply:

"Act" means the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Code of Virginia of 1950, as heretofore and hereafter amended.

"Asset" means any Mortgage Loan, Authority Property, Investment Obligation, Revenue, and, to the extent subject to the pledge or lien of the Bond Resolution, any cash, Exchange Agreement or Enhancement Agreement. Funds and investments on deposit in any Payment Account and Defeasance Obligations in any Defeasance Account are not Assets.

"Authority" means the Virginia Housing Development Authority, a political subdivision of the Commonwealth, and its successors and assigns.

"Authority Designations" means the one or more designations given to a Bond or Bonds as set forth in or determined pursuant to the applicable Written Determinations or such other designations as may be deemed necessary or convenient by an Authorized Officer or by the Trustee with the consent of an Authorized Officer.

"Authority Property" means real property and improvements thereon or an ownership share in a cooperative housing association or a leasehold interest under a lease and any personal property attached to or used in connection with any of the foregoing owned by the Authority and either financed pursuant to the Bond Resolution or acquired by the Authority by purchase or foreclosure of a Mortgage Loan or by deed in lieu thereof.

"Authorized Denominations" means the principal or Maturity Amount denominations authorized for a Bond or Bonds as set forth in or determined pursuant to the applicable Written Determinations.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, Director of Finance, General Counsel, any functionally equivalent successor position to any of the aforementioned positions but which bears a different title, or any other person authorized by resolution of the Authority to act as an Authorized Officer hereunder.

"Bond" or "Bonds" means any bond or bonds, as the case may be, authorized and issued pursuant to the Bond Resolution.

"Bond Amount" means the one or more payments of principal and interest, including any Compounded Amount, Purchase Price, Redemption Price or Sinking Fund Installment, if applicable, due and payable from time to time with respect to a Bond from its date of issuance to its maturity, tender or redemption date, or any payment required to be made by the Authority pursuant to an Exchange Agreement or an Enhancement Agreement to the extent such payment thereunder is payable from Assets.

"Bond Limitations Resolution" means a resolution adopted by the Authority setting forth the limitations required by Section 201(B) and such other limitations and matters as may be deemed appropriate by the Authority.

"Bond Obligation" means, as of a specific date of calculation, the aggregate of (1) all interest due or accrued on Outstanding Bonds, (2) all unpaid principal on Outstanding Bonds, (3) the amount of the payment, if any, the Authority would be obligated to make on any Exchange Agreement payable from Assets if such Agreement were terminated on such date of calculation, and (4) all amounts owed by the Authority with respect to any Enhancement Agreement payable from Assets.

"Bond Resolution" means this Resolution as the same may from time to time be amended, modified or supplemented by one or more Supplemental Bond Resolutions, Bond Limitations Resolutions or Written Determinations.

“Business Day” means any day other than a Saturday, Sunday or legal holiday on which banking institutions in the Commonwealth, or the state in which Principal Office of the Trustee is located, are authorized to remain closed and other than any day on which the New York Stock Exchange or a security depository with respect to a Bond is closed.

“Capital Appreciation Bond” means a Bond the interest on which is payable only at maturity or prior redemption as a component of its Compounded Amount.

“Chairman” means the Chairman of the Authority.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor code, including the applicable temporary, proposed and permanent regulations, revenue rulings and revenue procedures.

“Commonwealth” means the Commonwealth of Virginia.

“Compounded Amount” means, with respect to a Capital Appreciation Bond, a Delayed Interest Bond or any other Bond so determined in or pursuant to the applicable Written Determinations, the sum of principal and accrued interest with respect to such Bond, as of any date, as set forth in or determined pursuant to the applicable Written Determinations.

“Counsel” means any attorney or firm of attorneys (including, without limitation, the General Counsel) designated by the Authority to render any Counsel’s Opinion.

“Counsel's Opinion” means an opinion signed by Counsel.

“Current Interest Paying Bond” means a Bond on which interest is not compounded and which is payable at the interest rate or rates and on the dates set forth in or determined pursuant to the applicable Written Determinations.

“Dated Date” means the date on which a Bond initially begins to accrue interest as set forth in or determined pursuant to the applicable Written Determinations.

“Defeasance Obligation” means cash, any direct obligation of the United States of America, any direct federal agency obligation the timely payment of the principal of and the interest on which are fully and unconditionally guaranteed by the United States of America, and any Certificates of Accrual on Treasury Securities or Treasury Investors Growth Receipts; provided, however, that the foregoing are not subject to redemption, call or prepayment, in whole or in part, prior to their respective maturity dates.

“Defeasance Account” means a trust account or other financial arrangement whereby the Trustee holds Defeasance Obligations in trust for the payment of all Bond Amounts due and payable or to become due and payable at maturity or upon earlier redemption with respect to one or more Bonds and all fees and expenses of the Trustee with respect to the administration of such trust account or other financial arrangement.

“Delayed Interest Bond” means a Bond the interest on which accrues and compounds, from its Dated Date and at an interest rate and compounding interval specified in or determined pursuant to the applicable Written Determinations, to a date specified in such applicable Written Determinations on which date such Bond shall reach its full Compounded Amount, and with respect to which, from and after such date, interest on such Bond is to be payable on such Compounded Amount on the dates and at the interest rate specified in or determined pursuant to such applicable Written Determinations.

“Deputy Executive Director” means the Deputy Executive Director of the Authority.

“Derivative Product” means any instrument of finance entered into by the Authority, the value of which is derived from or based upon any underlying Bond.

“Development” means (i) the real property and improvements thereon subject to the lien of a Mortgage, (ii) the real property and improvements thereon owned by a cooperative housing association the ownership shares in which are subject to the lien of a Mortgage, (iii) real property and improvements thereon the leasehold interest in which is subject to the lien of a Mortgage, or (iv) Authority Property.

“Director of Finance” means the Director of Finance of the Authority.

“DTC” means The Depository Trust Company.

“Enhancement Agreement” means an agreement with one or more third parties which sets forth the terms and conditions upon which such third party or parties will provide for the payment of all or a portion of one or more Bond Amounts with respect to a Bond or a payment to the Authority. The obligations of and any receipts by the Authority with respect to such agreement shall or shall not, as and to the extent set forth in or determined pursuant to the applicable Written Determinations or an Officer's Certificate, be payable from Assets or constitute an Asset, as applicable.

"Event of Default" means any of the events set forth in Section 902.

"Exchange Agreement" means an agreement with one or more third parties which sets forth the terms and conditions upon which such third party or parties and the Authority will exchange or make payments to the other party or parties. The obligations of and any receipts by the Authority with respect to such agreement shall or shall not, as and to the extent set forth in or determined pursuant to the applicable Written Determinations or an Officer's Certificate, be payable from Assets or constitute an Asset, as applicable.

"Executive Director" means the Executive Director of the Authority.

"Expense" means any expenditure payable or reimbursable by the Authority which is directly or indirectly related to the authorization, sale, delivery, issuance, remarketing, enhancement, monitoring, purchase, redemption or trusteeship of any Bond or Asset.

"External Trustee" means a Trustee other than the Authority.

"Federal Funds Rate" means the interest rate on any given date charged by banks with excess bank reserves on deposit at a Federal Reserve Bank to other banks needing overnight loans to meet bank reserve requirements.

"Fiscal Year" means the period of twelve calendar months ending with June 30 of any year, unless some other time period is otherwise designated in or determined pursuant to the applicable Written Determinations.

"General Counsel" means the General Counsel of the Authority.

"Interest Payment Date" shall mean any date, as set forth in or determined pursuant to the applicable Written Determinations, on which interest is due and payable with respect to a Bond.

"Investment Obligation" means any of the following acquired or pledged pursuant to the Bond Resolution, except to the extent limited by any amendments to the Act enacted after the date of this Resolution:

(A) direct general obligations of the United States of America;

(B) direct obligations of any state of the United States of America or any political subdivision thereof or the District of Columbia bearing a Rating;

(C) obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(D) obligations which bear a Rating and the payment of the principal of and interest on which are unconditionally guaranteed by any state of the United States of America or any political subdivision thereof or the District of Columbia;

(E) bonds, debentures, participation certificates or notes or other obligations (including asset backed securities) issued by any one or any combination of the following: Federal Financing Corporation, Federal Farm Credit Banks (Bank for Cooperatives and Federal Intermediate Credit Banks), Federal Home Loan Bank System, Federal National Mortgage Association, World Bank, Export-Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Inter-American Development Bank, International Bank for Reconstruction and Development, Small Business Administration, Washington Metropolitan Area Transit Authority, Resolution Funding Corporation, Tennessee Valley Authority, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof the bonds, debentures, participation certificates or notes or other obligations (including asset backed securities) of which are unconditionally guaranteed by the United States of America or bear a Rating;

(F) certificates of deposit, banker's acceptances, investment contracts, and any interest-bearing time deposits which are issued by any member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation;

(G) Eurodollar time deposits and Eurodollar certificates of deposit the issuers of which have obligations which, at the time of acquisition of such deposits or certificates, bear a Rating;

(H) obligations, including investment contracts, of corporations which have obligations which, at the time of acquisition of such obligations including investment contracts, bear a Rating;

(I) any other investments which, at the time of acquisition thereof, bear a Rating and are legal investments for fiduciaries or for public funds of the Authority, the Commonwealth and/or its political subdivisions;

(J) repurchase agreements with respect to any of the other Investment Obligations; and

(K) any other investment (debt or equity), investment agreement, Exchange Agreement, swap contract, futures contract, forward contract or other obligation which, in the determination of an Authorized Officer, is a suitable investment hereunder, in light of the amount and timing of Bond Obligation payments, the amount of Assets, and the availability of monies to pay Bond Obligations as they become due, at the time of acquisition thereof.

"Maturity Amount" means the Compounded Amount due and payable at maturity of a Capital Appreciation Bond, Delayed Interest Bond or any other similar type of Bond as set forth in or determined pursuant to the applicable Written Determinations.

"Mortgage" means a mortgage deed, deed of trust, or other security instrument which secures a Mortgage Loan and which shall constitute a lien on real property and improvements thereon or on an ownership share in a cooperative housing association or on a leasehold interest under a lease and may also constitute a lien on or security interest in any personal property attached to or used in connection with any of the foregoing.

"Mortgage Loan" means each of the following financed or pledged pursuant to the Bond Resolution and the Act: (1) a loan evidenced by an interest-bearing obligation secured by a Mortgage for financing the acquisition, construction, rehabilitation and/or ownership of multi-family residential housing (which housing may be an economically mixed project) and any nonhousing building or buildings as authorized by the Act, (2) an obligation, certificate or instrument for which such a loan secured by a Mortgage is the security or the source of payment, or (3) a participation or other ownership interest in either a loan described in (1) or an obligation, certificate or instrument described in (2) with another party or parties or with another source of funds of the Authority not pledged hereunder.

"Mortgagor" means the obligor or obligors on a Mortgage Loan.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Official Statement" means one or more offering or reoffering documents prepared by the Authority which set forth the terms and conditions of the Bonds being offered or reoffered thereby and matters material thereto.

"Outstanding" means, when used with reference to Bonds and as of any particular date, all Bonds theretofore and thereupon being issued except (1) any Bond for which funds for the payment of all Bond Amounts due and payable or to become due and payable with respect to such Bond have been paid to the Owner thereof or are held in a Defeasance Account or Payment Account, and (2) any Bond in lieu of or in substitution for which another Bond or Bonds shall have been delivered. If an Officer's Certificate shall have been delivered in accordance with Section 304 with respect to a Bond that the Authority is the Owner thereof, such Bond does not cease to be Outstanding.

"Owner" means the party set forth in the Registration Books as the owner of a Bond or any other party due a Bond Amount.

"Payment Account" means any trust account or other financial arrangement with the Trustee in which payments made by the Authority to the Trustee with respect to Bond Amounts then due and payable are held in trust by the Trustee pending disbursement to the Owners thereof.

"Principal Payment Date" shall mean any date, as set forth in or determined pursuant to the applicable Written Determinations, on which principal or Compounded Amount is due and payable with respect to a Bond.

"Principal Office" means the office so designated by the Trustee as its office for administering its duties with respect to the Bond Resolution.

"Program" means the Authority's program of making or purchasing Mortgage Loans and financing Authority Property pursuant to the Bond Resolution.

"Purchase Contract" means any agreement, contract or other document or documents (including notices of sale and/or remarketing and the related bid form(s)) executed or accepted by the Authority which provides for the sale of Bonds, either at initial issuance or upon subsequent remarketing thereof.

"Purchase Price" means the purchase price, including accrued interest, of a Bond on a Tender Date as set forth in or determined pursuant to the applicable Written Determinations.

''Rating" means an investment grade rating assigned by a nationally recognized rating agency to an Investment Obligation or, if such Investment Obligation is not rated, an investment grade rating assigned to the obligor or guarantor of such Investment Obligation.

"Record Date" means the date or dates as determined pursuant to Section 1104.

"Redemption Price" means the principal or Compounded Amount of a Bond or portion thereof to be redeemed plus the applicable redemption premium, if any, payable upon redemption thereof.

"Registration Books" means the records of the Trustee and the Authority which set forth the Owner of any Bond or any other party due a Bond Amount and such other information as is usual and customary in the securities industry or as specifically directed by the Authority.

"Resolution" means this resolution adopted by the Authority on March 24, 1999.

"Revenues" means all net proceeds from the sale or other disposition of any Bond or Asset, payments of principal of and interest on Mortgage Loans (including any moneys received by the Authority and applied to such principal and interest) and Investment Obligations, fees and penalties charged or assessed by the Authority with respect to a Mortgage Loan (excluding processing, financing, prepayment or other similar fees), income received by the Authority as owner of Authority Property (excluding such income to be applied to the payment of operating expenses or to be deposited into reserve or escrow funds for such Authority Property), and payments received with respect to an Enhancement Agreement or an Exchange Agreement payable from Assets.

"Revenue Test" means that prior to effecting any proposed action subject to this Revenue Test, an Authorized Officer shall, based on such assumptions as such Officer shall deem reasonable (but without taking into account any future issuances of Bonds and any Assets derived therefrom, or any future execution of Exchange Agreements or Enhancement Agreements payable from Assets), determine that, subsequent to the effecting of such action, the anticipated Revenues (including Revenues anticipated to be derived from any acquisition, sale, transfer, exchange, withdrawal or other application or prepayment of any Asset and taking into account any default in the payment of Revenues which such Authorized Officer reasonably expects) to be derived from all Assets which are to remain or anticipated to become subject to the lien or pledge of the Bond Resolution shall be at least sufficient to pay all Bond Amounts as such Amounts are or are anticipated to become due and payable (by purchase, redemption, or otherwise).

"Serial Bonds" means the Bonds as so designated in or pursuant to the applicable Written Determinations.

"Sinking Fund Installment" means the amount of principal or Compounded Amount of any particular Term Bonds to be redeemed or retired prior to the maturity date of such Term Bonds all as set forth in or determined pursuant the applicable Written Determinations.

"Supplemental Bond Resolution" means any resolution of the Authority amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of Article VII.

"Tax Covenant" means the covenant set forth in Section 504.

"Term Bonds" means the Bonds as so designated in or pursuant to the applicable Written Determinations.

"Tender Date" means any date on which a Bond is subject to tender to the Trustee or the Authority or any other party serving as tender agent for purchase as set forth in or determined pursuant to the applicable Written Determinations.

"Tender Option Agreement" means an agreement under which any party offers a tender option on any Bonds.

"Trustee" means the trustee appointed by or pursuant to Article VIII.

"Vice Chairman" means the Vice Chairman of the Authority.

"Written Determinations" means one or more determinations made in writing by an Authorized Officer which sets forth those terms and conditions authorized hereby to be contained therein and such other terms and conditions as an Authorized Officer may deem appropriate and as shall not be inconsistent with this Resolution and the applicable Bond Limitations Resolution. Any such Written Determinations may be amended by an Authorized Officer from time to time prior to the issuance of Bonds designated therein and may thereafter be amended as provided in Articles VII and VIII of the Bond Resolution. Any Written Determinations shall be subject to the conditions and limitations set forth in or determined pursuant to the applicable Bond Limitations Resolution.

Articles and Sections mentioned by number only are the respective Articles and Sections of this Resolution so numbered.

The words "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the term "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Words importing the masculine gender include the feminine and neuter genders.

Words importing persons include firms, associations and corporations.

Words importing the singular number include the plural number, and vice versa.

SECTION 102. *Headings*. Any headings, captions, or titles preceding the text of any Article or Section herein and the table of contents with respect to this Resolution are solely for convenience of reference and shall not constitute part of the Bond Resolution or affect its meaning, construction or effect.

SECTION 103. *Bond Resolution to Constitute Contract*. The Bond Resolution shall constitute a contract between the Authority, the Trustee and the Owners. The pledge made in the Bond Resolution and the provisions, covenants and agreements set forth in the Bond Resolution to be performed by or on behalf of the Authority shall be for the benefit, protection and security of the Owners. All of the Bonds and any Exchange Agreement or Enhancement Agreement payable from Assets, regardless of the time or times of their issuance, execution, or maturity, shall be of equal rank without preference, priority or distinction, except as otherwise expressly provided in or determined pursuant to a supplemental resolution to the Bond Resolution in accordance with Section 701 (8).

SECTION 104. *General Obligation*. The obligation of the Authority with respect to the payment of any Bond Amount shall be a general obligation of the Authority payable out of any of the Authority's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with owners of Authority obligations other than the Owners pledging particular revenues, moneys or assets for the payment thereof or except as otherwise expressly provided in or determined pursuant to a supplemental resolution to the Bond Resolution in accordance with Section 701 (8).

SECTION 105. *Pledge of Assets*. Subject only to the right of the Authority to withdraw, transfer, sell, exchange or otherwise apply Assets in accordance with the provisions of the Bond Resolution, a pledge of Assets is hereby made to secure the payment of the Authority's obligations with respect to the Bond Resolution, including any and all Bond Amounts, except as otherwise expressly provided in or determined pursuant to a supplemental resolution to the Bond Resolution in accordance with Section 701 (8). A pledge of funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account is hereby made to secure the payment of the Authority's obligations (including any and all Bond Amounts) on the Bonds, any Enhancement Agreement and any Exchange Agreement with respect to which such funds and investments and Defeasance Obligations are so deposited.

SECTION 106. *Assets Held in Trust*. Subject only to the right of the Authority to withdraw, transfer, sell, exchange or otherwise apply Assets in accordance with the provisions of the Bond Resolution, the Assets, regardless of their location or method of identification, are and shall be hereby held in trust for the purposes and under the terms and conditions of the Bond Resolution.

SECTION 107. *Authorization*. Each Authorized Officer is hereby authorized to prepare, distribute, execute and/or accept, and deliver on behalf of the Authority, and the Trustee is hereby authorized to execute and accept when applicable, such Purchase Contracts, Tender Option Agreements, Enhancement Agreements, Exchange Agreements and such other agreements, instruments, documents and certificates, and to do and perform such other acts, as may be deemed necessary or appropriate by such Authorized Officer to effect the sale, delivery, issuance, tender, remarketing, registration, transfer, exchange, purchase or redemption of any Bond or any Derivative Product or other instrument or agreement related thereto, and the acquisition, sale, transfer, exchange, withdrawal or other application of Assets, and to otherwise carry out the transactions authorized or contemplated by the Bond Resolution. The authorization set forth above with respect to any Exchange Agreement or any Derivative Product not otherwise authorized by a Bond Limitations Resolution is conditioned upon the delivery, prior to any execution and delivery of any agreement related thereto, of an Officer's Certificate which states that the form and substance of such Exchange Agreement or Derivative Product has been discussed at a meeting of the Authority's Board of Commissioners at which a quorum of Commissioners were present.

SECTION 108. *Parties Interested Herein*. Nothing in the Bond Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or party, other than the Authority, the Trustee and the Owners, any right, remedy or claim under or by reason of the Bond Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in the Bond Resolution contained by and on behalf of the Authority, shall be for the sole and exclusive benefit of the Authority, the Trustee and the Owners.

SECTION 109. *Law Applicable*. The laws of the Commonwealth shall be applicable to the interpretation and construction of the Bond Resolution, except to the extent that the laws of another jurisdiction are determined in or pursuant to the applicable Written Determinations to be applicable.

SECTION 110. *Severability of Invalid Provision*. If any one or more of the provisions, covenants or agreements in the Bond Resolution should be contrary to law, then such provision or provisions, covenant or covenants, agreement or agreements, shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of the Bond Resolution.

ARTICLE II

BONDS

SECTION 201. *Authorization.* (A) Bonds are hereby authorized to be issued from time to time by the Authority in such amounts and upon such terms and conditions as shall be set forth in or determined pursuant to the Written Determinations approved by an Authorized Officer pursuant to Section 301. Bonds so issued shall comply with the limitations prescribed in the applicable Bond Limitations Resolution.

(B) Each Bond Limitations Resolution shall specify, or set forth the manner for determining, the following limitations with respect to Bonds issued pursuant thereto:

(1) The maximum principal amount of Bonds to be issued or to be Outstanding subject to such Bond Limitations Resolution;

(2) The latest date by which the Authority may enter into the one or more Purchase Contracts providing for the sale of Bonds;

(3) The minimum purchase price for the Bonds upon the issuance thereof; and

(4) Any such other matters as the Authority deems appropriate.

SECTION 202. *Issuance and Delivery.* Subject to the limitations in the applicable Bond Limitations Resolution, Bonds may be delivered, against payment therefor, to the purchaser(s) and/or underwriter(s) thereof in the principal amounts or Maturity Amounts thereof on the date(s) and at the time(s), all as set forth in or determined pursuant to the applicable Written Determinations and upon compliance by the Authority with the requirements of the Bond Resolution.

ARTICLE III

TERMS AND PROVISIONS OF BONDS

SECTION 301. *Terms.* (A) Subject to the limitations set forth in or determined pursuant to the applicable Bond Limitations Resolution, the terms and conditions of the Bonds issued pursuant hereto shall be set forth in or determined pursuant to the applicable Written Determinations. The Written Determinations for any Bonds shall specify the Bond Limitations Resolution which is applicable to such Bonds and shall include, in addition to other matters, all matters applicable to such Bonds which are required or specified by this Resolution or the Bond Limitations Resolution to be included therein. Subject to the provisions of Section 202, the Bonds shall be sold to such purchaser(s) and/or underwriter(s) and at such prices(s) as shall be set forth in or determined pursuant to the applicable Written Determinations and on such other terms and conditions as shall be set forth in or determined pursuant to the applicable Purchase Contract.

(B) Such Written Determinations or other agreement executed by the Authority may include or provide for, without limitation, any such provisions governing or relating to the use and/or investment of assets of the Authority other than Assets as may be deemed by an Authorized Officer to be necessary or appropriate in order to obtain, provide or assure a source of funds for the payment of any Bond Amount.

SECTION 302. *Medium of Payment, Form and Execution.* (A) Each Bond Amount shall be payable to the Owner thereof by check, draft, electronic funds transfer or other means determined by an Authorized Officer (which payment methodology can vary depending upon the amount of the Bond Amount, the Owner of such Bond Amount and the usual and customary practices in the securities industry as determined by an Authorized Officer) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, unless otherwise set forth in or determined pursuant to the applicable Written Determinations.

(B) The Bonds shall be issued in the form of fully registered Bonds or such other form as may be set forth in or determined pursuant to the applicable Written Determinations. In the event that the Bonds are not issued in the form of fully registered Bonds and notwithstanding any inconsistency with the provisions of Section 302 (E) and Sections 303 and 304, such Bonds shall be registered, issued, exchanged, transferred, redeemed, replaced, surrendered and cancelled in such manner as set forth in or determined pursuant to the applicable Written Determinations.

(C) All or any portion of the Bonds may be owned through the facilities of one or more security depositories as set forth in or determined pursuant to the applicable Written Determinations. Notwithstanding any inconsistency with the provisions of Section 302 (E) and Sections 303 and 304, the Authority and the Trustee are each hereby authorized to execute and deliver any agreement, to conform to any operational procedure, or to take such other action which may be necessary or convenient to make the Bonds eligible for ownership through such security depositories. Furthermore and notwithstanding anything in Section 605 to the contrary, if any Bonds to be redeemed are then available only through the facilities of a security depository, any notice of redemption to the Owners thereof shall be given at such time prior to the date of redemption as shall be set forth in or determined pursuant to the applicable Written Determinations and in the manner and containing such information as shall be required by such security depository in order to effect the redemption on the designated date.

(D) Unless otherwise set forth in or determined pursuant to the applicable Written Determinations, the Bonds shall bear the title "Rental Housing Bonds" and may bear such additional Authority Designations as set forth in or determined pursuant to the applicable Written Determinations or as may be deemed necessary or convenient by an Authorized Officer or by the Trustee with the consent of the Authority.

(E) The Bonds shall be in such form as shall be determined by an Authorized Officer to be appropriate to describe or reference the terms thereof and to comply with the Act. Unless otherwise set forth in or determined pursuant to the applicable Written Determinations, each Bond shall be issued by the Authority without any manual or facsimile signature of an Authorized Officer but shall be authenticated by the Trustee. Only Bonds bearing a certificate of authentication duly executed by the Trustee shall be entitled to any security, right or benefit pursuant to the Bond Resolution.

SECTION 303. *Registration.* (A) So long as any Bond Amount with respect to a Bond remains payable or is to become payable, the Trustee shall maintain the Registration Books, shall permit the exchange and transfer of ownership of Bonds pursuant to the terms of the Bond Resolution and such other reasonable regulations as it may prescribe without objection thereto by the Authority, and shall make all necessary provisions to permit the exchange and transfer of Bonds at the Principal Office of the Trustee.

(B) The Authority and the Trustee may deem and treat the party in whose name any Bond shall be registered upon the Registration Books on an applicable Record Date as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of any Bond Amount due and payable during the time period such person is the Owner of said Bond, and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability with respect to such Bond to the extent of the Bond Amount(s) so paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary. The Authority agrees, to the extent permitted by law, to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such Owner.

SECTION 304. *Exchange, Transfer, Surrender and Cancellation.* (A) Each Bond shall be negotiable as provided in the Act, and shall be exchangeable and transferable only upon the Registration Books upon (1) surrender thereof to the Trustee at the Principal Office, together with a written instrument of exchange or transfer satisfactory to the Trustee, or (2) the satisfaction of such other conditions as may be established by the Trustee (without objection thereto by the Authority) or as may be set forth in or determined pursuant to the Bond Resolution. For any such exchange or transfer of any such Bond, the Trustee shall issue in the name of the exchangee or transferee a new Bond or Bonds of the same aggregate principal or Maturity Amount, Authority Designations, terms (e.g. interest rate) and maturity as the surrendered Bond and shall execute and deliver such Bond or Bonds in accordance with the provisions of the Bond Resolution. For every such exchange or transfer of Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

(B) In case any Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall deliver a new Bond of like Authority Designations, terms (e.g. interest rate), maturity, and principal or Maturity Amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon (1) surrender thereof to the Trustee at the Principal Office, or (2) the satisfaction of such other conditions as may be established by the Trustee (without objection thereto by the Authority) or as may be set forth in or determined pursuant to the Bond Resolution, or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to it and complying with such other reasonable requirements as the Trustee may prescribe (without objection thereto by the Authority) and paying such expenses as the Trustee and the Authority may incur in connection therewith.

(C) The Trustee may, and at the direction of the Authority shall, require the surrender of any Bond upon its maturity or redemption as a condition to the payment of the principal or Maturity Amount or any portion thereof.

(D) If less than all of a Bond is to be redeemed, the Trustee shall deliver, upon (1) surrender thereof to the Trustee at the Principal Office or (2) the satisfaction of such other conditions as may be established by the Trustee (without objection thereto by the Authority) or as may be set forth in or determined pursuant to the Bond Resolution, Bonds of similar Authority Designations, terms (e.g. interest rate) and maturity in any of the Authorized Denominations for the portion of the principal or Maturity Amount of the Bond so surrendered which is not to be so redeemed.

(E) Any Bond surrendered to the Trustee pursuant to this Section shall be immediately cancelled by the Trustee. Any Bond surrendered to the Trustee for which all Bond Amounts with respect thereto shall have become due and payable (by maturity, redemption, tender or otherwise) and for which the Authority shall have met all of its obligations under the Bond Resolution with respect to the payment thereof shall be immediately cancelled by the Trustee. Any Bond purchased by the Authority shall be immediately cancelled, unless the Authority shall deliver an Officer's Certificate to the Trustee stating the Authority's intent that any Bond so purchased by the Trustee shall remain Outstanding subject to any such terms and conditions as may be set forth in such Officer's Certificate.

ARTICLE IV

APPLICATION OF ASSETS

SECTION 401. *Payment of Bond Amounts*. (A) On any day on which a Bond Amount is due and payable (or, if such day is not a Business Day, the next Business Day thereafter), the Authority shall pay such Bond Amount from Assets or other funds of the Authority to either, at the Authority's option, the Trustee or to the Owner of such Bond Amount. No such payment shall be made unless the Authority shall pay, in full, all Bond Amounts due and payable on such day. Any such payment to the Trustee shall be in the form of cash or Investment Obligation which is a cash equivalent, and any such payment to the Owner shall be made in accordance with Section 302 (A). In the case of a payment to the Trustee, the Trustee shall make payment of such Bond Amount to the Owner thereof in accordance with Section 302 (A). Any such payment to the Trustee shall, pending disbursement thereof to the Owner thereof, be deposited into a Payment Account.

(B) Funds and investments on deposit in any Payment Account shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such funds and investments were deposited by the Authority or the Trustee in such Payment Account, and the Owners of any such Bond Amounts shall no longer have a lien on or the benefit of a pledge of the Assets with respect to such Bond Amounts but shall have a lien on, and the benefit of the pledge of, the funds and investments in such Payment Account and shall look only to such funds and investments for payment.

(C) No funds and investments shall be withdrawn from any Payment Account other than to pay the applicable Bond Amounts. If funds and investments remain in a Payment Account subsequent to the payment of all the applicable Bond Amounts, such funds and investments shall be transferred to the Authority free of any lien or pledge of the Bond Resolution.

SECTION 402. *Withdrawals and Transfers*. (A) On any date, the Authority may either directly or by direction to the Trustee (1) apply Assets to make, purchase, finance or refinance Mortgage Loans, to acquire, rehabilitate, construct, finance or refinance Authority Property, to purchase Investment Obligations and make any required payments associated therewith, to make payments pursuant to any agreement associated, related or entered into with respect to the Bonds, to make payments to any party to comply with the covenant in Section 504, to purchase any Bond, to pay any Expense, or to make any other withdrawal, transfer, sale, exchange or other application of Assets required, permitted or contemplated by the Bond Resolution, or (2) subject to satisfaction of the Revenue Test, transfer all or any portion of any Asset to the Authority.

(B) Assets transferred to the Authority pursuant to Subsection (A) (2) of this Section shall not thereafter be subject to the lien or pledge created by the Bond Resolution.

SECTION 403. *Sales and Exchanges.* The Authority shall be authorized to sell or exchange any Asset to or with any party (including the Authority) at a price and/or for other assets equal to such Asset's fair market value, or subject to satisfaction of the Revenue Test, at any price and/or for any assets. For purposes of this Bond Resolution, a sale to or exchange with the Authority includes any transaction in which cash or assets of the Authority not included in the Assets are used to pay the sales price of or are exchanged for the Assets.

SECTION 404. *Modifications and Amendments*. The Authority may modify or amend, in any manner it deems appropriate in its sole judgment, the terms and conditions of any Asset, subject to satisfaction of the Revenue Test or subject to the determination of an Authorized Officer that such modification or amendment is either (1) not materially adverse to the payment of any Bond Amount, or (2) in the best interests of the Owners.

ARTICLE V

COVENANTS AND RIGHTS OF THE AUTHORITY

SECTION 501. *General.* The Authority hereby makes the covenants set forth in this Article with the Trustee and with the Owners. The provisions of this Article shall be effective if any Bond Amount is due and payable or is to become due and payable.

SECTION 502. *Powers as to Bonds; Protection of any Liens and Pledges*. The Authority is duly authorized pursuant to law to adopt the Bond Resolution, to make or create the liens and pledges established by the Bond Resolution, and to authorize and issue the Bonds. The Bonds and the provisions of the Bond Resolution are and will be valid and legal obligations of the Authority and enforceable in accordance with their terms. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect any lien and any pledge made or created pursuant to the Bond Resolution and all the rights of the Owners against all claims and demands of all persons whomsoever.

SECTION 503. *Compliance with Conditions Precedent.* Upon the issuance of any Bond, all conditions, acts and things required by law or by the Bond Resolution to exist, to have happened or to have been performed precedent to or upon the issuance of such Bond shall exist, have happened and have been performed.

SECTION 504. *Tax Covenant.* Notwithstanding any provision herein to the contrary (including any restriction imposed by the Revenue Test), in the event that upon the issuance of a Bond, a Counsel's Opinion is delivered opining to the effect that the interest on such Bond is not included in gross income of the Owner thereof pursuant to the Code, the Authority shall at all times do and perform all acts required by the Code in order to assure that the interest on such Bond shall not be included in gross income of the Owner thereof pursuant to the Code. In order to comply with the covenant made in this Section, an Authorized Officer is hereby authorized to take any action (whether or not expressly authorized or permitted herein) and to omit to take any action (whether or not required by the terms hereof), to the extent permitted by applicable law.

SECTION 505. *Asset Covenants.* (A) Except funds and investments in any Payment Account and Defeasance Obligations in any Defeasance Account, an asset or property may be acquired (by purchase or exchange) or financed pursuant to the Bond Resolution only if such asset or property constitutes an Asset as defined in Section 101 hereof.

(B) Subject to the covenant set forth in Section 504, the Authority shall do all such acts as may be reasonably necessary in the sole judgment of the Authority to receive and collect Revenues and to enforce the terms and conditions relating to the Assets.

(C) The Mortgage securing any Mortgage Loan shall be executed and recorded, or reasonable provisions shall have been made for such recording, all in accordance with the requirements of existing laws.

SECTION 506. *Further Assurance.* The Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the rights, liens and pledges established pursuant to the Bond Resolution.

SECTION 507. *Records.* The Authority shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Bond Resolution and which reflect all Assets, and all of the foregoing shall at all reasonable times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than twenty five percent (25%) of the Bond Obligation or their representatives duly authorized in writing.

SECTION 508. *Rights of the Authority.* (A) Additional Bonds and Exchange Agreements and Enhancement Agreements payable from Assets may be issued or executed from time to time pursuant to the Bond Resolution. Except as otherwise expressly provided in or determined pursuant to a supplemental resolution to the Bond Resolution in accordance with Section 701 (8), such additional Bonds and Exchange Agreements and Enhancement Agreements payable from Assets shall be issued or executed on a parity basis with the Outstanding Bonds, shall be secured by the lien and pledge of the Bond Resolution, and shall be payable equally and ratably from the Assets. Such additional Bonds may be issued to refund any Outstanding Bonds or other obligation of the Authority, whether by payment at maturity or upon redemption or purchase. The Authority expressly reserves the right to adopt one or more other note or bond resolutions and reserves the right to incur or issue other obligations.

(B) To the extent any Mortgage Loan is insured by the Federal Housing Administration, (1) the Bonds financing such Mortgage Loan shall not be a debt of the United States of America, the United States Department of Housing and Urban Development or any other federal governmental agency and shall not be guaranteed by the full faith and credit of the United States, and (2) in the event of a conflict between the provisions of the Bond Resolution and the Federal Housing Administration's regulations or its prescribed Mortgage Loan documents, the controlling provisions shall be as designated in or determined pursuant to the applicable Written Determinations.

(C) Notwithstanding anything to the contrary herein, the Authority may be the Mortgagor with respect to any Mortgage Loan made or financed pursuant to the Bond Resolution. In such an event, the Authority may execute and deliver the Mortgage securing such Mortgage Loan to the Trustee, on behalf of the Owners.

ARTICLE VI

PURCHASE OR REDEMPTION OF BONDS

SECTION 601. *Redemption.* Bonds, the applicable Written Determinations for which provide for redemption prior to maturity, shall be subject to redemption in accordance with such Written Determinations upon compliance by the Authority and the Trustee with the provisions in this Article.

SECTION 602. *Purchase.* In lieu of the redemption of any Bond, the Authority may direct the Trustee in an Officer's Certificate to purchase such Bond from any Owner willing to sell such Bond. In addition, the Authority may at any time direct the Trustee in an Officer's Certificate to purchase, with Assets or other assets of the Authority, any Bond from any Owner willing to sell such Bond. In either case, the purchase price shall be determined by, or in accordance with the directions of, the Authority.

SECTION 603. *Notice of Purchase or Redemption to Trustee.* The Authority shall direct the Trustee to purchase or redeem Bonds by the delivery to the Trustee of an Officer's Certificate containing such information as the Trustee may reasonably require in order to effect the proposed purchase or redemption. Such Officer's Certificate shall be delivered to the Trustee at such time prior to the date of purchase or prior to the date any notice of redemption must be given to the Owners as shall be reasonably required by the Trustee.

SECTION 604. *Selection of Bonds to be Redeemed by Lot.* If less than all of the Outstanding Bonds with the same Authority Designations (without regard to bond certificate numbers) and maturity are to be redeemed, the Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine or shall be selected in such other manner as set forth in or determined pursuant to the applicable Written Determinations.

SECTION 605. *Notice of Redemption to Owners.* (A) When the Trustee shall be required or authorized, or shall receive notice from the Authority of its election, to redeem Bonds, the Trustee shall in accordance with the terms and provisions of the Bond Resolution, select the Bonds to be redeemed and shall give notice of the redemption of Bonds to the Owners thereof. Such notice shall specify the Authority Designations and maturities of the Bonds to be redeemed, the redemption date, the place or places where the Bond Amounts due upon such redemption will be payable, and any letters, numbers or other distinguishing marks necessary to identify the Bonds to be redeemed, including CUSIPs. In the case of a Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount or Maturity Amount, as the case may be, thereof to be redeemed. Such notice of redemption shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion of the principal or Maturity Amount, as the case may be, thereof in the case of a Bond to be redeemed in part only, together with interest accrued, if any, to such date, and that from and after such date interest thereon shall cease to accrue.

(B) Any required notice having been given in the manner provided in this Section, the Bonds or portions thereof called for redemption shall become due and payable on the redemption date and at the Redemption Prices, plus accrued interest.

(C) Any notice of redemption to an Owner shall be sent, as directed by the Authority, by mail or other means of physical delivery or transmitted by facsimile or other means of electronic delivery to such Owner at his last address, physical or electronic, as set forth in the Registration Books. Such notice shall be sent at such time prior to the date of redemption as shall be set forth in or determined pursuant to the applicable Written Determinations.

(D) Notwithstanding anything in this Section to the contrary, in the case of redemption on a Tender Date of any Bond being tendered on such Tender Date, notice of redemption shall not be required to be given to the Owner thereof, unless expressly required by the applicable Written Determinations.

SECTION 606. *Rescission of Notice of Redemption.* Notwithstanding anything to the contrary herein, (1) any notice of purchase to the Trustee may be rescinded by the Authority at any time prior to the date of purchase, and (2) any notice of redemption to the Trustee may be rescinded at any time prior to the Trustee's sending of the corresponding notice of redemption to the Owners of the Bonds to be redeemed, and thereafter, prior to the date of redemption, such notice of redemption to the Owner may be rescinded by the Authority with respect to any Bond upon consent to such rescission by the Owner of such Bond.

ARTICLE VII

SUPPLEMENTAL BOND RESOLUTIONS

SECTION 701. *Supplemental Bond Resolutions Effective Upon Filing.* For any one or more of the following purposes and at any time or from time to time, a resolution of the Authority amending or supplementing the Bond Resolution may be adopted which, upon its filing with the Trustee, shall be fully effective in accordance with its terms:

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

(2) To include such provisions as are deemed by an Authorized Officer to be necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(3) To add other covenants, agreements, limitations, or restrictions to be observed by the Authority which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(4) To add to the rights or privileges of the Owners;

(5) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Bond Resolution;

(6) To comply with any provision of the Code or federal or state law or regulation;

(7) To modify or amend the Bond Resolution in any respect, subject to satisfaction of the Revenue Test; provided, however, that no such modification or amendment pursuant to this Section 701 (7) shall modify or delete, or shall authorize or permit any deletion or modification of, any of the following: (i) any of the covenants, rights or remedies under Section 504 or Article IX, (ii) the definition of Revenue Test in Section 101, (iii) any requirement for satisfaction of the Revenue Test, (iv) the definition of Defeasance Obligation in Section 101, (v) the provisions of Sections 103 through 106, Section 701, Section 1007 and Section 1101, (vi) any requirement for notice to or consent, approval or direction of Owners, or (vii) the terms of redemption or the due date or amount of payment of any Bond Amount without the consent of the Owner of such Bond Amount; or

(8) To set forth such amendments to the Bond Resolution as necessary or desirable to provide for the issuance of Bonds or the execution of Exchange Agreements or Enhancement Agreements payable from Assets (i) on which the payment of the Bond Amounts may be subordinate to the payment of the Bond Amounts with respect to other Bonds or Exchange Agreements or Enhancement Agreements payable from Assets, (ii) which may have the payment of their Bond Amounts conditional upon the happening of certain events, (iii) which may not be general obligations of the Authority, (iv) which may not be secured by all or any of the Assets, or (v) whose Owners do not have all of the rights or benefits of the other Owners.

SECTION 702. *Supplemental Bond Resolutions Effective with Consent of Owners.* (A) At any time or from time to time, a resolution may be adopted by the Authority amending, supplementing or eliminating any provision of the Bond Resolution or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, but no such resolution shall be effective until after the filing with the Trustee of a copy thereof and unless (1) on the date such resolution becomes effective, no Bond issued prior to the adoption of such resolution remains Outstanding and no Exchange Agreement or Enhancement Agreement in existence prior to the adoption of such resolution remains payable from Assets, or (2) such resolution is consented to by the Owners in accordance with the provisions of Article VIII.

(B) The provisions of Subsection (A) of this Section shall not be applicable to resolutions of the Authority adopted and becoming effective in accordance with the provisions of Section 701.

SECTION 703. *Restriction on Amendments*. The Bond Resolution shall not be modified or amended except as provided in and in accordance with the provisions of this Article and Article VIII.

SECTION 704. *Adoption of Supplemental Bond Resolutions*. Any resolution of the Authority referred to and permitted or authorized by Sections 701 or 702 (A) (1) may be adopted by the Authority without the consent of the Owners, but such resolution shall become effective only in accordance with such Sections. Every such resolution so becoming effective shall thereupon form a part of the Bond Resolution.

SECTION 705. *Authorization to Trustee*. The Trustee is hereby authorized to accept the delivery of any resolution of the Authority referred to and permitted or authorized by Sections 701 or 702.

ARTICLE VIII

AMENDMENTS

SECTION 801. *Notice*. Any provision in this Article relating to the mailing, giving or sending of a notice or other document to an Owner shall be fully complied with if such notice or other document is sent or transmitted, at the Authority's discretion, by mail or other means of physical delivery, or by facsimile or other electronic means to such Owner at his last address, physical or electronic, set forth in the Registration Books.

SECTION 802. *Powers of Amendment.* Any consent to a resolution required by Section 702 (A) (2) shall be deemed given if the Owners of more than fifty percent (50%) of the Bond Obligation (as of the Record Date for such consent) responding to the request for consent described in Section 803 shall so consent within such time period as shall be established (and as may be extended) by the Trustee. If, however, such resolution will, by its terms, not take effect so long as certain Bonds shall remain Outstanding, or shall not affect certain Owners, the consent of such Owners shall not be required or recognized and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of the Bond Obligation under this Section. No such resolution shall permit a change in the terms of redemption or in the due date or amount of payment of any Bond Amount without the consent of the Owner of such Bond Amount or lower the percentage of Owners required for consent hereunder.

SECTION 803. *Consent of Owners*. (A) Any resolution of the Authority adopted in accordance with the provisions of Sections 702 (A) (2) and 802 shall take effect when and as provided in this Section. A copy of such resolution (or brief summary thereof or reference thereto), together with a request to Owners to indicate whether they consent or do not consent to such resolution, shall be sent to such Owners. Such resolution shall not be effective unless and until, and shall take effect in accordance with its terms when, (1) there shall have been filed with the Trustee the written consents of Owners specified in Section 802, and (2) a notice shall have been given as hereinafter in this Section provided.

(B) Each such consent shall be effective only if accompanied by proof of the ownership, as of the applicable Record Date, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1103. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient under the provisions of Section 1103 shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Notwithstanding the provisions of Section 1103, any such consent may be revoked in writing by the Owner of such Bond giving such consent prior to the effectiveness thereof.

(C) At any time subsequent to the expiration of the time period during which Owners of the required percentage of the Bond Obligation shall have filed their consents to such resolution, the Trustee shall make and file with the Authority a written statement that such Owners have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given.

(D) Not more than thirty (30) days subsequent to the date on which the written statement of the Trustee provided for in Subsection (C) of this Section is filed, a notice stating in substance that such resolution has been consented to by such Owners and will be effective as provided in this Section shall be mailed, sent or given to such Owners. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such resolution shall be deemed conclusively binding upon the Authority, the Trustee and all Owners at the expiration of ten (10) days after the filing with the Trustee of proof of the mailing or other delivery of such last-mentioned notice.

SECTION 804. *Modification of Bonds*. If the Authority shall so determine, new Bonds, as modified in such manner as in the opinion of an Authorized Officer of the Authority is necessary to conform to action provided for in this Article, shall be prepared and delivered to the Trustee.

ARTICLE IX

REMEDIES ON DEFAULT

SECTION 901. *Powers of Trustee*. The Authority hereby vests in the Trustee, in trust for the benefit of the Owners and in addition to all its rights, powers and duties set forth in any other provision of the Bond Resolution, the rights, powers and duties set forth in this Article.

SECTION 902. *Events of Default*. Each of the following shall constitute an "Event of Default" under the Bond Resolution:

(1) a Bond Amount shall become due on any date and shall not be paid by the Authority to either the Trustee or party due such Bond Amount on said date; or

(2) a default shall be made in the observance or performance of any covenant, contract or other provision of the Bonds or Bond Resolution, and such default shall continue for a period of ninety (90) days after written notice to the Authority from Owners of ten percent (10%) of the Bond Obligation or from the Trustee specifying such default and requiring the same to be remedied; or

(3) there shall be filed by or against the Authority as debtor a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) under any applicable law or statute now or hereafter in effect.

SECTION 903. *Enforcement by Trustee*. (A) Upon the occurrence and continuance of an Event of Default described in Section 902 (1), the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Owners, may, after notice to the Authority, proceed, or upon the written request of the Owners of not less than twenty-five percent (25%) of the Bond Obligation with respect to which such Event of Default has happened, shall proceed, subject to the provisions of Section 1002, to protect and enforce its rights and, to the full extent that the Owners themselves might do, the rights of such Owners under applicable law or under the Bond Resolution by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant or contract contained herein or in aid or execution of any power herein granted or for any legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce the rights aforesaid.

(B) Upon the occurrence and continuance of an Event of Default described in any of the clauses of Section 902, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of all Owners, may, after notice to the Authority, proceed, or upon the written request of the Owners of not less than twenty-five percent (25%) of the Bond Obligation shall proceed, subject to the provisions of Section 1002, to protect and enforce its rights and, to the full extent that the Owners themselves might do, the rights of such Owners under applicable law or under the Bond Resolution by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant or contract contained herein or in aid or execution of any power herein granted or for any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce the rights aforesaid.

SECTION 904. *Representation of Owners by Trustee.* The Trustee is hereby appointed (and the Owners shall be conclusively deemed to have so appointed the Trustee and to have mutually covenanted and agreed, each with the other, not to revoke such appointment) the true and lawful attorney-in-fact of the Owners with power and authority, at any time in its discretion:

(1) Pursuant to the Bond Resolution or the Act or any other law and subsequent to the occurrence and continuance of an Event of Default, (a) by action in lieu of mandamus or other prerogative writ or by other suit, action or proceeding in equity or at law, to enforce all rights of the Owners including the right to require the Authority to fulfill its obligations with respect to the Bond Resolution, (b) to bring suit upon the Bonds, (c) by action or suit in equity, to require the Authority to account as if it were a trustee of an express trust for the Owners, or (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(2) To make and file in any bankruptcy or similar proceeding either in the respective names of the Owners or on behalf of all the Owners as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distributable to the Owners, and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Owners against the Authority allowed in any bankruptcy or other proceeding.

SECTION 905. *Limitation on Powers of Trustee.* Nothing in the Bond Resolution shall be deemed to give power to the Trustee either as such or as attorney-in-fact of the Owners to vote the claims of the Owners in any bankruptcy proceeding or to accept or consent to any plan or reorganization, readjustment, arrangement or composition or other like plan, or by other action of any character to waive or change any right of any Owner or to give consent on behalf of any Owner to any modification or amendment of the Bond Resolution requiring such consent or to any resolution requiring such consent pursuant to the provisions of Article VII or Article VIII.

SECTION 906. *Action by Trustee.* (A) All rights of action under the Bond Resolution or upon any of the Bonds, enforceable by the Trustee, may be enforced by the Trustee without the possession of any of the Bonds, or the production thereof in the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee may be brought in its name for the benefit of the Owners, subject to the provisions of the Bond Resolution.

(B) In the enforcement of any rights under the Bond Resolution, the Trustee shall be entitled to sue for, enforce payment of and to receive any and all Bond Amounts then or during any Event of Default becoming, and at any time remaining, due and unpaid to the Owners thereof, together with interest on such overdue Bond Amounts at the applicable Federal Funds Rate and any and all costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce judgment or decree against the Authority for any portion of such Bond Amounts due and remaining unpaid together with interest at the applicable Federal Funds Rate and all costs and expenses as aforesaid, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) In any action, suit or other proceeding by the Trustee pursuant to this Section, the fees and expenses of the Trustee and its counsel allowed by a court of competent jurisdiction, shall be a first lien on the Assets.

SECTION 907. *Accounting, and Examination of Records after Default.* The Authority covenants with the Trustee that, if an Event of Default shall have occurred and shall not have been remedied, (1) the books of record and account of the Authority and all records relating to the Bond Resolution and the Program shall at all reasonable times be subject to the inspection and use of the Trustee and of its agents and attorneys, and (2) the Authority, whenever the Trustee shall reasonably demand, will account, as if it were the trustee of an express trust, for all Assets.

SECTION 908. *Restriction on Owner's Action.* (A) No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (1) (a) such Owner previously shall have given to the Authority and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the Owners of not less than twenty-five percent (25%) of the Bond

Obligation or, if such Event of Default is an Event of Default set forth in Section 902 (1), by the Owners of not less than twenty-five percent (25%) of the Bond Obligation with respect to which such Event of Default has happened, and there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (2) (a) such Owner previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and (b) such suit, action or proceeding is brought for the ratable benefit of all Owners subject to the provisions of the Bond Resolution.

(B) No Owner shall have any right in any manner whatever by his action to affect, disturb or prejudice the pledge of Assets hereunder, or, except in the manner and on the conditions in this Section provided, to enforce any right or duty hereunder.

SECTION 909. *Application of Assets after Default.* (A) All Assets collected by the Trustee pursuant to this Article shall, unless otherwise directed by a court of competent jurisdiction, be held in trust by the Trustee for the benefit of the Owners, and shall be applied in a manner determined by the Trustee to comply with the terms of the Bond Resolution.

(B) In the event that the Assets held by the Authority or Trustee shall be insufficient for the payment of Bond Amounts as such become due and payable, such Assets shall be applied to the payment to the Owners entitled thereto of all Bond Amounts which shall have become due and payable, ratably, according to the amounts due and payable, without any discrimination or preference unless otherwise expressly provided in or determined pursuant to the Bond Resolution.

SECTION 910. *Remedies Not Exclusive.* No remedy by the terms of the Bond Resolution conferred upon or reserved to the Trustee or to Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute, except as provided in Section 908.

SECTION 911. *Control of Proceedings.* In the case of an Event of Default, the Owners of a majority of the Bond Obligation, shall have the right, subject to the provisions of Section 908, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to Owners not parties to such direction.

SECTION 912. *Effect of Waiver and Other Circumstances.* No delay or omission of the Trustee or of any Owners to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein, and every right, power and remedy given by the Bond Resolution to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Trustee or, in an appropriate case, by the Owners. In case the Trustee shall have proceeded to enforce any right under the Bond Resolution, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee will be restored to their former positions and rights hereunder with respect to all rights, remedies and powers of the Trustee, which shall continue as if no such proceedings had been taken.

SECTION 913. *Right to Enforce Payment of Bond Amounts Unimpaired.* Nothing in this Article shall affect or impair the right of any Owner to enforce the payment of any Bond Amount due such Owner.

ARTICLE X

THE TRUSTEE

SECTION 1001. *Appointment and Acceptance of Duties.* Any Trustee hereunder must be (1) a bank, trust company or national banking association, having trust powers, or (2) with the prior approval of its Commissioners, the Authority. The initial Trustee shall be Crestar Bank, Richmond, Virginia. The rights, responsibilities and duties of the Trustee under the Bond Resolution are hereby vested in said Trustee in trust for the benefit of the Owners. Any Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Bond Resolution by executing and delivering to the Authority a written instrument of acceptance thereof.

SECTION 1002. *Limited Liability of Trustee.* The External Trustee shall not be liable in connection with the performance of its duties and responsibilities hereunder except for its own negligence or default. The recitals of fact herein and in the Bonds shall be taken as the statements of the Authority, and the External Trustee assumes no responsibility for the correctness of the same. The External Trustee makes no representations as to the validity or sufficiency of the Bond Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Bond Resolution, and the External Trustee shall not incur any responsibility in respect thereof. The External Trustee shall not be under any responsibility or duty with respect to Assets except to the extent such Assets are paid to the External Trustee in its capacity as Trustee, or the application of any such Assets paid or distributed to the Authority or others in accordance with the Bond Resolution. The External Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified.

SECTION 1003. *Evidence on which Trustee May Act.* The External Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The External Trustee may consult with counsel, who may or may not be of counsel to the Authority, and may request an opinion of counsel as a condition to the taking or suffering of any action hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the External Trustee shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate stating the same, and such Officer's Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Bond Resolution upon the faith thereof. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Authority to the External Trustee shall be sufficiently executed if executed by an Authorized Officer.

SECTION 1004. *Compensation and Expenses*. Unless otherwise set forth in a contract between the Authority and the External Trustee, the Authority shall pay to the External Trustee from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, and legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

SECTION 1005. *Certain Permitted Acts*. The External Trustee may become the Owner of or may deal in Bonds and may be a party to any agreement or transactions related to the Bonds as fully and with the same rights it would have if it were not the External Trustee. To the extent permitted by law, the External Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the Owners of a majority of the Bond Obligation.

SECTION 1006. *Resignation.* Unless otherwise provided by contract between an External Trustee and the Authority, the Trustee may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than ninety (90) days' written notice to the Authority. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority as herein provided, in which event such resignation shall take effect immediately on the effective date of the appointment of such successor. Notwithstanding anything in the Bond Resolution to the contrary, the resignation of the Trustee shall not take effect until a successor Trustee shall have been appointed and shall have accepted its duties and obligations as of the effective date of such resignation.

SECTION 1007. *Removal.* Any Trustee may be removed at any time by the Owners of a majority of the Bond Obligation by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or by their attorneys duly authorized in writing and delivered to the External Trustee, if any, and to the Authority. The Authority may remove any External Trustee at any time, except during the existence and continuance of an Event of Default. In the event of the occurrence and continuance of an Event of Default and in the event that the Authority is serving in the capacity of the Trustee, the Authority shall immediately appointment a successor Trustee or shall, or any Owner may, petition a court of competent jurisdiction to appoint a successor Trustee, and the Authority shall resign as Trustee as of the effective date of the appointment of such successor Trustee. No Trustee shall be removed unless, on or prior to the effective date of removal of the Trustee, the Owners, the Authority or a court of competent jurisdiction, as the case may be, shall have appointed a successor Trustee and such successor Trustee shall have accepted its duties and obligations hereunder as of the effective date of such removal. Any successor Trustee shall have the qualifications set forth in Section 1001.

SECTION 1008. *Transfer of Rights and Property to Successor Trustee.* Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority, an instrument accepting such appointment, and on the effective date thereof, such successor Trustee, without any further act, deed or conveyance, shall become the Trustee under the Bond Resolution. Upon the effective date of any appointment of a successor Trustee, the predecessor Trustee shall immediately pay over, assign and deliver to the successor Trustee any property held by it pursuant to the terms of the Bond Resolution, including the Registration Books and any Assets. Upon the written request of the Authority or of the successor Trustee, the predecessor Trustee shall execute, acknowledge and deliver any instruments of conveyance and further assurance and do such other things as may reasonably be required to effect the transfer of all right, title and interest of the predecessor Trustee in and to any property previously held by it pursuant to the terms of the Bond Resolution. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such Assets, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by laws, be executed, acknowledged and delivered by the Authority.

SECTION 1009. *Merger or Consolidation*. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company shall be a bank or trust company or national banking association which is qualified to be a successor to such Trustee and shall be authorized by law to perform all the duties imposed upon it by the Bond Resolution) shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

SECTION 1010. *Authority as Trustee*. Any notice, consent, resolution, opinion or other document required hereunder to be given, filed or delivered by the Authority to the Trustee or by the Trustee to the Authority shall, if the Authority is serving in the capacity of the Trustee, be considered so given, filed or delivered upon the Authority's generation of such notice, consent, resolution, opinion or other document.

ARTICLE XI

MISCELLANEOUS

SECTION 1101. *Defeasance*. (A) If (1) Defeasance Obligations shall have been deposited in a Defeasance Account, (2) the principal of and interest on such Defeasance Obligations at maturity, without reinvestment, shall be sufficient, in the determination of an Authorized Officer, to pay all Bond Amounts when due at maturity or upon earlier redemption with respect to a Bond and all fees and expenses of the Trustee with respect to such Defeasance Account, and (3) any notice of redemption, if applicable, shall have been given to the Owner thereof or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then notwithstanding any other provision of the Bond Resolution to the contrary, the Owner of such Bond shall no longer have a lien on, or the benefit of a pledge of, the Assets. If the foregoing requirements shall have been satisfied with respect to all Outstanding Bonds and no Enhancement Agreement or Exchange Agreement remains payable from Assets, then the lien, pledge, covenants, agreements and other obligations under the Bond Resolution shall, at the election of the Authority, be discharged and satisfied, and the Trustee shall thereupon deliver to the Authority all Assets held by it.

(B) Defeasance Obligations shall not be Assets and shall be unavailable for payment to Owners other than the Owners of the Bond Amounts with respect to which such Defeasance Obligations shall have been deposited by the Authority in the applicable Defeasance Account. The Owners of such Bond Amounts so deposited shall have a lien on, and the benefit of the pledge of, the Defeasance Obligations in such Defeasance Account and shall look only to such Defeasance Obligations for payment.

(C) No Defeasance Obligation shall be withdrawn from any Defeasance Account other than to pay, when due, the applicable Bond Amounts or the fees and expenses of the Trustee with respect to such Defeasance Account. If any Defeasance Obligation remains in a Defeasance Account subsequent to the payment of all the applicable Bond Amounts and all fees and expenses of the Trustee with respect to such Defeasance Account have been paid, such Defeasance Obligations shall be transferred to the Authority free of any lien or pledge of the Bond Resolution.

(D) For the purpose of this Section, interest on any Bond on which the interest is or may be payable at a variable rate shall be calculated at the maximum interest rate (or, if none, the estimated maximum interest rate as determined by an Authorized Officer in an Officer's Certificate) payable on such Bond.

(E) Cash on deposit in a Defeasance Account shall, upon the direction of an Authorized Officer, be invested by the Trustee in Defeasance Obligations or any repurchase agreement fully collateralized, as determined by an Authorized Officer, by any Defeasance Obligations.

SECTION 1102. *Escheat*. Notwithstanding any provision herein to the contrary, any Bond Amount held in a Payment Account or Defeasance Account which remains unclaimed for a period of six (6) years subsequent to the date such Bond Amount was due and payable shall be paid by the Trustee to the Authority free of the trust created by the Payment Account or Defeasance Account and free of any lien or pledge of the Bond Resolution, and thereafter the Owner of such Bond Amount shall look only to the Authority for the payment thereof. If any of the provisions of this Section 1102 shall conflict or be inconsistent with any applicable provisions of law, the applicable provisions of law shall control.

SECTION 1103. *Evidence of Signatures of Owners*. (A) Any request, consent, revocation of consent, assignment or other instrument which the Bond Resolution may require or permit to be signed and executed by Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly authorized in writing. Proof of (1) the execution of any such instrument or of an instrument appointing or authorizing any such attorney, or (2) ownership by the Owner of any Bond or Bond Amount shall be sufficient for any purpose of the Bond Resolution if made in the following manner or in any other manner satisfactory to the Trustee and the Authority:

(a) The fact and date of such execution or ownership may be proved (1) by the acknowledgment of such execution by a witness, who may be required by the Trustee or the Authority to be a notary public, or (2) by the certificate, which need not be acknowledged or verified, of an officer of a bank, trust company or financial firm or corporation (including members of the National Association of Securities Dealers, Inc.) satisfactory to the Trustee that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

(b) The authority of a person or persons to execute any such instrument on behalf of a corporate Owner may be established without further proof if such instrument is signed by a person purporting to be the president, vice-president or other authorized officer of such corporation.

The Authority or the Trustee may in their discretion require further or other proof in cases where they deem the same desirable.

(B) Any request, consent or other instrument executed by the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done hereunder by the Authority or the Trustee in accordance therewith.

(C) Each Owner may elect to give consent or not give consent with respect to each Authorized Denomination of Bonds owned by such Owner.

SECTION 1104. *Record Dates.* The Trustee shall establish such Record Date(s), which the Authority may require to be subject to its prior approval, for the purposes of determining the Owner of any Bond or Bond Amount or determining the Owners who are eligible to give their consent or who are to receive notices of certain events under the Bond Resolution or who may exercise certain rights under the Bond Resolution.

SECTION 1105. *Exclusion of Bonds.* Bonds which are owned by the Authority and which have not been cancelled by the Trustee shall be excluded and shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Bond Obligation under Section 507 and Articles VIII, IX and X.

SECTION 1106. *Preservation and Inspection of Documents.* All reports, resolutions, certificates, statements, and other documents received by the Trustee with respect to the Bond Resolution shall be retained in its possession and shall be available at all reasonable times to the inspection of the Authority or the Owners of an aggregate of not less than ten percent (10%) of the Bond Obligation or their agents or representatives duly authorized in writing, any of whom may make copies thereof, but any such reports, resolutions, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time six years subsequent to such date as any and all liens and pledges and all covenants, agreements and other obligations of the Authority with respect to the Bond Resolution shall be discharged as provided in Section 1101.

SECTION 1107. *No Recourse.* No recourse shall be had for the payment of any Bond Amount or for any claim based thereon or on the Bond Resolution or on any other agreement, instrument, certificate or opinion relating to any Bond against any current or former Commissioner, Authorized Officer or employee of the Authority, the Trustee or its officers or employees, or any person executing a Bond.

SECTION 1108. *Effective Date.* This Resolution shall be effective immediately upon adoption by the Authority.

APPENDIX B

DESCRIPTION AND PROCEDURES OF DTC

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC is the securities depository for the Offered Bonds. The Offered Bonds will be delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be delivered for each maturity of each series or subseries of the Offered Bonds and will be deposited with DTC.

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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 shall be sent to Cede & Co. If less than all of a maturity of any series or subseries of the Offered Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the Offered Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Offered Bonds. Under its usual procedures, DTC mails an omnibus proxy ("Omnibus Proxy") to the Authority 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Offered Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Offered Bond certificates, as necessary, are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates, as necessary, will be printed and delivered.

APPENDIX C

INFORMATION CONCERNING FEDERAL PROGRAMS AND REQUIREMENTS

The following descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the statutes, regulations, agreements and contracts referred to herein, as from time to time amended. Neither the Act nor the Bond Resolution obligates the Authority to qualify any Development for federal housing mortgage insurance or housing assistance.

FHA Insurance Program

Under the terms of the Section 22l(d)(4) insurance program, a mortgagee is entitled to claim insurance benefits upon the failure of the mortgagor to make a mortgage payment (or to perform any other obligation under the mortgage if, because of such failure, the mortgagee accelerates the debt), if such default continues for 30 days. To perfect its claim for payment, the mortgagee is required either to assign the mortgage to FHA, acting through the Federal Housing Commissioner, or to tender to it good and marketable title to the property covered by the insured mortgage loan. Upon transfer of the property to FHA, mortgage insurance benefits will be paid in cash unless the mortgagee files a written request for payment in FHA debentures.

The insurance benefits paid by FHA will be an amount equal to the aggregate of (1) the unpaid principal amount of the mortgage, (2) the amount of all payments made by the mortgagee (i) for taxes, special assessments and water rates which are liens prior to the mortgage, (ii) for insurance on the property, and (iii) for any mortgage insurance premiums paid after default, (3) an allowance for reasonable payments made by the mortgagee with the approval of FHA for the completion and preservation of the property, and (4) an amount equivalent to FHA debenture interest covering the period of time from the date of default on the mortgage loan to the date the insurance settlement occurs. From the aggregate of the foregoing amounts is deducted the total of(1) any amount received by the mortgagee on account of the mortgage after the date of default, (2) any net income received by the mortgagee from the property covered by the mortgage after the date of default, and (3) the sum of (i) any cash held by the mortgagee for the account of the mortgagor and which shall not have been applied in reduction of the principal of the mortgage indebtedness, (ii) all funds held by the mortgagee for the account of the mortgagor received pursuant to any other agreement, and (iii) the amount of any undrawn balance under a letter of credit used in lieu of a cash deposit. If the mortgage is assigned to FHA in lieu of a conveyance of the property there shall also be deducted an amount equivalent to 1% of the outstanding mortgage balance, except that all or part of the 1% may be waived by FHA if, at its request and in lieu of foreclosure, the mortgage is assigned to FHA.

Section 8 Program

The Housing and Community Development Act of 1974 amended Section 8 of the United States Housing Act of 1937 so as to establish a federal assistance program which was the primary source of federal housing assistance for developments of the type which the Authority financed under the Program.

HUD has issued special regulations for state housing finance and development agencies (“HFAs”) such as the Authority. With respect to Developments to be permanently financed by the Authority without federal mortgage insurance, the Section 8 regulations give the Authority a high degree of program responsibility – e.g., selection of the developer (either by advertising or negotiation), approval of design and construction quality, site selection, economic feasibility and marketability.

Subsidy Contracts

Under Section 8, three principal contracts are executed. First, the HFA enters into an “Agreement to Enter Into Housing Assistance Payments Contract” with the Mortgagor of the Development to be constructed. This agreement (“Agreement to Enter”) is approved by HUD and, subject to certain conditions, commits the Mortgagor and the HFA upon completion and acceptance of the Development to enter into a Housing Assistance Payments Contract (“Payments Contract”) providing for the payment of the subsidy to or for the account of the Mortgagor by the HFA.

At the same time that the Agreement to Enter is executed, the HFA and HUD execute an Annual Contributions Contract (“ACC”), which provides for the payment to the HFA by HUD of the subsidy to be paid by the HFA to the owner of the Development pursuant to the terms of the Payments Contract. The subsidy contracts for Mortgage Loans currently provide for the payment of the Section 8 subsidy for a period of 30 or 40 years. The subsidy contracts for FHA Mortgage Loans have terms of 15, 20 or 30 years.

Initial Amount of Subsidy

Section 8 subsidies received by the HFA are based upon the “Contract Rent” applicable to specified dwelling units. The Contract Rent is initially based on the “fair market rent” for the dwelling unit, which is determined by HUD periodically with respect to each locality. Contract Rent may be initially established at an amount up to 120% of the fair market rent. Contract Rent over 100% of the fair market rent requires HUD approval upon a showing of special circumstances.

The amount of the subsidy actually payable to the Authority for the account of the Mortgagor is the Contract Rent less the payment made to the Mortgagor by the tenant. The proportion of the Contract Rent paid by HUD and that paid by tenants will vary from month to month depending upon tenant income. The method of computation of the tenant's payment is determined by HUD regulation and is subject to change. Subject to certain exceptions for the elderly, disabled, and low-income wage earners, each tenant is required to pay a minimum rent of $25 per month.

Under HUD's present practices, the maximum amount of money available annually for subsidy payments under an ACC will equal the annual initial Contract Rents for assisted units in the Development. If the amount actually disbursed under the ACC in any given year is less than the total available amount, the excess (initially an amount approximately equal to the portion of the contract rents payable by the tenants) will be set aside by HUD in an account for the particular Development and will be available for future years to fund increases in contract rents for the Development to the extent they exceed the amount otherwise available under the ACC (see "Funding of Increase in Subsidy" below).

Tenants Eligible for Housing Assistance Payments

A tenant eligible for housing assistance payments ("Eligible Tenant") is a family, including an elderly, disabled or displaced person, whose income, as determined in accordance with the Section 8 regulations, does not exceed income limits promulgated by HUD for the area and who meets certain other conditions specified in the regulations. The Section 8 income limit is, in general, 80% of median income for the area, as determined by HUD. However, under the Housing and Community Development Amendments of 1981, no more than 25% of the Section 8 units which as of October 1, 1981, were subject to Payments Contracts and available for occupancy may be occupied by persons or families with incomes above 50% of the median. In addition, no more than 5% of the Section 8 units which were subject to a Payments Contract or were available for occupancy subsequent to October 1, 1981, may be leased to persons or families with incomes in excess of 50% of the median. The criteria for tenant eligibility are determined by HUD regulations and are subject to change.

Limitation on Subsidy – Vacancies

Generally, the Section 8 subsidy is payable in respect to the dwelling unit only when it is occupied by an Eligible Tenant. However, the law and the regulations provide for payment of the subsidy under certain limited circumstances when the dwelling unit is not occupied.

Upon completion of the project, 80% of the Contract Rent is payable during a period of not exceeding sixty days, subject to compliance by the Mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit.

The subsidy payments for vacant units can, under certain conditions, continue for an additional twelve months after the sixty day vacancy period described above. The amount of these subsidy payments is equal to that portion of the vacant units' Contract Rents allocable to the debt service on the permanent financing. However, the Development must be operating at a deficit, and the amount of the payments cannot exceed that portion of the deficit attributable to the vacant units. HUD may deny the application for these additional subsidy payments for vacant units if it determines that there is not a reasonable prospect that the Development can achieve financial soundness within a reasonable time. Furthermore, a Mortgagor is entitled to these payments only if it has complied with the Section 8 marketing requirements, has taken and continues to take all feasible action to rent the units, has not rejected any eligible applicant without good cause, and has provided the Authority with the requisite notification of vacancy. Finally, the vacant units must provide safe, decent and sanitary housing.

Adjustments of Contract Rents

The statute and applicable regulations contain various provisions for review and readjustment of the Contract Rent. Provision is made in the regulations for HUD to determine an Annual Adjustment Factor at least annually and to publish such factors in the Federal Register. HUD currently determines the Annual Adjustment Factor based on a formula using rent and utility data from the Consumer Price Index and the HUD Random Digit Dialing ("RDD") rent change surveys. The Annual Adjustment Factor is applied to the then existing Contract Rents. Current law requires that the Annual Adjustment Factor be reduced by one percentage point for those units in which there was no tenant turnover during the previous year and that, in establishing Annual Adjustment Factors, HUD take into account the fact that debt service is a fixed expense.

Upon request from the owner on each anniversary date of the Payments Contract, Contract Rents will be adjusted in accordance with the Annual Adjustment Factor. In addition, provision is made in the regulations for special additional adjustments in the Contract Rents to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent that such general increases are not adequately compensated for by the Annual

Adjustments. Current law prohibits any reduction in Contract Rents in effect on or after April 15, 1987 unless the Section 8 assisted development has been refinanced in a manner that reduces the debt payments of the owner of such development.

The Section 8 law and regulations require that rent adjustments shall not result in material differences between the Contract Rents and rents for comparable unassisted units, except to the extent that the differences existed at the time of execution of the Payments Contract (the difference between Contract Rents and rents for comparable units at the time of execution of the Payments Contract being referred to herein as the "Initial Difference"). Current law requires that Annual Adjustment Factor rent increases be denied to those Section 8 Developments with rents above the applicable fair market rents established by HUD plus the Initial Difference, unless the Mortgagor demonstrates that the adjusted rent would not exceed rents for comparable unassisted units plus the Initial Difference.

Proposals have been discussed (and, in some instances, legislation has been introduced or statements made that legislation will be introduced) by HUD and by members of Congress which, if enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD, would affect many HUD programs, including the Section 8 Program. One such proposal made by HUD would have deleted the above described provision in current law that prohibits any reduction in Contract Rents in effect on or after April 15, 1987. Among the effects of such proposals could be a reduction in the Contract Rents or in the Annual Adjustments thereof for Section 8 assisted projects. Any such reduction in Contract Rents or Annual Adjustments could adversely affect the financial feasibility of certain of the Section 8 Developments and the adequacy of rental income to pay principal and interest on the Mortgage Loans financing such Developments. There can be no assurance that these proposals or legislation will or will not be enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD. At this time, the Authority cannot predict the terms of any proposals which may be enacted or implemented or the effect that any such proposals, if enacted or implemented, would have on the ability of the Section 8 Developments to make timely payments of principal and interest on the Mortgage Loans and, in turn, on the ability of the Authority to make timely payments of interest and principal on the Bonds. The enactment or implementation of such proposals may adversely affect the rating on the Bonds and the market price of the Bonds. The Authority has not covenanted, and is not obligated under the Bond Resolution to take any action to maintain the ratings or market price of the Bonds or, except as described in Appendix F –"Summary of Certain Provisions of the Continuing Disclosure Agreement," to notify the Owners of any withdrawal or revision of the ratings of the Bonds or any actions which would affect the ratings or market price of the Bonds.

Funding of Increases in Subsidy

Funds for the payment of increased subsidies which may result from the adjustment in the Contract Rents described above are to be obtained in two ways. Provision is made in the law for the payment by HUD into a special reserve account held by HUD in respect of each subsidized Development of the amount by which the Contract Rents in effect from time to time exceed the actual subsidy paid by HUD (this amount is initially the approximate equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent will initially be drawn from this fund. The regulations provide that when the HUD-approved estimate of required annual contributions exceeds the maximum ACC commitment then in effect and would cause the amount in such fund to be less than 40 percent of the maximum ACC commitment, HUD shall take such additional steps as authorized by subdivision (c)(6) of Section 8 (quoted below) to obtain funds to bring the amount in the account to the 40 percent level. Subdivision (c)(6) of Section 8 provides:

"The Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes."

It has been the practice of HUD that, when the amount in any such fund has fallen below the 40% level, HUD has not immediately replenished such fund to the 40% level but has obtained budget authority from the Congress to meet its obligation under the Payments Contract.

Payment of Subsidy

The regulations provide that in the event of foreclosure, assignment or sale to the HFA in lieu of foreclosure, or in the event of an assignment or sale agreed to by the HFA and approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the Payments Contract.

Payment of the subsidy is paid into a special account maintained by the Authority for the receipt of Section 8 payments. The Authority disburses such subsidy payments by paying the amount of the current payment due from the Mortgagor on the Mortgage Loan into the Revenue Fund and the multi-family escrow payment account, with the balance, if any, being paid directly to the Mortgagor.

Compliance with Subsidy Contracts

The Agreement to Enter, the ACC and the Payments Contract all contain numerous agreements on the part of the Authority and the Mortgagor including maintenance of the Development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as those relating to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the Mortgagor, or both, might endanger the payment of the federal subsidy. Reference is made to the complete text of these agreements which are available for inspection at the offices of the Authority. Default by a Mortgagor in the performance of its obligations under the Payments Contract is an event of default under the terms of its Mortgage Loan from the Authority which would permit foreclosure by the Authority.

Administration of Subsidy for Certain FHA Mortgage Loans

On some of the FHA Mortgage Loans, the Authority will not administer the Section 8 subsidy in the manner described above. Any failure to make full and timely payment on such Mortgage Loans shall, subject to and in accordance with the conditions described above under "FHA Insurance Program", provide a basis for a claim for payment of FHA mortgage insurance benefits.

Low Income Housing Tax Credit Program

The Authority has issued bonds, including Bonds, to finance Developments which are to receive low income housing tax credits. The Code provides for credits to owners of residential rental projects containing low income units, provided certain occupancy and use of loan proceeds requirements are met. The credits are taken annually for a term of ten years, beginning with the tax year in which the project is placed in service or, at the owner's election, the next tax year.

Twenty percent or more of the units in an eligible project must be occupied by tenants whose incomes are 50% or less of the area median gross income, as adjusted for family size, or 40% or more of the units in the project must be occupied by tenants whose incomes are 60% or less of such area median gross income, as so adjusted. Each building in the project must comply with these income restrictions within 12 months of the date placed in service. The owner may designate more than 20% or 40%, as the case may be, of the units in the project as low-income units.

The gross rent (including an allowance for any utilities paid directly by the tenant) charged to a tenant in a low income unit may not exceed 30% of the maximum qualifying income.

In the event that the income of a family occupying a low income unit exceeds the maximum qualifying income by more than 40% or in the event that a low income unit becomes vacant, such low income unit shall continue to qualify if no other vacant units of comparable or smaller size are rented to non-qualifying families.

The project must comply with the income and rent limitations for a period of 15 years in the case of credits allocated prior to or during 1989, or 30 years, in the case of credits allocated after 1989. Failure to comply results in a recapture of a portion of the credits.

Section 236 Interest Reduction Payments Program and Section 236(f)(2) Rental Assistance Program

Pursuant to Section 236 of the United States Housing Act of 1937, as amended, HUD, the Authority and the Mortgagor enter into an agreement for interest reduction payments. HUD makes monthly payments with respect to the subsidized dwelling units in such Development directly to the Authority on behalf of the Mortgagor. The amount of the monthly HUD payment for any such Development will equal the difference between (a) the monthly payment for principal, if any, interest and the Authority's fees and charges which the Mortgagor is obligated to pay and (b) the monthly payment for principal, if any, and interest which the Mortgagor would be required to pay if the Mortgage Loan were to bear interest at the rate of 1% per annum. The Mortgagor makes monthly payments to the Authority for the balance.

The agreements contain several covenants of the Mortgagor, including among other things that (1) the Mortgagor has established, "basic rents" computed assuming a Mortgage Loan interest rate of 1% per annum and "fair market rents" (unsubsidized) for each subsidized dwelling unit, (2) the rent for each subsidized dwelling unit, including all utilities except telephone, will be equal to 30% of the tenant's adjusted income or the basic rent, whichever is greater, up to a maximum of the fair market rent, (3) the Mortgagor will limit admission to subsidized dwelling units to families whose incomes do not exceed the lower of the income limits prescribed by HUD or the Authority, and (4) the Mortgagor shall remit to HUD the amount ("Excess Income Payment") by which the total rents collected on all subsidized dwelling units exceeds the sum of the basic rents for all such units. Under the Balanced Budget Downpayment Act, I, Pub. L. 104-99, enacted January 26, 1996 and the Balanced Budget Downpayment Act, II, Pub. L. 104-134, enacted April 26, 1996 (the "Fiscal Year 1996 Appropriations Act"), the rent chargeable to the tenant is also limited by the fair market rent set forth in HUD's Section 8 program and by the rent for a comparable unassisted unit in the market area. The Fiscal Year 1996 Appropriations Act also provides that Excess Income Payments must be remitted to HUD on a unit-by-unit basis, thus precluding the ability of mortgagors to use such Excess Income

Payments to offset collection losses and potentially reducing the income available to the projects. The Authority covenants in the agreements that it will not agree to the forbearance or deferment of any payment due under the Mortgage Loan without HUD's approval. HUD may, at its discretion, terminate payments under the agreement upon default by the Mortgagor or the Authority under any provision of the agreement. If payments are terminated by HUD, such payments may be reinstated by HUD on such conditions as it may prescribe. The rights and obligations under the agreement are not assignable by the Authority or by the Mortgagor without the approval of HUD.

Each of the Developments which is subject to Section 236 interest reduction payments is also subject to rental assistance payments under Section 236(f)(2) of the National Housing Act, as amended. Payments under this program are paid by HUD directly to the Mortgagor on behalf of eligible tenants occupying assisted dwelling units. The payments for each assisted unit are generally in an amount equal to the difference between the "basic rent" approved by HUD for the unit and 30% of the eligible tenant's adjusted income (as defined by HUD). Such payments to the Mortgagor in effect represent rental income and do not reduce or otherwise affect the amounts the Mortgagor must pay to the Authority under the Mortgage Loan.

The maximum amount of rental assistance payments for any Section 236 Development is originally established by HUD and set forth in the subsidy agreement between HUD and the Authority. In order to provide sufficient rental income to pay debt service and expenses of the Development, an increase in this maximum amount may become necessary if rents are increased or if the amount of rent payable by the tenants decreases due to an overall reduction in the tenants' incomes. HUD will increase the maximum amount of rental assistance payments by an amount equal to 100% of the needed increase.

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DEVELOPMENTS AND AUTHORITY PROPERTY FINANCED OR EXPECTED TO BE FINANCED IN THE RENTAL HOUSING BONDS

Information as of March 31, 2010

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Developments Funded by, or Committed to, the Currently Outstanding Bonds							
Developments that have had final closing (permanent loans)							
12th Bay Street	Norfolk	$540,000	Conventional	General	24	92 %	100 %
1314 West Johnson Street	Staunton	950,000	Conventional	Disabled	11	n/a	100
1705 East Main Street	Richmond	465,000	Conventional	Mixed Use	4	25	100
36th Street	Newport News	94,000	Conventional	Disabled	1	n/a	100
424 Fox Drive	Winchester	195,000	Conventional	Disabled	5	n/a	100
6115 Alexander Street	Norfolk	230,000	Conventional	General	8	100	100
Abbey at South Riding	Loudoun County	9,350,000	Tax Credit	General	168	100	100
Acorn Grove	Chesapeake	3,479,000	Tax Credit	General	107	100	100
Addison at Crater Woods	Petersburg	25,500,000	Conventional	General	258	64	100
Aden Park	Virginia Beach	3,610,000	Tax Credit	General	125	98	100
Afton Gardens	Roanoke	2,250,000	Tax Credit	General	108	99	100
Alliance Home	Winchester	39,900	Conventional	Disabled	6	n/a	100
Amelia Village	Amelia County	575,000	Conventional	General	12	n/a	100
Amherst Acres I	Amherst County	525,000	Conventional	General	8	n/a	100
Amherst Acres II	Amherst County	300,000	Tax Credit	General	5	80	100
Amherst Acres III	Amherst County	415,000	Tax Credit	General	10	100	100
Amhurst Apartments	Virginia Beach	2,200,000	Conventional	General	88	97	100
Ansell Gardens (3)	Portsmouth	1,150,000	Tax Credit	General	78	100	100
Apartment Heights	Montgomery County	4,800,000	Conventional	General	133	96	100
Arbor Brook	Portsmouth	1,000,000	Conventional	General	28	96	100
Arboretum Place	Newport News	6,700,000	Tax Credit	General	184	95	100
Arbors (The)	Richmond	4,566,000	Tax Credit	Elderly	85	94	100
Arbour Reach	Portsmouth	2,700,000	Tax Credit	General	92	98	100
Ardmore Lane	Virginia Beach	285,000	Conventional	Disabled	1	100	100
Armfield	Norfolk	1,215,000	Conventional	General	30	97	100
Armstrong Place	Fairfax County	121,000	Conventional	Disabled	4	n/a	100
Ashburn Meadows I	Loudoun	11,340,000	Tax Credit	General	176	95	100
Ashburn Meadows II	Loudoun County	10,525,000	Tax Credit	General	136	96	100
Ashland Town Square	Hanover County	10,650,000	Conventional	General	218	89	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Ashland Woods I	Ashland	3,750,000	Tax Credit	General	75	92	100
Ashland Woods II	Hanover County	4,000,000	Tax Credit	General	75	95	100
Ashley Trace	Norfolk	3,100,000	Conventional	General	132	94	100
Ashpone Tavern Village	Rocky Mount	640,000	Conventional	General	10	50	100
Ashton Hill (7)	Roanoke	5,912,000	Conventional	General	215	21	100
Ashton Square	Richmond	14,625,000	Conventional	General	372	91	100
Aspen Club	Fauquier County	6,100,000	Tax Credit	General	108	79	100
Aspen South	Fauquier County	7,875,897	Conventional	General	100	93	100
Aspen Village	Fauquier County	1,980,000	Tax Credit	General	30	100	100
Atlantic at Brook Run	Henrico	7,000,000	Tax Credit	Elderly	120	43	100
Atlantic Charter Colony	Chesterfield County	7,100,000	Tax Credit	Elderly	113	89	100
Auburn Chase	Newport News	8,865,000	Conventional	General	272	94	100
Audubon Village I	Henrico County	8,250,000	Tax Credit	General	160	98	100
Audubon Village II	Henrico County	2,685,000	Tax Credit	General	54	98	100
Autumn Lakes	Newport News	7,300,000	Tax Credit	General	296	91	100
Autumn Wind	Frederick County	3,333,000	Tax Credit	General	104	97	100
Avondale at Kempsville (3)	Virginia Beach	18,290,000	Conventional	General	190	99	100
Azalea Drive	Newport News	110,000	Conventional	Disabled	1	n/a	100
Bailey's Ridge	Prince George	6,837,300	Tax Credit	General	156	98	100
Bainbridge Alta Vista	Charlottesville	875,000	Conventional	Disabled	11	100	100
Baron Boulevard	Suffolk	312,000	Conventional	Disabled	4	n/a	100
Bath Street	Richmond	360,000	Conventional	General	8	n/a	100
Battlefield Woods	Chesapeake	4,520,000	Conventional	General	102	87	100
Baugh Lane	Washington County	365,000	Conventional	General	7	14	100
Bayberry Homes I	Virginia Beach	950,000	Conventional	General	14	100	100
Bayberry Homes II	Virginia Beach	1,090,000	Conventional	General	14	100	100
Bayberry Homes III	Virginia Beach	881,000	Conventional	General	10	90	100
Bayberry IV	Virginia Beach	788,000	Conventional	General	8	100	100
Bayberry V	Virginia Beach	1,245,000	Conventional	General	10	100	100
Bayberry VI	Virginia Beach	475,000	Conventional	General	6	100	100
Beach Park	Virginia Beach	427,500	Conventional	Disabled	10	100	100
Beachcomber I (3)	Norfolk	291,683	Conventional	General	32	69	100
Beachcomber II (3)	Norfolk	685,000	Conventional	General	20	n/a	100
Beaufont Oaks II	Richmond	3,420,000	Conventional	General	128	94	100
Beaverdam Creek (3)	Hanover County	3,620,000	Tax Credit	General	120	98	100
Belle Hall	Portsmouth	4,720,000	Tax Credit	General	120	99	100
Belle Meadows	Bristol	780,000	Conventional	General	26	44	100
Belleville Harbour	Suffolk	4,700,000	Tax Credit	General	120	100	100
Ben Bolt Apartments	Tazewell	590,000	Conventional	General	21	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Ben Franklin House	Springfield	700,000	Conventional	Disabled	6	83	100
Bent Creek II	Roanoke	1,546,900	Conventional	General	60	90	100
Bentley Apartments	Portsmouth	2,533,000	Conventional	General	76	80	100
Berkshire	Virginia Beach	2,900,000	Conventional	General	106	88	100
Berkshire Place	Lynchburg	68,000	Conventional	Disabled	2	100	100
Bettie S. Davis Village	Suffolk	1,753,046	Section 8	Elderly	60	100	100
Biznet Supervised Apartments	Virginia Beach	138,500	Conventional	Disabled	2	100	100
Biznet	Virginia Beach	648,000	Conventional	Disabled	24	100	100
Blue Ridge Estates	Richmond	5,580,000	Tax Credit	General	182	97	100
Bradford Mews I (3)	Isle of Wight County	850,000	Tax Credit	General	84	100	100
Bradford Mews II	Isle of Wight	990,000	Tax Credit	General	36	94	100
Brain Foundation #2	Fairfax County	415,000	Conventional	Disabled	4	n/a	100
Brandywine	Roanoke	2,000,000	Conventional	General	148	99	100
Brandywine (3)	Virginia Beach	4,161,273	Conventional	General	172	88	100
Breezy Point I & II	Norfolk	9,700,000	Conventional	General	316	94	100
Breezy Point III	Norfolk	5,300,000	Conventional	General	180	94	100
Breezy Point IV	Norfolk	4,930,000	Conventional	General	144	94	100
Breezy Point V (10)	Norfolk	3,550,000	Conventional	General	0	n/a	100
Breezy Point VI (10)	Norfolk	4,200,000	Conventional	General	0	n/a	100
Breezy Point VII (10)	Norfolk	13,400,000	Conventional	General	0	n/a	100
Brentwood Forest	Norfolk	2,392,000	Conventional	General	107	91	100
Bridgeport	Hampton	5,960,000	Tax Credit	General	180	99	100
Brightwood Forest	Prince William County	3,115,000	Conventional	General	90	98	100
Broadwater I	Chesterfield County	9,450,000	Tax Credit	General	150	89	100
Broadwater II	Chesterfield County	5,350,000	Tax Credit	General	73	89	100
Brook Ridge I (3)	Greensville County	1,450,000	Tax Credit	General	84	94	100
Brook Ridge II	Greensville County	1,150,000	Tax Credit	General	40	100	100
Brook Run (3)	Richmond	2,035,000	Tax Credit	General	132	83	100
Brookfield	Virginia Beach	23,900,000	Conventional	General	352	96	100
Burnt Ordinary	James City County	1,250,000	Conventional	General	80	99	100
Bute Street Manor	Suffolk	195,000	Conventional	Elderly	8	13	100
Calmo Street	Fairfax	264,000	Conventional	Disabled	4	n/a	100
Cambridge	Hampton	22,317,000	Conventional	General	465	99	100
Cameron Commons	Arlington	1,500,000	Conventional	General	16	94	100
Campostella Commons (3)	Chesapeake	2,200,000	Tax Credit	General	132	99	100
Cannery Row	Chase City	140,000	Tax Credit	General	9	100	100
Canterbury Commons Staunton I	Staunton	225,000	Conventional	Disabled	6	100	100
Canterbury Commons Staunton II	Staunton	211,000	Conventional	Disabled	6	100	100
Caroline and Stribling Ave	Charlottesville	220,000	Conventional	General	8	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Caroline Manor II	Bowling Green	135,000	Tax Credit	General	17	100	100
Carousel Court	Falls Church	8,680,000	Tax Credit	General	90	99	100
Carroll House	Hillsville	336,354	Section 8	Disabled	12	n/a	100
Carter Woods I (3)	Henrico County	1,213,000	Tax Credit	Elderly	80	93	100
Carter Woods II	Henrico County	2,250,000	Tax Credit	Elderly	71	85	100
Carybrook Townhomes	Hampton	7,600,000	Conventional	General	182	95	100
Cascades Village	Loudoun County	6,530,000	Tax Credit	Elderly	150	98	100
Cedar Creek	Portsmouth	5,000,000	Conventional	General	104	98	100
Cedar Crest I (3)	Montgomery County	355,000	Tax Credit	General	26	100	100
Cedar Crest II	Montgomery County	790,000	Tax Credit	General	24	88	100
Cedar Crest III (3)	Montgomery County	105,000	Tax Credit	General	28	93	100
Cedar Street	Richmond	5,200,000	Tax Credit	General	58	97	100
Century Plaza	Hampton	3,575,000	Sec. 8, Tax Credit	General	120	98	100
Chandler's Wharf	Hampton	2,400,000	Conventional	General	66	74	100
Chantilly Crossings	Fairfax County	26,000,000	Tax Credit	General	360	95	100
Chantilly Mews (3)	Fairfax County	1,500,000	Sec. 8, Tax Credit	General	50	98	100
Charles Street	Fredericksburg	264,500	Conventional	Disabled	2	50	100
Charles Street Station II	Shenandoah County	2,125,000	Tax Credit	General	60	95	100
Charlottesville Hope House II	Charlottesville	379,000	Conventional	General	11	91	100
Chesapeake Crossing	Chesapeake	3,940,000	Tax Credit	Elderly	159	100	100
Chesapeake Crossing Sr II	Chesapeake	3,425,000	Tax Credit	Elderly	135	100	100
Chester Village Green	Chesterfield County	11,020,000	Tax Credit	General	163	99	100
Chesterbrook Residences	Fairfax County	11,000,000	Conventional	Elderly	97	100	100
Chesterfield MR	Chesterfield	95,810	Sec. 8	Disabled	5	n/a	100
Chestnut Ridge	Harrisonburg	2,985,000	Tax Credit	General	100	99	100
Chestnut Ridge II	Harrisonburg	1,540,000	Tax Credit	General	48	100	100
Chestnut Square	Newport News	1,250,000	Tax Credit	General	40	95	100
Chicago Manor	Richmond	1,800,000	Tax Credit	General	74	89	100
Chickahominy Bluff	Hanover County	5,206,000	Tax Credit	General	120	89	100
Christian Relief	Fairfax	114,798	Conventional	Disabled	12	n/a	100
Church Hill/Fairmount	Richmond	15,561,630	Sec. 8, Tax Credit	Elderly	298	98	100
Church Manor	Isle of Wight County	650,000	Tax Credit	General	50	100	100
Church Street	Spotsylvania County	249,500	Conventional	General	8	100	100
Clarendon Court	Arlington County	3,400,000	Tax Credit	General	103	100	100
Claridge House I	Arlington	11,630,000	Conventional	Elderly	302	99	100
Clearfield (3)	Colonial Heights	4,200,000	Tax Credit	General	144	99	100
Club Hill Apartments	Louisa	1,350,000	Conventional	General	29	86	100
Cole Harbor	Nottoway County	600,000	Conventional	General	36	94	100
College Green	Warsaw	330,000	Tax Credit	General	32	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
College Square	Suffolk	3,500,000	Conventional	General	91	95	100
College Square Collins	Suffolk	950,000	Conventional	General	20	90	100
College Square Investments	Suffolk	2,150,000	Conventional	General	40	100	100
Colonial Heights	Fredericksburg	950,000	Tax Credit	Disabled	14	n/a	100
Colonial Row	Richmond	600,000	Conventional	General	18	78	100
Colonies at Ginter Park (7)	Richmond	6,800,000	Tax Credit	General	267	97	100
Commonwealth Street	Wise County	180,000	Conventional	Elderly	26	n/a	100
Community Alternatives I	Virginia Beach	212,973	Conventional	Disabled	4	n/a	100
Community Alternatives II	Virginia Beach	146,659	Conventional	Disabled	5	n/a	100
Community Alternatives III	Virginia Beach	106,841	Conventional	Disabled	4	n/a	100
Community Alternatives IV	Virginia Beach	101,667	Conventional	Disabled	3	n/a	100
Community Alernatives Management Grp	Virginia Beach	384,565	Conventional	Disabled	10	n/a	100
Community Alternatives V	Virginia Beach	120,124	Conventional	Disabled	5	n/a	100
Community Alternatives VI	Virginia Beach	96,235	Conventional	Disabled	4	n/a	100
Community Alternatives VII	Virginia Beach	51,249	Conventional	Disabled	2	n/a	100
Community Alternatives VIII	Virginia Beach	42,985	Conventional	Disabled	2	n/a	100
Community Living Center II	Frederick County	1,200,000	Conventional	Disabled	16	n/a	100
Community Services Housing	Charlottesville	1,925,000	Conventional	Disabled	33	97	100
Congress Street	Shenandoah Co	750,000	Tax Credit	General	38	71	100
Coppermine Place	Fairfax County	2,500,000	Tax Credit	Elderly	66	98	100
Coralain Gardens	Fairfax County	7,550,000	Tax Credit	General	106	100	100
Cornerstone	Lynchburg	175,000	Conventional	General	11	97	100
Cottages at Great Bridge I	Chesapeake	3,300,000	Tax Credit	Elderly	96	98	100
Cottages at Great Bridge II	Chesapeake	1,300,000	Tax Credit	Elderly	32	100	100
Country Club	Richmond	2,850,000	Tax Credit	General	97	89	100
Country Club Pines	Frederick County	1,399,610	Conventional	General	56	100	100
Countryside (3)	Richmond	1,375,000	Tax Credit	General	60	72	100
Courthouse Acres	Newport News	5,353,000	Conventional	General	110	87	100
Courthouse Commons I (3)	Warsaw	250,000	Tax Credit	General	12	92	100
Courthouse Crossings	Arlington County	8,600,000	Tax Credit	General	112	99	100
Courthouse Lane I (3)	Caroline County	950,000	Tax Credit	Elderly	32	100	100
Crater Woods I	Petersburg	5,691,800	Conventional	General	120	98	100
Crater Woods II	Petersburg	5,270,000	Conventional	General	120	98	100
Creekpointe	Chesterfield County	11,770,000	Conventional	General	214	91	100
Creekside Village I (3)	Fairfax County	10,575,000	Sec. 236, Tax Credit	General	220	44	100
Creekside Village II	Fairfax County	10,100,000	Tax Credit	General	99	81	100
Crescent Place	Portsmouth	7,300,000	Tax Credit	General	156	100	100
Crest at Longwood (7)	Salem	3,225,000	Conventional	General	108	90	100
Crestview Apartments	Fredericksburg	8,960,774	Tax Credit	General	180	91	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Crispus Attucks	Northhampton County	750,000	Conventional	General	22	55	100
Cromwell House	Norfolk	4,500,000	Tax Credit	Elderly	205	99	100
Crossings at Summerland	Prince William County	8,200,000	Tax Credit	General	126	98	100
Crossroads Townhomes (3)	Chesapeake	3,433,000	Conventional	General	92	80	100
Crosswinds Place	Chesapeake	4,350,000	Tax Credit	General	109	99	100
Crown Square	Henrico County	3,823,500	Conventional	General	92	89	100
Culpeper Commons	Culpeper	4,238,000	Tax Credit	General	142	98	100
Culpeper Shelter	Culpeper	200,000	Conventional	General	15	n/a	100
Cynthianna	Charlottesville	345,000	Conventional	General	6	83	100
Dale Forest III & IV	Prince William County	4,000,000	Conventional	General	149	100	100
Dale Forest V	Prince William County	8,100,000	Conventional	General	222	98	100
Dan River Crossing	Danville	1,870,000	Tax Credit	Elderly	74	99	100
Darby House	Henrico County	2,975,000	Tax Credit	Elderly	108	91	100
Deep Creek Crossing	Chesapeake	2,285,000	Conventional	General	102	98	100
Deep Run Lodge	Fauquier County	546,700	Conventional	Disabled	8	0	100
Delmont Plaza (3)	Henrico County	450,000	Sec. 8, Tax Credit	General	41	98	100
Delmont Village	Henrico County	3,150,000	Tax Credit	General	94	87	100
Derby Run II (10)	Hampton	5,945,000	Tax Credit	General	144	92	100
Devon at South Riding II	Loudoun County	10,575,000	Conventional	General	120	99	100
Dogwood Terrace (3)	Wise County	920,000	Sec. 8, Tax Credit	General	97	95	100
Dominion Pines	Chesapeake	5,750,000	Tax Credit	General	118	97	100
Dominion Place	Richmond	6,770,000	Tax Credit	Elderly	249	98	100
Dorchester Square (3)	Franklin	2,250,000	Tax Credit	General	125	99	100
Dresden Drive	Newport News	1,400,000	Tax Credit	Disabled	32	100	100
Dulles Town Center I	Fairfax County	10,259,700	Tax Credit	General	144	100	100
Dulles Town Center II	Fairfax County	10,700,000	Tax Credit	General	128	100	100
Dunlop Farms	Colonial Heights	3,305,000	Tax Credit	Elderly	88	98	100
Dunn Loring Court	Virginia Beach	295,000	Conventional	Disabled	3	n/a	100
Dunston Manor	Richmond	2,200,000	Tax Credit	General	102	97	100
Dupont Village (3)	Chesterfield County	900,000	Conventional	General	50	22	100
Dutch Inn	Lexington	1,200,000	Mixed Use	General	13	n/a	100
Earle of Warwick Square	Newport News	3,300,000	Conventional	General	107	82	100
East Falls (10)	Fairfax County	4,025,000	Tax Credit	General	305	90	100
Ebbetts Plaza	Virginia Beach	3,066,000	Tax Credit	General	90	90	100
Echo Mountain I	Shenandoah Co	710,000	Tax Credit	General	24	96	100
Echo Mountain II	Shenandoah Co	790,000	Tax Credit	General	26	96	100
Effingham (3)	Portsmouth	1,461,000	Section 8	Elderly	178	92	100
Elderspirit Community	Abingdon	850,000	Conventional	Elderly	16	88	100
Elite Apts	Norfolk	1,912,000	Conventional	General	50	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Elkhart (3)	Chesapeake	761,000	Conventional	General	34	91	100
England Run North	Stafford	10,200,000	Tax Credit	General	204	98	100
England Run North II	Stafford County	7,750,000	Tax Credit	General	136	98	100
England Run North Townhomes	Stafford County	7,300,000	Tax Credit	General	120	94	100
Englewood	Chesterfield County	270,000	Conventional	Disabled	5	n/a	100
English Oaks	Stafford County	9,410,000	Tax Credit	Elderly	119	74	100
Enoch George Manor	Spotsylvania County	4,200,000	Tax Credit	Elderly	60	88	100
Euclid Avenue	Winchester	227,000	Conventional	Disabled	4	n/a	100
Evergreen House (3)	Fairfax County	11,178,834	Section 8	Elderly	246	97	100
Fairfax Hall (3)	Waynesboro	397,000	Tax Credit	Elderly	54	96	100
Fall Hill I	Fredericksburg	1,900,000	Tax Credit	General	96	98	100
Fall Hill II	Fredericksburg	8,425,000	Tax Credit	General	150	97	100
Falls I	Essex County	1,150,000	Conventional	General	16	88	100
Falls II	Tappahanock	1,225,000	Conventional	General	16	94	100
Falls III	Tappahanock	950,000	Conventional	General	12	92	100
Fieldcrest Apartments	Henrico County	1,019,000	Conventional	General	29	97	100
Fields at Cascades	Loudoun County	23,000,000	Tax Credit	General	320	96	100
Fields at Lorton Station	Fairfax County	16,400,000	Tax Credit	General	248	99	100
Fields at Merrifield	Fairfax	8,550,000	Tax Credit	General	124	99	100
Fields of Alexandria (10)	Alexandria	16,700,000	Tax Credit	General	0	93	100
Fields of Arlington (3)	Arlington County	12,800,000	Tax Credit	General	199	98	100
Fields of Ashburn	Loudoun County	8,240,000	Tax Credit	General	174	91	100
Fields of Falls Church (3)	Falls Church	4,300,000	Tax Credit	General	96	98	100
Fields of Herndon I	Fairfax County	7,730,000	Tax Credit	General	152	95	100
Fields of Herndon II	Herndon	8,660,000	Tax Credit	General	136	97	100
Fields of Leesburg	Leesburg	6,500,000	Tax Credit	General	156	88	100
Fields of Leesburg (Mayfair)	Leesburg	12,500,000	Tax Credit	General	248	90	100
Fields of Manassas (3)	Prince William County	7,000,000	Tax Credit	General	180	98	100
Fields of Old Town (10)	Alexandria	5,595,000	Tax Credit	General	0	98	100
Fields of Springfield	Fairfax County	27,200,000	Tax Credit	General	347	99	100
Fields of Sterling	Loudoun	5,450,000	Tax Credit	General	102	100	100
Finney Avenue Residence	Suffolk	320,214	Sec. 8	Disabled	13	100	100
First Colony Townhomes	Petersburg	2,180,000	Conventional	General	58	93	100
Fish Heads	Norfolk	900,000	Conventional	General	14	n/a	100
Fisher House	Arlington	2,729,912	Tax Credit	General	33	94	100
Forest Cove I	Chesapeake	3,555,000	Tax Credit	General	101	98	100
Forest Cove II	Chesapeake	3,650,000	Tax Credit	General	101	100	100
Forest Cove III	Chesapeake	4,190,000	Sec. 236, Tax Credit	General	101	100	100
Forest Creek	Richmond	5,625,000	Tax Credit	Elderly	94	95	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Forest Glen at Sully Station I	Fairfax County	6,580,000	Tax Credit	Elderly	83	93	100
Forest Glen at Sully Station II	Fairfax County	6,860,000	Tax Credit	Elderly	119	96	100
Forest Pine III	Franklin	1,360,000	Conventional	General	40	90	100
Forest Pine IV	Franklin	1,468,800	Conventional	General	40	95	100
Fort Myer II	Arlington	1,115,500	Conventional	Disabled	11	55	100
Fox Run (7)	Prince William County	11,737,000	Conventional	General	274	94	100
Foxchase (3)	Essex County	2,250,000	Tax Credit	General	60	100	100
Foxcroft	Hampton	5,000,000	Conventional	General	120	98	100
Franciscan Brethren of St Philip	Quinton	725,000	Conventional	Disabled	11	n/a	100
Franklin South	Franklin	152,000	Conventional	General	32	97	100
Frederick at Courthouse	Arlington	9,500,000	Conventional	Mixed Use	110	99	100
Frontier Ridge	Staunton	3,300,000	Tax Credit	General	100	87	100
Gardens at Stafford	Stafford County	14,200,000	Tax Credit	Elderly	150	81	100
Gardenside Village	Lebanaon	950,000	Conventional	General	6	100	100
Gates of Ballston	Arlington County	21,000,000	Tax Credit	General	464	97	100
Gateway Village	Giles County	663,649	Tax Credit	General	42	95	100
Genito Glen	Chesterfield	3,285,000	Tax Credit	General	102	100	100
Georgian Way	Annandale	450,000	Conventional	Disabled	6	n/a	100
Germanna Heights	Orange County	1,850,000	Tax Credit	Elderly	50	96	100
Gladiola Crescent	Virginia Beach	190,000	Conventional	Disabled	5	n/a	100
Glen Ridge Commons	Prince William	6,675,000	Tax Credit	General	140	92	100
Glendale-Biscayne	Fairfax County	750,000	Conventional	General	5	n/a	100
Glenns at Miller's Lane	Henrico County	6,600,000	Tax Credit	General	144	97	100
Glenway/Aden Park I & II	Richmond	20,070,000	Conventional	General	538	94	100
Governor's Pointe	Chesapeake	2,115,000	Tax Credit	General	88	97	100
Granby House (3)	Norfolk	4,466,068	Section 8	Elderly	154	99	100
Grand Oaks	Chesterfield County	14,000,000	Tax Credit	General	184	92	100
Grand Oaks Seniors	Chesterfield County	2,570,000	Tax Credit	Elderly	32	94	100
Gray Avenue	Winchester	450,000	Conventional	Disabled	6	n/a	100
Great Bridge	Chesapeake	2,930,000	Conventional	General	100	93	100
Great Oak (3)	Newport News	950,000	Sec. 8	Elderly	143	94	100
Green Meadows	Virginia Beach	569,200	Conventional	General	8	88	100
Greenbrier Woods I (3)	Chesapeake	2,431,175	Conventional	General	152	99	100
Greenbrier Woods II (3)	Chesapeake	1,918,825	Conventional	General	120	99	100
Greens at Northridge	Culpeper County	6,550,000	Tax Credit	General	108	90	100
Greens at Virginia Ctr	Henrico	9,257,000	Tax Credit	General	180	92	100
Gretna Village (3)	Pittsylvania County	950,000	Tax Credit	General	47	100	100
Grottoes II (3)	Rockingham County	190,000	Tax Credit	General	34	91	100
Grottoes III	Rockingham County	750,000	Tax Credit	General	26	96	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Grove at Flynn's Crossing	Loudoun	9,674,445	Tax Credit	General	168	97	100
Gum Springs Glen	Fairfax County	1,500,000	Tax Credit	Elderly	60	98	100
Hancock Building	Roanoke	5,400,000	Conventional	General	58	29	100
Hansco Scattered Sites II	Richmond	365,000	Conventional	General	5	60	100
Harbor Inn	Virginia Beach	3,600,000	Conventional	General	138	99	100
Harbor Square	Hampton	14,500,000	Conventional	General	368	79	100
Harbours	Newport News	25,464,000	Conventional	General	396	89	100
Harrison School	Roanoke	770,583	Section 8	Elderly	28	93	100
Hawthorn House	Clarke County	1,050,000	Conventional	General	8	n/a	100
Hearthwood	Charlottesville	6,500,000	Tax Credit	General	200	95	100
Heather Glen (3)	Radford	950,000	Tax Credit	General	40	100	100
Heatherwood	Fairfax County	7,465,000	Conventional	Elderly	112	94	100
Heatherwood	Newport News	7,335,000	Conventional	General	232	88	100
Hemphill Apartments	Lynchburg	233,100	Conventional	Disabled	4	n/a	100
Henley Place	Montgomery County	2,175,000	Tax Credit	General	41	98	100
Heritage Acres XVIII (3) (7)	Buckingham County	1,315,901	Section 8	General	40	95	100
Heritage Commons	Williamsburg	15,500,000	Conventional	Elderly	97	4	100
Hickory Point	Newport News	7,595,000	Conventional	General	175	79	100
Hidenbrooke	Fairfax County	285,000	Conventional	General	6	83	100
Highland Commons (3)	Fauquier County	3,400,000	Tax Credit	General	96	98	100
Highlands	Henrico County	2,190,000	Conventional	General	42	95	100
Highlands II	Rockingham County	650,000	Tax Credit	General	24	100	100
Hilltop South	Virginia Beach	1,940,000	Tax Credit	General	85	100	100
Hirst Drive 4024	Annandale	780,000	Conventional	Disabled	8	n/a	100
Historic Manor	Richmond	610,000	Conventional	General	16	81	100
Holland House	Virginia Beach	3,025,800	Tax Credit	Elderly	112	99	100
Honeybrook	Richmond	4,685,145	Sec. 8	General	128	92	100
Huckleberry Court	Montgomery County	2,800,000	Tax Credit	General	50	96	100
Hugo Street	Norfolk	335,000	Conventional	Disabled	5	n/a	100
Hull Street (1011 & 1124-1126)	Richmond	1,000,000	Mixed Use	General	10	n/a	100
Hunt Country Manor	Warrenton	2,500,000	Tax Credit	General	56	100	100
Hunt Ridge II	Rockbridge County	680,000	Tax Credit	General	24	92	100
Hunters Point I (3)	Chesapeake	3,210,876	Sec. 236, Tax Credit	General	125	100	100
Hunters Point II (3)	Chesapeake	740,000	Sec. 236, Tax Credit	General	32	100	100
Hunting Creek (3)	Fairfax County	1,600,000	Sec. 8, Tax Credit	General	35	100	100
Hurt Park II	Roanoke City	1,350,000	Conventional	General	40	95	100
Independence Square	Portsmouth	7,350,000	Tax Credit	General	152	100	100
Indian River	Hampton	640,000	Conventional	Disabled	13	n/a	100
Ivy Farms	Newport News	4,865,000	Tax Credit	General	168	67	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
James Crossing	Lynchburg	5,650,000	Sec. 8, Tax Credit	General	288	97	100
Jamestown Commons II	Virginia Beach	3,600,000	Tax Credit	Elderly	132	94	100
Jefferson House	Lynchburg	3,170,000	Sec. 236, Tax Credit	Elderly	101	98	100
Jefferson Ridge	Albermarle County	19,500,000	Conventional	General	234	87	100
Jefferson School Lofts	Suffolk	2,700,000	Conventional	Mixed Use	16	38	100
Jefferson South	Petersburg	5,290,000	Tax Credit	General	200	85	100
Jefferson Townhouses	Richmond	8,420,000	Tax Credit	General	218	78	100
Jersey Park	Isle of Wight County	2,950,000	Tax Credit	General	80	100	100
Jesse Lee	Petersburg	5,050,000	Conventional	General	108	95	100
John Early	Bedford	1,780,000	Tax Credit	Elderly	78	90	100
Kendrick Court	Fairfax County	7,700,000	Tax Credit	Elderly	139	95	100
Kensington Street	Arlington County	710,000	Conventional	Disabled	9	n/a	100
Keysville Manor	Keysville	350,000	Tax Credit	General	24	96	100
King Street Commons	Hampton	5,050,000	Tax Credit	General	184	93	100
King William Village	West Point	390,000	Tax Credit	General	32	100	100
Kings Grant	Richmond	3,700,000	Tax Credit	Elderly	90	98	100
Kings Ridge	Newport News	9,450,000	Tax Credit	General	182	98	100
Kline Building	Arlington	4,000,000	Conventional	Disabled	80	100	100
Kopenhaven	Newport News	1,425,000	Conventional	General	49	100	100
Kove Drive	Hampton	320,000	Conventional	Disabled	4	100	100
L&Z Historic Apartments	Richmond	100,000	Conventional	General	12	100	100
L&Z Historic Apartments	Richmond	850,000	Conventional	General	12	100	100
L'Arche Blue Ridge Mountain	Lynchburg	380,000	Conventional	Disabled	8	n/a	100
L'Arche Blue Ridge Mountain II	Lynchburg	350,000	Conventional	Disabled	8	n/a	100
L'Arche Highland House	Arlington County	500,000	Conventional	Disabled	4	100	100
Lafayette	Fairfax County	28,750,000	Tax Credit	General	340	98	100
Lafayette Gardens	Richmond	2,907,000	Sec. 236, Tax Credit	General	102	96	100
Lafayette Square	James City County	1,210,000	Tax Credit	General	106	99	100
Lafayette Village Elderly	Williamsburg	248,000	Tax Credit	Elderly	32	100	100
Lafayette Village Family	James City County	1,255,000	Tax Credit	General	112	100	100
Lake Princess Anne	Virginia Beach	7,125,000	Conventional	General	104	95	100
Lakefield Mews II	Henrico County	5,063,000	Conventional	General	177	89	100
Lakes of Greenbrier I	Chesapeake	10,146,241	Conventional	General	156	92	100
Lakes of Greenbrier I & II (10)	Chesapeake	1,727,059	Conventional	General	0	n/a	100
Lakes of Greenbrier II	Chesapeake	1,552,400	Conventional	General	48	96	100
Lakeshore I	Hampton	7,300,000	Conventional	General	176	93	100
Lakeview West	Colonial Heights	650,000	Conventional	General	30	100	100
Lancaster Mill Apartments	Prince William County	8,150,000	Conventional	General	138	96	100
Landings at Markham's Grant	Prince William	3,337,500	Tax Credit	General	72	97	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Landings at Markham's Grant II	Prince William County	6,900,000	Tax Credit	General	132	97	100
Landings at Markham's Grant III	Prince William County	11,000,000	Tax Credit	General	162	98	100
Landmark Apartments	Chesapeake	3,650,000	Tax Credit	General	120	97	100
Langley House	Fairfax County	750,000	Conventional	Disabled	5	n/a	100
Larkspur	Virginia Beach	754,187	Conventional	General	16	94	100
Larkspur Townhomes	Galax	1,100,000	Conventional	General	18	100	100
Laurel Court	Virginia Beach	2,775,000	Conventional	General	80	95	100
Laurel Pines	Richmond	4,300,000	Conventional	General	120	91	100
Laurel Ridge (3)	Carroll County	265,000	Section 8	General	56	100	100
Laurel Woods	Ashland	500,000	Tax Credit	General	40	98	100
Lawson Building	Roanoke	2,000,000	Conventional	General	25	36	100
Lebanon Village I	Surry County	250,000	Tax Credit	Elderly	24	100	100
Leckey Gardens (3)	Arlington	750,000	Tax Credit	General	40	98	100
Lee Overlook	Fairfax County	11,562,600	Tax Credit	General	195	91	100
Lexington Park (3)	Norfolk	6,665,000	Sec. 236, Tax Credit	General	180	100	100
Liberty Street	Fredericksburg	142,500	Conventional	Disabled	6	n/a	100
Lieutenant's Run	Petersburg	9,050,000	Tax Credit	General	168	93	100
Lincoln Mews I	Richmond	4,166,000	Conventional	General	133	99	100
Lincoln Mews II	Richmond	3,544,000	Conventional	General	168	50	100
Linden Park	Prince William County	6,630,000	Conventional	General	198	72	100
Longhill Grove	James City County	9,850,000	Tax Credit	General	170	98	100
Lori Way	Goodview	220,500	Conventional	Disabled	3	n/a	100
Lucas Creek	Newport News	4,675,000	Conventional	General	140	96	100
Luray Village	Page County	800,000	Tax Credit	Elderly	34	100	100
Lynchburg Group Home	Lynchburg	469,850	Conventional	Disabled	14	n/a	100
Lynhaven	Alexandria	1,500,000	Conventional	General	28	86	100
Lynnhaven Landing (3)	Virginia Beach	2,200,000	Conventional	General	252	94	100
Madison at Ballston Station	Arlington	9,150,000	Tax Credit	General	100	100	100
Madison House (3)	Loudoun County	5,695,399	Sec. 8, Tax Credit	Elderly	100	99	100
Madison Ridge	Fairfax County	11,750,000	Conventional	General	98	94	100
Madonna House	Fredericksburg	4,875,000	Tax Credit	Elderly	130	99	100
Main Street Commons	Loudoun County	4,900,000	Tax Credit	General	90	98	100
Manchester Lake	Fairfax County	8,600,000	Tax Credit	Elderly	136	93	100
Manchester Lakes II	Fairfax County	6,315,000	Tax Credit	Elderly	116	100	100
Mangrove One	Norfolk	625,000	Conventional	General	14	86	100
Mangrove Three (3)	Norfolk	300,000	Conventional	General	19	84	100
Mangrove Two	Norfolk	697,000	Conventional	General	14	93	100
Manor View	Portsmouth	2,818,000	Conventional	General	128	95	100
Maple Avenue (3)	Loudoun County	3,925,000	Tax Credit	General	60	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Maple Ridge (7)	Lynchburg	2,600,000	Conventional	General	152	95	100
Maplewood Apartments (8)	Chesapeake	4,200,000	Tax Credit	General	160	94	100
Maplewood Park	Prince William Co	6,200,000	Conventional	General	144	94	100
Marbella	Arlington County	7,379,000	Tax Credit	General	134	99	100
Mariner's Landing	Newport News	7,290,000	Tax Credit	General	274	97	100
Market Slip (3)	Richmond	1,250,000	Tax Credit	Mixed Use	30	90	100
Market Square I	Chesterfield County	885,000	Tax Credit	Elderly	63	87	100
Market Square II (3)	Chesterfield County	125,000	Tax Credit	Elderly	42	90	100
Market Square III	Chesterfield County	1,870,000	Tax Credit	Elderly	69	88	100
Martha's Place	Williamsburg	340,000	Conventional	Disabled	5	100	100
Mary Hardesty House (3)	Clarke County	1,550,000	Tax Credit	Elderly	60	97	100
Massanutten Manor (3)	Shenandoah County	580,000	Section 8	Elderly	114	98	100
McCulloch Road	Hampton	317,000	Conventional	Disabled	8	n/a	100
McGuire Park (3)	Richmond	850,000	Tax Credit	General	80	99	100
Meadow Run	Martinsville	1,150,000	Conventional	General	32	3	100
Meadows at Northridge	Culpeper	1,442,775	Tax Credit	Elderly	50	98	100
Meadows at Salem Run II	Spotsylvania County	3,100,000	Tax Credit	Elderly	80	70	100
Meadows	Prince Edward County	185,000	Tax Credit	General	40	93	100
Meadows II	Pembroke	150,000	Tax Credit	General	11	100	100
Meadowview	Pulaski County	1,569,205	Sec. 236, Tax Credit	General	98	100	100
Meads Road	Norfolk	247,000	Conventional	General	8	75	100
Melton's Run (3)	Carroll County	630,000	Tax Credit	General	48	85	100
Meridian Parkside	Newport News	36,230,000	Conventional	General	308	20	100
Midlothian Village	Richmond	5,800,000	Sec. 236, Tax Credit	General	216	99	100
Midtown at Cityview	Virginia Beach	28,520,500	Conventional	General	196	69	100
Mill Creek	Chesapeake	4,050,000	Tax Credit	General	120	99	100
Mill Creek Arts Building	Galax	300,000	Conventional	General	6	n/a	100
Mill Park Terrace (3)	Fredericksburg	1,706,000	Sec. 8, Tax Credit	Elderly	129	97	100
Mill Trace I	Hanover Co	11,900,000	Conventional	General	144	85	100
Mill Trace II	Hanover County	7,400,000	Conventional	General	96	97	100
Millsap Lane	Washington County	445,000	Conventional	General	8	n/a	100
Moffett Manor	Warrenton	5,000,000	Tax Credit	General	98	98	100
Monmouth Woods I	King George County	3,765,000	Tax Credit	General	120	91	100
Monmouth Woods II	King George County	1,090,000	Tax Credit	General	32	88	100
Monterey Apts (3)	Arlington County	1,500,000	Tax Credit	General	109	96	100
Montgomery Square I	Portsmouth	3,600,000	Conventional	General	40	17	100
Monticello Vista	Charlottesville	1,825,000	Tax Credit	Disabled	50	98	100
Morningside	Richmond	12,150,000	Tax Credit	General	392	92	100
Mosby Heights (3)	Harrisonburg	1,950,000	Sec. 8, Tax Credit	General	112	97	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Mount Vernon Gardens	Fairfax County	1,262,000	Conventional	General	34	94	100
Mount Vernon House	Fairfax	4,923,406	Section 8	Elderly	130	98	100
Mount Vernon Village	Fairfax	341,100	Conventional	General	3	100	100
Mountain Crest	Bath County	830,000	Tax Credit	Elderly	28	93	100
Mountain Oaks	Front Royal	3,538,000	Conventional	General	80	n/a	100
Mountainside Senior Living	Albemarle County	700,000	Conventional	Elderly	110	98	100
Neddleton Avenue MD	Dale City	129,200	Conventional	Disabled	4	n/a	100
Noah 3	Virginia Beach	1,105,000	Conventional	General	9	n/a	100
Noah IV	Virginia Beach	885,000	Conventional	Disabled	7	n/a	100
Norcroft (3)	Richmond	2,275,000	Tax Credit	General	109	96	100
North County	Herndon	255,000	Conventional	General	4	75	100
North 22nd Street	Richmond	496,000	Conventional	General	4	n/a	100
North Pointe (3)	Danville	3,500,000	Tax Credit	General	168	79	100
North Shore Gardens	Norfolk	4,490,000	Conventional	General	212	92	100
Northampton Village II	Hampton	7,234,500	Conventional	General	146	97	100
Northampton Village III	Hampton	5,781,500	Conventional	General	120	95	100
Northview	Salem	3,565,000	Conventional	General	131	95	100
Northway	Galax	1,675,000	Sec. 236,Tax Credit	General	72	100	100
Norton Green	Norton City	311,000	Tax Credit	Elderly	40	100	100
Oak Creek Townhouses	Fairfax County	3,787,633	Sec. 8, Tax Credit	General	46	98	100
Oak Park (3)	Chesapeake	840,000	Tax Credit	General	40	95	100
Oakdale Square	Chesapeake	710,000	Tax Credit	General	40	100	100
Oakland Village (3)	Henrico County	1,223,780	Section 236	General	100	95	100
Oaks	Prince William County	2,600,000	Tax Credit	Elderly	58	90	100
Oaks of Dunlop	Colonial Heights	8,100,000	Tax Credit	General	144	99	100
Oaks of Wellington	Manassas	11,598,192	Tax Credit	Elderly	130	92	100
Oaks of Woodlawn	Fairfax	9,946,900	Conventional	General	175	93	100
Oaks I (3)	Fauquier County	3,280,000	Tax Credit	Elderly	96	100	100
Oaks II	Fauquier County	750,000	Tax Credit	Elderly	15	100	100
Ocean Pebbles	Virginia Beach	6,250,000	Conventional	General	112	96	100
Odyssey Apartments	Arlington	1,600,000	Conventional	General	21	95	100
Old Bridge	Henrico County	8,700,000	Conventional	General	222	99	100
Old Manchester I	Richmond	2,520,000	Tax Credit	General	46	100	100
Old Manchester II	Richmond	950,000	Conventional	General	4	25	100
Old Manchester III	Richmond	300,000	Conventional	General	10	10	100
Old Post MD	Virginia Beach	80,250	Conventional	Disabled	3	100	100
Old Trail Drive	Fairfax County	152,000	Conventional	Disabled	5	n/a	100
Old Virginia Beach Road	Virginia Beach	575,000	Conventional	General	12	75	100
Olde Towne West III	Alexandria	4,695,161	Section 8	General	75	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Omni Park Place	Hanover County	2,800,000	Tax Credit	Elderly	60	97	100
Orchard Grove	Giles County	360,000	Tax Credit	General	30	97	100
Orchard Mills	Prince William County	23,000,000	Tax Credit	General	280	100	100
Orchards	Suffolk	6,400,000	Tax Credit	Elderly	136	100	100
Orrington Court	Fairfax County	550,000	Conventional	General	25	92	100
Overlook Apts	Montgomery County	1,780,000	Conventional	General	60	100	100
Overlook at Brook Run I	Henrico County	7,900,000	Tax Credit	General	156	93	100
Overlook at Brook Run II	Henrico County	6,700,000	Tax Credit	General	126	91	100
Oxford Square	Tazewell	696,300	Tax Credit	General	87	97	100
Palace Court I	Martinsville	150,000	Conventional	General	6	100	100
Palace Court II	Martinsville	386,000	Conventional	General	15	100	100
Pampas Drive	Chesterfield County	234,500	Conventional	Disabled	5	n/a	100
Parc Crest at Poplar	Prince Edward County	900,000	Tax Credit	Elderly	44	95	100
Parc Rosslyn	Arlington County	46,250,000	Tax Credit	General	238	72	100
Parc View	Alexandria	15,250,000	Tax Credit	General	149	93	100
Parham Park Place	Richmond	3,844,000	Tax Credit	Elderly	86	91	100
Parham Park Place II	Henrico County	2,700,000	Tax Credit	Elderly	50	96	100
Park at Ridgedale	Chesterfield	6,700,000	Tax Credit	Elderly	120	89	100
Park Ridge I	Stafford	6,150,000	Tax Credit	General	94	95	100
Park Ridge II	Stafford County	1,750,000	Conventional	General	24	92	100
Park's Edge (3)	Albemarle County	1,500,000	Tax Credit	General	96	97	100
Parkway Village II (3) (7)	Waynesboro	1,651,450	Sec. 8	General	60	97	100
Parkwood	Fairfax County	10,300,000	Tax Credit	General	221	96	100
Parkwood Manor	Norfolk	2,197,000	Tax Credit	General	100	96	100
Pathway Homes	Fairfax	306,019	Conventional	Disabled	28	n/a	100
Pathway Homes -Fairfax	Fairfax	316,512	Conventional	Disabled	9	n/a	100
Patrick Henry Place	Louisa	240,000	Conventional	General	4	100	100
Patterson Place	Richmond	1,220,000	Conventional	General	24	96	100
Penderbrook	Fairfax	770,000	Conventional	General	48	96	100
Peppertree I	Winchester	3,200,000	Conventional	General	100	84	100
Peppertree II	Winchester	2,114,000	Conventional	General	60	88	100
Peppertree III	Winchester	1,350,000	Conventional	General	34	71	100
Perry Shores	Virginia Beach	889,295	Conventional	General	32	88	100
Peter's Creek I	Roanoke County	3,140,000	Tax Credit	General	120	92	100
Peters Creek II	Roanoke	1,550,000	Tax Credit	General	48	92	100
Peter's Creek III	Roanoke County	930,500	Tax Credit	General	24	100	100
Picadilly Apartments (3)	Norfolk	150,000	Conventional	General	10	70	100
Pilot House (3)	Newport News	900,000	Tax Credit	General	132	100	100
Pine Wood Forest	Mecklenburg County	1,200,000	Tax Credit	General	48	98	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Pinedale Manor	Newport News	6,364,000	Tax Credit	General	296	94	100
Pinetree	Petersburg	4,100,000	Tax Credit	General	144	96	100
Pinewood Gardens	Norfolk	17,960,000	Conventional	General	761	92	100
Pipers Landing	Virginia Beach	7,258,000	Conventional	General	153	97	100
Pirates Cove	Norfolk	398,000	Conventional	General	24	63	100
Place One (3)	Henrico County	3,300,000	Sec.8, Tax Credit	General	114	99	100
Poplar Forest II	Prince Edward County	650,000	Conventional	General	22	95	100
Poplar Forest III (3)	Prince Edward County	200,000	Conventional	General	22	100	100
Portner(8919)	Manassas	100,000	Conventional	General	1	100	100
Potomac Station	Loudoun County	10,300,000	Tax Credit	General	150	97	100
Powell Valley Village Apartments	Jonesville	700,000	Tax Credit	General	34	100	100
Preston Place I (3)	Frederick County	2,335,000	Tax Credit	General	120	94	100
Preston Place II (3)	Frederick County	1,805,000	Tax Credit	General	72	96	100
Preston Place III	Frederick	1,200,000	Tax Credit	General	44	98	100
Princeton Woods	Prince William County	15,650,000	Tax Credit	General	276	93	100
Progress Street Center	Fredericksburg	735,000	Conventional	Disabled	6	n/a	100
Pulaski Village	Pulaski County	710,000	Conventional	General	44	100	100
Quarry Station (3)	Manassas	2,025,000	Tax Credit	Elderly	79	96	100
Quarter Mill	Henrico County	14,700,000	Tax Credit	General	266	82	100
Quebec Apts	Arlington County	12,800,000	Tax Credit	General	172	98	100
Queens Terrace	Hampton	7,775,000	Conventional	General	262	84	100
RC Apartments	Richmond	786,000	Conventional	General	7	n/a	100
Rebecca's Haven	Virginia Beach	190,000	Conventional	Disabled	3	n/a	100
Reese Village	Emporia	286,000	Tax Credit	General	40	100	100
Reflections Senior Living	Henrico County	2,825,000	Tax Credit	Elderly	104	99	100
Regency at Longhill I	James City County	6,500,000	Conventional	General	124	98	100
Regency at Longhill II	James City County	6,500,000	Conventional	General	100	99	100
Renaissance (3)	Richmond	3,679,000	Sec. 8	Elderly	240	99	100
Richmond Dairy Bldg	Richmond	4,400,000	Tax Credit	General	113	81	100
Ridge II	Shenandoah County	950,000	Tax Credit	General	38	97	100
Ridge III (3)	Shenandoah County	115,000	Tax Credit	General	24	88	100
Ridge View	Martinsville	1,095,000	Tax Credit	General	48	100	100
Ridgecrest Town Apartments	Bristol	2,550,000	Tax Credit	General	72	97	100
Ridgewood Club	Virginia Beach	12,000,000	Conventional	General	192	93	100
Rio Hill (3)	Charlottesville	3,650,000	Tax Credit	General	139	83	100
Rivanna Terrace	Charlottesville	1,550,000	Conventional	General	48	65	100
River Mews II	Newsport News	7,695,000	Conventional	General	290	87	100
River Run I	Prince William County	11,500,000	Tax Credit	Elderly	200	100	100
River Run II	Prince William	6,308,000	Tax Credit	Elderly	100	95	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
River Towers	Richmond	11,300,000	Conventional	General	219	94	100
River Woods of Fredericksburg	Fredericksburg	7,410,000	Conventional	General	187	97	100
River Wynd	Mecklenburg County	875,000	Tax Credit	General	40	100	100
Riverlands I	Newport News	4,700,000	Conventional	General	176	99	100
Riverlands II	Newport News	8,200,000	Conventional	General	228	97	100
Rivermeade II	Yorktown	290,000	Tax Credit	General	32	100	100
Riverpoint	Norfolk	9,959,228	Tax Credit	General	220	98	100
Riverside Manor	Fredericksburg	14,500,000	Tax Credit	General	188	94	100
Riverside Park	Hopewell	3,515,000	Conventional	General	120	93	100
Riverview	Colonial Heights	4,575,000	Tax Credit	General	88	94	100
Riverwoods (3)	Woodbridge	5,400,000	Tax Credit	General	156	93	100
RMF Supportive Housing	Winchester	644,000	Conventional	Disabled	13	100	100
Rockwood Park	Chesterfield	8,668,166	Conventional	General	132	99	100
Rolling Meadows I (3)	James City County	3,050,000	Tax Credit	General	144	94	100
Rolling Meadows II	James City County	2,100,000	Tax Credit	General	56	95	100
Rose Hall II	Virginia Beach	3,825,000	Conventional	General	152	96	100
Rose Memorial Scattered Sites	Winchester	182,000	Conventional	Disabled	14	100	100
Rosedale	Norfolk	1,300,000	Conventional	General	32	97	100
Royal Arms	Warren County	3,550,000	Sec. 236, Tax Credit	General	144	93	100
Royal Oaks	Norfolk	3,900,000	Conventional	General	114	78	100
Runk and Pratt of Bedford	Bedford	500,000	Conventional	Elderly	34	n/a	100
Rutledge Hills	Amherst	540,000	Tax Credit	General	48	92	100
Sacramento Square	Fairfax County	17,400,000	Conventional	General	216	96	100
Saint Croix	Virginia Beach	6,000,000	Conventional	General	160	86	100
Salem Commons	Salem	3,500,000	Tax Credit	General	98	90	100
Salem Fields	Spotsylvania County	9,200,000	Tax Credit	General	139	99	100
Salem Run I	Spotsylvania County	5,505,000	Tax Credit	General	160	96	100
Salem Run II	Spotsylvania	4,010,000	Tax Credit	General	108	94	100
Sanger Place	Fairfax County	14,195,000	Tax Credit	General	182	92	100
Scottesville School	Scottsville	1,050,000	Section 8	Elderly	34	97	100
Sea Pines	Virginia Beach	3,600,000	Tax Credit	General	96	100	100
Serve Family Shelter	Manassas	1,800,000	Conventional	General	60	n/a	100
Shelton	Arlington County	9,000,000	Tax Credit	General	95	96	100
Shenandoah Commons	Front Royal	3,900,000	Tax Credit	General	119	86	100
Shenandoah Station	Prince William County	6,675,000	Tax Credit	General	172	99	100
Sherbrooke (8)	Chesapeake	4,100,000	Tax Credit	General	160	96	100
Shockoe Hill I (3)	Richmond	3,460,180	Section 8	Elderly	113	99	100
Signal Hill	Manassas	2,175,000	Tax Credit	General	36	100	100
Silver Hill Arboretum	Newport News	3,873,000	Tax Credit	Elderly	153	93	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Sky Terrace	Stafford County	14,000,000	Tax Credit	General	187	100	100
Soldier's Ridge	Prince William County	8,805,000	Tax Credit	General	124	100	100
Somerset at Town Center Apts	Hampton	9,000,000	Tax Credit	Elderly	148	100	100
Somerset Pointe I	Prince William County	10,800,000	Tax Credit	General	172	99	100
Somerset Pointe II	Prince William County	5,900,000	Tax Credit	General	104	100	100
Sommerset House	Loudoun County	9,685,867	Conventional	Elderly	102	54	100
South Gate	Richmond	3,455,000	Tax Credit	General	112	84	100
South Knight	Reston	307,000	Conventional	General	3	100	100
South Main Commons	Manassas	3,900,000	Tax Credit	General	82	100	100
Southpointe	Chesterfield County	6,275,000	Tax Credit	General	192	98	100
Southwind	Norfolk	5,600,000	Tax Credit	General	120	99	100
Spicer's Mill	Orange County	314,000	Conventional	General	40	98	100
Spinnaker Cove	Hampton	10,578,929	Conventional	General	210	70	100
Spring Creek	Norfolk	1,850,000	Conventional	General	62	63	100
Spring Hill I	Richmond	286,000	Conventional	General	13	92	100
Springfield East	Henrico County	6,180,000	Conventional	General	112	89	100
Squire Hill II	Chesterfield County	5,850,000	Conventional	General	120	94	100
St. Croix	Virginia Beach	6,980,000	Conventional	General	160	86	100
St. Regis / Elaine Court	Newport News	950,000	Conventional	General	30	90	100
Stafford Lakes (3)	Fredericksburg	4,850,000	Tax Credit	General	150	78	100
Station at Norge	James City County	4,100,000	Tax Credit	General	104	100	100
Station at Potomac Yard	Alexandria	8,350,000	Tax Credit	General	65	67	100
Stepping Stone Apts	Roanoke	500,000	Tax Credit	General	30	87	100
Stonegate	Lee	296,380	Tax Credit	General	36	92	100
Stonegate	Stafford	10,576,000	Tax Credit	General	180	100	100
Stratford-Bethany Springs	Richmond	15,000,000	Conventional	General	430	84	100
Summerdale (3)	Henrico County	1,650,000	Tax Credit	General	124	98	100
Summerland Heights I	Woodbridge	10,476,000	Tax Credit	General	206	100	100
Summerland Heights II	Prince William	5,800,000	Tax Credit	General	112	100	100
Surf Rider	Norfolk	650,000	Conventional	General	32	50	100
Sussex Trace (3)	Sussex	1,465,835	Sec. 8	General	50	68	100
Swansboro	Richmond	1,600,000	Tax Credit	General	62	81	100
Sweetbriar	Abingdon	517,045	Conventional	General	20	n/a	100
Tall Pines	Newport News	5,517,684	Conventional	General	104	90	100
Tarrytown	Newport News	2,500,000	Conventional	General	104	87	100
Taylor Bend Apartments	Chesapeake	3,200,000	Conventional	General	30	87	100
Taylor Pointe	Chesapeake	3,500,000	Tax Credit	General	120	99	100
Tazewell Square	Tazewell	307,000	Tax Credit	General	56	95	100
Tenants Choice IX	Roanoke	120,000	Conventional	General	3	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Terrace View	Colonial Heights	2,520,000	Tax Credit	General	62	98	100
Thalia Landing	Virginia Beach	5,100,000	Tax Credit	General	154	97	100
Timber Ridge	Spotsylvania	8,000,000	Tax Credit	General	147	98	100
Timbers Townhouses	Norfolk	5,500,000	Conventional	General	104	71	100
Tinker Creek (7)	Roanoke	2,250,000	Tax Credit	General	100	92	100
Tobacco Landing (3)	Richmond	1,000,000	Tax Credit	General	60	82	100
Tomcliff I	Richmond	940,000	Conventional	General	8	100	100
Tomcliff III	Richmond	925,000	Conventional	General	5	100	100
Tomcliff at Clarkson VI	Richmond	1,220,000	Conventional	General	7	100	100
Tomcliff IV	Richmond	945,000	Conventional	General	6	100	100
Tomcliff V	Richmond	950,000	Conventional	General	6	100	100
Tompkins Apts	Norfolk	500,000	Conventional	General	24	67	100
Towne Square (3)	Prince William County	8,075,000	Tax Credit	General	135	96	100
Townhomes of Oakley	Henrico County	6,660,000	Tax Credit	General	160	89	100
Trevillian Square	Louisa	1,680,000	Conventional	General	28	86	100
Tysons Landing	Fairfax County	3,340,709	Sec. 8, Tax Credit	General	40	98	100
University Heights	Albemarle County	25,700,000	Conventional	General	426	97	100
University Suites at Port Warwick	Newport News	11,500,000	Conventional	General	100	91	100
Unlimited Miracles	Chesapeake	220,000	Conventional	Disabled	4	n/a	100
Valley View Seniors	Staunton	1,865,000	Tax Credit	Elderly	71	96	100
Valley View/Creekside	Lynchburg	6,376,700	Conventional	Elderly	109	95	100
Vibrant Life Ministeries (7)	James City County	885,000	Conventional	General	12	0	100
Victoria Place	Virginia Beach	3,625,000	Tax Credit	Elderly	122	99	100
Victory Village	Portsmouth	3,950,000	Tax Credit	General	112	96	100
Villa Terrace	Norfolk	1,600,000	Tax Credit	General	81	100	100
Village Way	Fairfax County	125,000	Conventional	Disabled	1	n/a	100
Villages at Garst Creek	Roanoke County	20,450,000	Tax Credit	General	504	76	100
Vine Place II	Stafford	5,900,000	Tax Credit	General	172	91	100
Vine Place III	Stafford	2,250,000	Tax Credit	General	42	93	100
Waddell Estates	Smythe County	605,000	Conventional	General	16	100	100
Warrenton Manor	Warrenton	1,997,975	Sec. 8	Elderly	68	97	100
Washington Square	Emporia	201,300	Tax Credit	General	24	100	100
Waterside Drive	Chesapeake	470,000	Conventional	Disabled	2	100	100
Waverton Chesapeake(3)	Chesapeake	11,456,150	Tax Credit	General	304	95	100
Waverton Place at Ashton Green	Newport News	9,540,000	Tax Credit	General	228	99	100
Waverton Place I	Newport News	10,475,000	Conventional	General	180	82	100
Waverton Place II	Newport News	5,240,000	Conventional	General	102	89	100
Waverton Place III	Newport News	10,000,000	Conventional	General	132	87	100
Wellington Place	Henrico County	5,400,000	Conventional	General	200	100	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Wesley Apartments	Lynchburg	4,100,000	Tax Credit	General	150	100	100
Wesleyan Place	Lynchburg	3,700,000	Tax Credit	Elderly	91	100	100
West Creek (7)	Roanoke	3,369,000	Conventional	General	200	37	100
West Main Street Townhouses	Pulaski County	550,000	Conventional	General	13	n/a	100
Westbridge Commons (3)	Chesapeake	750,000	Tax Credit	General	60	97	100
Westover Commons	Petersburg	2,495,000	Tax Credit	General	84	54	100
Westwinds I & II	Portsmouth	14,850,000	Conventional	General	328	91	100
Westwinds III	Portsmouth	3,815,000	Conventional	General	80	98	100
Wexford Manor	Falls Church	3,300,000	Tax Credit	General	74	100	100
Whispering Oaks	Portsmouth	6,400,000	Tax Credit	General	180	100	100
William Byrd (3)	Richmond	2,982,000	Tax Credit	Elderly	107	93	100
Wilton Farm	Albemarle County	5,266,000	Tax Credit	General	144	88	100
Windsor Court	Isle of Wight	387,000	Tax Credit	General	40	100	100
Windsor Crossing	Newport News	4,716,000	Conventional	General	156	98	100
Windy Ridge	Petersburg	2,010,000	Tax Credit	General	72	76	100
Wingler House	Loudoun County	5,521,000	Tax Credit	Elderly	132	92	100
Wingler House West	Loudoun County	7,900,000	Tax Credit	Elderly	132	92	100
Wolfe Street	Fredericksburg	110,000	Conventional	Disabled	8	n/a	100
Woodberry Forest	Virginia Beach	3,500,000	Conventional	General	91	99	100
Woodbine Lane MD	Annandale	194,750	Conventional	Disabled	6	n/a	100
Woodbridge (3)	Chesapeake	5,450,000	Tax Credit	General	152	99	100
Woodbridge Townhouses	Woodbridge	300,000	Conventional	General	4	n/a	100
Woodburn Village I	Prince William	6,660,780	Tax Credit	General	144	99	100
Woodburn Village II	Prince William	5,560,000	Tax Credit	General	108	97	100
Woodcroft Village (3) (10)	Richmond	1,100,000	Section 236	General	250	77	100
Woodland Crossing (3)	Richmond	3,600,000	Tax Credit	General	132	96	100
Woodland Hill (3)	Arlington County	4,258,800	Section 8	Elderly	235	99	100
Woodridge (3)	Roanoke	456,000	Tax Credit	General	96	98	100
Woods at Victoria Park	Prince William County	2,450,000	Tax Credit	Elderly	48	100	100
Woods at Yorktown	York County	1,450,000	Tax Credit	General	118	93	100
Woods of Jefferson	Newport News	3,330,000	Conventional	General	108	81	100
Woodview (3)	Newport News	13,465,000	Tax Credit	General	240	96	100
Wyndham Pointe	Prince William County	18,464,000	Tax Credit	General	194	99	100
Yorktown Square I	York County	1,901,000	Tax Credit	General	56	100	100
Subtotals		3,089,663,392			69,484		

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Developments that are financed by construction loans							
Arbor Glen	Chesapeake	13,645,000	Tax Credit	General	240	n/a	59
Ashton Ridge (5)	Prince William	10,275,000	Conventional	General	124	n/a	n/a
Bailey House at Avemore (7)	Albemarle County	17,912,000	Conventional	Elderly	92	100	100
Beverly Park Apartments	Alexandria	3,505,000	Tax Credit	General	33	n/a	100
Chesapeake Apartments	Dumfries	18,150,000	Tax Credit	General	184	n/a	59
Colonnade at Rocktown I	Harrisonburg	3,373,000	Conventional	General	7	n/a	63
Colonnade at Rocktown II	Harrisonburg	2,606,308	Tax Credit	General	60	n/a	42
Columbia Grove	Arlington County	14,755,000	Tax Credit	General	208	28	100
East Falls Apartments	Falls Church	27,000,000	Tax Credit	General	305	n/a	20
Fields at Landmark	Alexandria	28,200,000	Tax Credit	General	290	95	100
Montgomery Square I	Portsmouth	4,200,000	Conventional	General	40	n/a	100
Montgomery Square II	Portsmouth	5,450,000	Conventional	General	41	n/a	87
New Manchester Flats I	Richmond	5,360,000	Conventional	General	57	n/a	71
New Manchester Flats IX	Richmond	1,300,000	Tax Credit	Disabled	41	n/a	15
Poplar Forest IV	Farmville	1,375,000	Conventional	General	22	n/a	n/a
Strawbridge Square	Alexandria	10,500,000	Tax Credit	General	128	n/a	52
Twin Canal Village (3)	Virginia Beach	1,900,000	Section 8	General	300	n/a	11
Views at Clarendon	Arlington	14,500,000	Conventional	General	116	n/a	7
Washington Plaza	Richmond	1,940,000	Tax Credit	Elderly	28	n/a	94
Westminster Oaks	Springfield	5,500,000	Tax Credit	General	50	100	0
Wilsondale I	Hampton	6,610,000	Conventional	General	60	n/a	17
Wilsondale II	Hampton	6,882,389	Tax Credit	General	150	n/a	16
Woodcroft Village	Richmond	950,000	Section 236	General	0	n/a	n/a
Subtotals		205,888,697			2,576		
Developments that have been committed but not initially closed							
Ashton Ridge	Prince William County	10,275,000	Conventional	General	124	81	100
Beach House	Norfolk	950,000	Conventional	General	16	n/a	n/a
Beach Park West (4)	Virginia Beach	1,255,000	Conventional	Disabled	18	n/a	n/a
Belle Ville Landing I	Warsaw	950,000	Conventional	General	12	n/a	n/a
Boaz and Ruth	Richmond	760,000	Conventional	Homeless	30	n/a	n/a
Buckingham Village	Arlington County	9,150,000	Tax Credit	General	100	n/a	n/a
Cananche Creek (4)	Wise County	570,000	Conventional	General	60	72	n/a
Chesapeake Apartments	Dumfries	3,500,000	Tax Credit	General	184	n/a	n/a
Claiborne Square	Petersburg	600,000	Tax Credit	Elderly	47	n/a	n/a
Colonnade at Rocktown II (5)	Harrisonburg	2,675,000	Tax Credit	General	60	n/a	n/a
Cotton Mill Lofts (6) (4)	Roanoke	8,200,000	Conventional	General	108	n/a	100

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
Crozet Meadows	Albemarle County	1,715,000	Conventional	Elderly	66	n/a	n/a
CRS Scattered Sites	Fairfax County	1,310,000	Conventional	General	17	n/a	n/a
Dante's Crossing (4) (6)	Russell County	237,000	Tax Credit	General	12	n/a	n/a
Dolly Ann	Alleghany	1,950,000	Tax Credit	General	108	n/a	n/a
East Broad 2001 (5)	Richmond	8,150,000	Mixed Use	General	75	n/a	n/a
Fields of Alexandria (10)	Alexandria	4,500,000	Conventional	General	0	93 %	100 %
Fields of Old Town (10)	Alexandria	1,500,000	Conventional	General	0	98	100
Floyd Village (6)	Floyd County	740,000	Mixed Use	General	11	n/a	n/a
Garfield Gardens	Arlington County	1,090,000	Conventional	General	9	n/a	n/a
Jonesville Manor	Lee County	181,000	Tax Credit	Elderly	40	n/a	n/a
Jubal's Retreat	Rocky Mount	515,000	Conventional	General	7	n/a	n/a
Hamilton Place (5)	Portsmouth	4,900,000	Tax Credit	General	84	n/a	n/a
High Meadows	Wythe County	2,125,000	Tax Credit	General	60	98	n/a
Meadowbrook Heights	Culpeper County	825,000	Conventional	General	42	n/a	n/a
Meridian Watermark (5)	Chesterfield	22,750,000	Tax Credit	General	300	n/a	n/a
New Manchester Flats I I I (5)	Richmond	1,250,000	Mixed Use	General	1	n/a	n/a
New Manchester Flats IV (5)	Richmond	6,500,000	Mixed Use	General	71	n/a	n/a
Perry Street (5)	Petersburg	11,970,000	Conventional	General	146	n/a	n/a
Quaker Hill	Alexandria	3,500,000	Tax Credit	General	60	n/a	n/a
Quarterpath (6)	Williamsburg	3,600,000	Conventional	General	54	n/a	n/a
Stephen's Village (4)	Frederick County	715,000	Tax Credit	General	46	n/a	n/a
Taylor Lofts	South Boston	1,000,000	Tax Credit	General	47	100	n/a
Terrace North	Roanoke	1,870,000	Tax Credit	General	78	n/a	n/a
Terrace South	Roanke City	2,735,000	Tax Credit	General	109	47	n/a
Third Street	Radford City	547,000	Mixed Use	General	10	n/a	n/a
Wenonah Ave	Giles	440,000	Mixed Use	General	6	n/a	n/a
West Washington (126-130)	Suffolk	900,000	Mixed Use	General	6	n/a	n/a
Westminster Oaks	Springfield	475,000	Tax Credit	General	50	n/a	n/a
Wilsondale II	Hampton	7,050,151	Tax Credit	General	150	n/a	n/a
Woodcroft Village (10)	Richmond	1,550,000	Section 236	General	0	n/a	n/a
Subtotals		135,475,151			2,424		

Development	Location	Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (9)	Percentage of Construction Complete (2)
		Developments Expected to be Financed by the Offered Bonds					
Developments that have been committed but not closed							
Fields of Alexandria (10)	Alexandria	25,000,000	Conventional	General	306	93 %	100 %
Fields of Old Town (10)	Alexandria	8,000,000	Conventional	General	98	98	100
Subtotals		$33,000,000			404		
Totals for the Offered Bonds		$33,000,000			404		
Grand Totals for All Developments and Owned Properties		$3,464,027,239.78			74,888		

(1) Mortgage Loan amount established at final closing. For Developments that have not yet achieved final closing, the amount shown represents the Mortgage Loan commitment.
(2) For Developments that have achieved final closing, this percentage is for all units; for Developments under construction or major rehabilitation, it is only for those units that are completed and available for rent.
(3) In addition to the Mortgage Loan amount shown here, additional Mortgage Loan amounts are pledged to the owners of Authority bonds other than the Bonds. Such amounts are treated as a participation in the aggregate Mortgage Loan on the development.
(4) Development has had final closing since March 31,2010.
(5) Development has had initial closing since March 31,2010.
(6) Development has been committed since March 31,2010.
(7) The Authority has acquired the Development by foreclosure or deed in lieu of foreclosure.
(8) The Authority has an ownership interest in the Development.
(9) Occupancy data for Developments marked n/a is not available. The Authority does not typically collect occupancy data on Developments containing a small number of units or Developments financed by construction loans.
(10) In addition to Loan amount shown here, additional Mortgage Loan amounts are pledged to the owners of Rental Housing Bonds.

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APPENDIX E

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,
Basic Financial Statements, and
Supplementary Information

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Table of Contents

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Management's Discussion and Analysis
June 30, 2009 and 2008

Management of the Virginia Housing Development Authority (the Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the years ended June 30, 2009 and 2008. Readers are encouraged to consider this information in conjunction with the Authority's financial statements, accompanying footnotes, and supplemental information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia, created under the Virginia Housing Development Authority Act (the Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds to investors. Such notes, bonds, and other indebtedness are not obligations of the Commonwealth of Virginia (the Commonwealth) and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not draw upon the general taxing authority of the Commonwealth. Operating revenues are generated primarily from interest on mortgage loans, program administration fees, and investment income from bond proceeds and earnings accumulated since inception.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit program, which awards income tax credits for the purpose of developing low-income multifamily housing projects. The Authority also underwrites Resources Enabling Affordable Community Housing (REACH Virginia) initiatives, in which the interest rates on loans are subsidized by the Authority, principally for the elderly, disabled, homeless, and other low-income persons. The amount of net assets used to provide reduced interest rates on mortgage loans or otherwise subsidize its programs is equal to 15% of the average of the Authority's change in net assets, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31 *Certain Investments and External Investment Pools*, for the preceding three fiscal years. The Authority may use a higher amount if determined to be appropriate. The amounts made available to provide reduced interest rates on mortgage loans or otherwise provide housing subsidies under its programs are subject to review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions.

Financial Statements

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and the accompanying notes.

The *Statement of Net Assets* reports all of the Authority's assets and liabilities, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and liabilities is presented as net assets, and is displayed in three components: capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* identify all the Authority's revenues and expenses for the reporting period, distinguishing between operating and nonoperating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loans, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. These statements provide information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Notes to Financial Statements* provide additional information that are essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's basic financial statements.

Financial Highlights

Overview

The Authority maintained a strong financial position during a year of severe upheaval in the housing and financial markets. New business strategies were developed to address the unprecedented challenges of deep recession, greatly limited financing options, rising delinquencies and foreclosures and portfolio devaluations. As a result, profitability and services were maintained at high levels.

The Authority initially slowed new loan production to conserve capital until new sources of financing could be developed. As the interest rate environment remained unfavorable, particularly for traditional tax-exempt bonds supported by homeownership loans, the Authority secured first-time approval to issue GNMA securities as a new funding source.

Rising unemployment and lowered housing prices resulted in higher delinquency and foreclosure rates for the single family portfolio. Higher loan losses necessitated higher reserve requirements. The Authority's homeownership education, underwriting and loss mitigation practices, however, helped keep delinquency and foreclosure rates below those for Virginia and the nation. The Authority also introduced a Borrower Assistance Program to prevent foreclosure through loan modification for otherwise responsible borrowers encountering financial hardships beyond their control. The Authority services substantially all of its single family loans, affording flexibility in working with troubled borrowers.

The Authority issued $705 million in taxable and tax-exempt single family and multifamily bonds, including bonds issued to refund previously issued bonds, during the most difficult bond market environment ever experienced. These issuances were made possible by the Authority's financial strength and excellent reputation in the marketplace, particularly as noted by rating agencies. In a recent review of state housing finance agencies, the Authority was one of just four to be rated low risk in each of Moody's risk criteria. In the U.S. Public Finance Report Card released in May, 2009, Standard & Poor's noted that the Authority's financial performance places it "in a stronger position than its 'AA+' rated peers".

Operating income for the year ended June 30, 2009 was $76.0 million, a decrease of $12.8 million from the prior year. With the inclusion of nonoperating income, consisting primarily of investment income, net assets increased for the year by $77.6 million compared to a $71.5 million increase last year.

Year Ended June 30, 2009

Homeownership loan originations totaled 4,259 in the fiscal year (FY) 2009 compared to 6,491 for the same period last year. Mortgage loan production decreased by 2,232 or 34% as a consequence of market aversion to taxable bond resources and conserving available tax-exempt bond resources. Such market conditions prompted the Authority to suspend availability of taxable products since April 2008.

As of June 30, 2009, the Authority serviced 49,819 first and second homeownership mortgage loans with outstanding balances totaling $5.1 billion. The number of loans serviced, net of prepayments, increased 3,170 or 6.8% since June 30, 2008 while outstanding loan balances increased $199 million or 4.1% as of the same date. In FY 2009, there were 341 foreclosures valued at 0.89% of the homeownership loan portfolio, compared to a year ago with 143 foreclosures valued at 0.39% of loan amounts. Delinquency rates on the portfolio loan count of first mortgage loans averaged 7.31% for FY 2009, compared to 4.98% a year ago. Delinquency rates based on outstanding loan balances averaged 3.33% and 1.88% in FY 2009 and FY 2008, respectively.

Financing commitments were made for 74 rental housing projects during the year, representing 3,577 units totaling $207.1 million, compared to 83 projects and 3,549 units totaling $181.3 million for the prior year. Volatility in interest rates coupled with diminishing property available for developing affordable rental housing stock constrained FY 2009 activity.

As of June 30, 2009 the Authority serviced 1,450 rental mortgage loans with outstanding balances totaling $3.2 billion. Compared to June 30, 2008, the number of loans in the portfolio increased 72 or 5.2% and the loan balances increased $137.7 million or 4.4%. Delinquency rates based on portfolio loan count averaged 1.08% and 0.94% in FY 2009 and FY 2008, respectively. The average delinquency rates based on outstanding loan balances for FY 2009 were 0.18% or $5.7 million compared to 0.25% or $7.5 million in FY 2008. Delinquency rates continued to be among the lowest levels since July 2003. In FY 2009, foreclosed rental properties valued at $7.4 million were acquired and their operations continued under the Authority's ownership and control.

Year Ended June 30, 2008

Single-family loan originations totaled 6,491 in FY 2008, representing a decrease of 1,072 loans compared to FY 2007. Single-family production was managed based upon available tax-exempt bond resources.

As of June 30, 2008, the Authority serviced 46,649 first and second single-family mortgage loans with outstanding balances totaling $4.9 billion. The number of loans serviced, net of prepayments, increased 4,890 or 12% since June 2007 and the balances increased $764 million or 18% over the same period. The delinquency rate on the portfolio of first mortgage loan count averaged 4.98% in FY 2008 compared to 4.35% for FY 2007.

Financing for 83 rental housing projects, representing 3,549 units, was committed during FY 2008, as compared to 81 projects and 4,697 units committed in FY 2007. Diminishing numbers of properly zoned properties and existing developments available for new construction or preservation of affordable multi-family housing project developments has impacted production.

As of June 30, 2008, the Authority serviced 1,378 rental mortgage loans with outstanding balances totaling $3.1 billion. The number of loans in the portfolio increased 64 or 4.9% since June 2007 and the balances increased $187 million or 6.4% in the year. Overall delinquency rates on the portfolio loan count averaged 0.94% in FY 2008, compared to 0.63% in FY 2007. Delinquency rates of the portfolio based on loan balances were 0.25%, an increase from 0.20% in FY 2007.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: debt service reserve funds required by bond indenture, escrow and reserve funds held for the benefit of single-family mortgagors and multi-family projects, funding for new mortgage loan originations, working capital for operating costs of the Authority, governmental funds held for disbursement toward Section 8 projects, and other funds held in a fiduciary capacity to support other housing initiatives. Monies on deposit in Virginia banks are secured under the Virginia Security for Public Deposits Act of the Code of Virginia.

Investment objectives are to invest all monies at favorable rates to maximize returns while maintaining short-term liquidity and to manage investments in a prudent manner to enable the Authority to fulfill its financial commitments. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk. The Authority does not enter into short sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal asset. Mortgage loans are financed through a combination of proceeds of notes and bonds and net assets accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bonds.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's Investors Services and AA+ from Standard & Poor's Rating Services for its general credit rating as well as all bond indentures other than the Commonwealth Mortgage Bonds indenture, which is rated Aaa and AAA, from Moody's and Standard & Poor's, respectively. Net assets comprise capital assets, net of related debt, and restricted and unrestricted net assets. *Capital assets, net of related debt* represents office buildings, land, furniture and equipment, vehicles and an investment in rental property, less the current outstanding applicable debt. *Restricted net assets* represent the portion of net assets held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond indentures. *Unrestricted net assets* represent a portion of net assets that have been designated for a broad range of initiatives, such as administration of the Housing Choice Voucher program, support for REACH Virginia initiatives, contributions to bond issues and bond reserve funds, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statement of Net Assets

(In millions)

		June 30		
		2009	2008	2007
Cash and cash equivalents	$	978.5	1,111.7	705.8
Investments		96.8	236.7	498.6
Mortgage loans held for sale		1.7	—	—
Mortgage and other loans receivable, net		8,141.5	7,854.9	6,991.1
Other assets		148.8	141.0	128.9
Total assets		9,367.3	9,344.3	8,324.4
Notes and bonds payable, net		6,877.0	6,940.3	5,998.2
Other liabilities		370.9	362.2	356.0
Total liabilities		7,247.9	7,302.5	6,354.2
Invested in capital assets, net of related debt		2.1	(3.7)	(8.0)
Restricted by bond indentures		1,970.7	1,854.6	1,754.7
Unrestricted		146.6	190.9	223.5
Net assets	$	2,119.4	2,041.8	1,970.2

June 30, 2009 Compared to June 30, 2008

Total assets increased $23.0 million, or 0.2% from the prior year. Cash and cash equivalents, and investments, combined, decreased $273.1 million, or 20.3% from the prior year. Mortgage and other loans receivables increased by $286.6 million, or 3.6%, largely as a result of new homeownership loan originations.

Total liabilities decreased $54.6 million, or 0.7% from the prior year. Notes and bonds payable decreased $63.3 million and accrued interest on notes and bonds increased $7.3 million. For the year, the Authority issued $255.5 million in single-family homeownership bonds, $450.0 million in rental housing bonds, the majority of which was used to finance the redemption of the Multifamily Housing bonds, and drew a net additional $61.3 million on lines of credit. Proceeds from bond issues and lines of credit were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2,119.4 million, representing an increase in net assets of $77.6 million, or 3.8% from the prior year. As of June 30, 2009, net assets invested in capital assets, net of related debt, consisted of $44.2 million in investments in rental property, net of depreciation and amortization and $22.8 million in property, furniture, and equipment, net of depreciation and amortization, less related bonds payable of $64.9 million. Net assets restricted by bondholders totaled $1,970.7 million, an increase of $116.1 million, or 6.3% from the prior year. Unrestricted net assets totaled $146.6 million, a decrease of $44.3 million, or 23.2% from the prior year.

June 30, 2008 Compared to June 30, 2007

Total assets increased $1,019.7 million, or 12.2% from the prior year. Cash and cash equivalents, and investments, combined, increased $144.0 million, or 12.0% from the prior year. Mortgage and other loans receivables increased by $863.8 million, or 12.4%, as a result of $1,082.3 million in new homeownership loan originations, homeownership mortgage loan prepayments of $315.8 million, and other multi-family loan activity.

Total liabilities increased $948.2 million, or 14.9% from the prior year due to net additional draws on lines of credit and issuances of bonds. The Authority issued $939.0 million in single-family homeownership bonds (including $269.0 million of taxable bonds) and $223.7 million in rental housing bonds, and drew a net additional $61.3 million on lines of credit. Proceeds from bond issues and lines of credit were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2,041.8 million, representing an increase in net assets of $71.5 million, or 3.6% from the prior year. As of June 30, 2008, net assets invested in capital assets, net of related debt, consisted of $38.1 million in investments in rental property, net of depreciation and amortization and $21.5 million in property, furniture, and equipment, net of depreciation and amortization, less related bonds payable of $66.4 million. Net assets restricted by bondholders totaled $1,854.6 million, an increase of $99.9 million, or 5.7% from the prior year. Unrestricted net assets totaled $190.9 million, a decrease of $32.7 million, or 14.6% from the prior year.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

(In millions)

		Year ended June 30		
		2009	2008	2007
Operating revenues:				
Interest on mortgage and other loans	$	518.5	487.6	436.4
Pass-through grants received		69.6	72.1	71.6
Housing Choice Voucher program income		61.1	62.9	63.9
Other operating revenues		23.6	19.6	22.1
Total operating revenues		672.8	642.2	594.0
Operating expenses:				
Interest on notes and bonds payable		355.2	335.0	287.0
Pass-through grants disbursed		69.6	72.1	71.6
Housing Choice Voucher program expense		70.6	65.1	61.3
Other operating expenses		101.4	81.2	71.5
Total operating expenses		596.8	553.4	491.4
Net operating income		76.0	88.8	102.6
Nonoperating revenues:				
Investment income (loss)		1.5	(17.3)	52.4
Other nonoperating revenues		0.1	0.1	—
Total nonoperating revenues (losses)		1.6	(17.2)	52.4
Change in net assets	$	77.6	71.6	155.0

The principal determinants of the Authority's change in net assets (more commonly referred to as net revenues) are operating revenues less operating expenses plus nonoperating revenues.

Operating revenues consist primarily of interest earnings on mortgage loans and operating expenses consist predominantly of interest expense on notes and bonds payable and operating expenses of the Authority. Nonoperating revenues consist of investment earnings as well as realized and nonrealized gains or losses on the sale of investments.

Included in investment income are downward net fair market value adjustments of $1.8 million and $59.8 million for the years ended June 30, 2009 and 2008, respectively. The Authority generally intends to hold these investments to maturity; however, due to the nature of securities, some portion of these market rate adjustments may be expected to be realized.

Fiscal Year 2009

Operating revenues increased $30.5 million or 4.7% from the prior year. The increase was primarily attributable to interest earnings on mortgage and other loan receivables, which increased $30.9 million, or 6.3%. Mortgage loan production grew at a slower pace compared to the previous year while loan payoffs increased. Mortgage rates averaged 5.67% compared to 5.91% the previous year.

Operating expenses increased $43.4 million or 7.8% from the prior year. Interest expense on notes and bonds payable increased $20.2 million or 6.0% from the prior year, due to a net increase of $512.7 million in average monthly notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased $20.3 million or 25.1% above last year. Loan losses and expenses accounted for $13.5 million of the increase. Expenses for the Housing Choice Voucher program increased $5.5 million or 8.4% over last year.

Nonoperating revenues increased $18.9 million or 109.9% from the prior year, due primarily to unrealized investment losses of $59.8 million which were included in net investment losses in FY 2008.

Fiscal Year 2008

Operating revenues increased $48.1 million or 8.1% from the prior year. The increase was primarily attributable to interest earnings on mortgage and other loan receivables, which increased $51.2 million, or 11.7%, due to $763.7 million growth in the volume of mortgage loans serviced during the year, mortgage loan prepayments of $315.8 million, and a slight increase in mortgage rates.

Operating expenses increased $62.1 million or 12.6% from the prior year. Interest expense on notes and bonds payable increased $48.0 million or 16.7% from the prior year, due to net increases in the amount of notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased $9.7 million or 13.7% over last year. Expenses for the Housing Choice Voucher program increased by $3.8 million, or 6.2%, over last year.

Nonoperating revenues decreased by $69.6 million or 133.1% from the prior year, due primarily to mark-to-market adjustments resulting from interest rate risk and credit risk of investments held. Unrealized losses were recorded on certain mortgage-backed securities that declined in value primarily as a result of a high rate of mortgage defaults, increased credit risk, and in some cases downgraded ratings. Realized gains or losses will be recognized upon final disposition of the securities.

Other Economic Factors

The Authority's mortgage loan financing activities are sensitive to the general level of interest rates, the interest rates and other characteristics of the Authority's loans compared to loan products available in the conventional mortgage markets, and the availability of affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms is a key element in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's main sources of revenues include mortgage loan activity and investment interest income. Short-term investment rates in the United States have declined sharply from approximately 5.0% in July 2007 to less than 0.25% in June 2009.

Delinquency and foreclosure rates in the single family loan portfolio, and to a lesser extent the multifamily loan portfolio, are influenced by unemployment. Virginia's average unemployment rate increased from 3.4% in fiscal year 2008 to 5.5% in fiscal year 2009.

Additional Information

If you have questions about this report or need additional information, please visit the Authority's Web site, www.vhda.com, or contact the Finance Division of the Virginia Housing Development Authority.

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Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Commissioners
Virginia Housing Development Authority:

We have audited the accompanying statements of net assets of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Housing Development Authority as of June 30, 2009 and 2008, and the respective changes in its financial position and its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis and Schedule of Funding Progress by Plan Valuation Date on pages 1 through 9 and page 45, respectively, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 2 through 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

September 21, 2009

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Net Assets

June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash and cash equivalents (note 5)	$ 978,531,768	1,111,669,774
Investments (note 5)	7,389,131	9,244,905
Interest receivable – investments	661,509	1,750,451
Mortgage loans held for sale	1,671,773	—
Mortgage and other loans receivable (note 4)	152,610,057	142,178,890
Interest receivable – mortgage and other loans	39,440,436	37,707,848
Other real estate owned	36,764,772	16,969,446
Housing Choice Voucher contributions receivable	271,482	3,256,935
Other assets	17,219,635	8,213,537
Total current assets	1,234,560,563	1,330,991,786
Noncurrent assets:		
Investments (note 5)	89,386,031	227,546,137
Mortgage and other loans receivable (note 4)	8,096,001,205	7,803,035,684
Less allowance for loan loss	81,158,206	64,872,582
Less net deferred loan fees	25,973,670	25,473,878
Mortgage and other loans receivable, net	7,988,869,329	7,712,689,224
Investment in rental property, net	21,129,690	38,057,617
Property, furniture, and equipment, less accumulated depreciation and amortization of $25,190,157 and $23,289,674, respectively (note 6)	24,454,729	22,037,337
Unamortized bond issuance expenses	7,913,702	6,386,921
Other assets	989,878	6,614,793
Total noncurrent assets	8,132,743,359	8,013,332,029
Total assets	$ 9,367,303,922	9,344,323,815
Liabilities and Net Assets		
Current liabilities:		
Notes and bonds payable (note 7)	$ 431,843,820	332,143,055
Accrued interest payable on notes and bonds	114,846,243	107,508,061
Escrows (note 8)	37,946,204	34,166,579
Accounts payable and other liabilities (notes 5 and 9)	22,148,606	21,181,323
Total current liabilities	606,784,873	494,999,018
Noncurrent liabilities:		
Bonds payable, net (note 7)	6,445,144,903	6,608,173,733
Project reserves (notes 8 and 13)	168,015,080	171,525,076
Other liabilities (notes 5, 9, 11, and 13)	27,945,084	27,854,631
Total noncurrent liabilities	6,641,105,067	6,807,553,440
Total liabilities	7,247,889,940	7,302,552,458
Net assets (note 10):		
Invested in capital assets, net of related debt	2,135,457	(3,700,723)
Restricted by bond indentures (note 3)	1,970,640,302	1,854,543,001
Unrestricted	146,638,223	190,929,079
Total net assets	2,119,413,982	2,041,771,357
Total liabilities and net assets	$ 9,367,303,922	9,344,323,815

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Interest on mortgage and other loans	$ 518,534,517	487,623,035
Pass-through grants income	69,579,819	72,123,335
Housing Choice Voucher program income	61,143,049	62,895,029
Investment in rental property income	14,186,900	12,132,010
Gains and recoveries on sale of other real estate owned	1,486,588	84,079
Other	7,883,120	7,431,407
Total operating revenues	672,813,993	642,288,895
Operating expenses:		
Interest on notes and bonds	355,170,325	335,047,495
Salaries and related employee benefits (note 11)	32,086,533	29,775,579
General operating expenses	18,754,188	16,435,740
Note and bond expenses	538,224	233,730
Amortization of bond issuance expenses	418,746	349,236
Pass-through grants expenses	69,579,819	72,123,335
Housing Choice Voucher program expenses	70,642,377	65,096,118
External mortgage servicing expenses	1,431,151	1,371,907
Investment in rental property expenses	13,435,917	11,807,323
Losses and expenses on other real estate owned	9,959,770	2,427,429
Provision for loan losses	24,790,541	18,815,406
Total operating expenses	596,807,591	553,483,298
Operating income	76,006,402	88,805,597
Nonoperating revenues (losses):		
Investment income (loss) (note 9)	1,577,881	(17,328,551)
Other, net	58,342	60,998
Total nonoperating revenues (losses)	1,636,223	(17,267,553)
Change in net assets	77,642,625	71,538,044
Total net assets, beginning of year	2,041,771,357	1,970,233,313
Total net assets, end of year	$ 2,119,413,982	2,041,771,357

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash payments for mortgage and other loans	$ (1,267,328,871)	(1,377,749,840)
Principal repayments on mortgage and other loans	922,623,907	473,589,841
Interest received on mortgage and other loans	515,630,427	483,527,641
Pass-through grants received	69,579,819	72,123,335
Pass-through grants disbursed	(69,579,819)	(72,123,335)
Housing Choice Voucher payments received	64,128,502	64,334,008
Housing Choice Voucher payments disbursed	(70,467,288)	(64,822,825)
Escrow and project reserve payments received	250,828,615	220,106,194
Escrow and project reserve payments disbursed	(251,078,244)	(211,639,412)
Other operating revenues	4,514,056	9,063,584
Cash received for loan origination fees	6,235,474	9,602,619
Cash paid for loan origination fees	(7,169,458)	(13,563,029)
Cash payments for salaries and related benefits	(30,741,516)	(29,579,467)
Cash payments for general operating expenses	(13,006,578)	(12,419,591)
Cash payments for mortgage servicing expenses	(1,364,013)	(1,294,754)
Proceeds from sale of other real estate owned	6,855,926	2,443,869
Investment in rental property	14,197,654	(8,414,836)
Net cash provided by (used in) operating activities	143,858,593	(456,815,998)
Cash flows from noncapital financing activities:		
Proceeds from sale of notes and bonds	959,898,706	1,298,991,539
Principal payments on notes and bonds	(1,023,881,936)	(368,059,812)
Interest payments on notes and bonds	(338,719,426)	(298,116,131)
Cash payments for bond issuance expenses	(10,403,079)	(7,908,353)
Net cash provided by (used in) noncapital financing activities	(413,105,735)	624,907,243
Cash flows from capital and related financing activities:		
Purchases of property, furniture, and equipment	(5,155,229)	(4,212,392)
Cash flows from investing activities:		
Purchases of investments	(117,855,396)	(186,445,910)
Proceeds from sales or maturities of investments	245,271,038	388,813,045
Interest received on investments	13,848,723	39,655,122
Net cash provided by investing activities	141,264,365	242,022,257
Net increase (decrease) in cash and cash equivalents	(133,138,006)	405,901,110
Cash and cash equivalents, at beginning of year	1,111,669,774	705,768,664
Cash and cash equivalents, at end of year	$ 978,531,768	1,111,669,774

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Years ended June 30, 2009 and 2008

		2009	2008
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	76,006,402	88,805,597
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation of property, furniture, and equipment		2,741,553	2,725,308
Other depreciation and amortization		3,004,699	1,993,488
Interest on notes and bonds		355,170,323	335,047,495
Decrease in investment in rental property, net		14,341,974	3,249,612
Increase in mortgage and other loans receivable		(305,068,461)	(876,704,332)
Increase in allowance for loan loss		16,285,624	15,549,671
Increase (decrease) in net deferred loan fees		499,792	(2,662,246)
Increase in interest receivable – mortgage and other loans		(1,732,586)	(2,558,704)
Increase in other real estate owned		(19,795,326)	(15,324,351)
Decrease in Housing Choice Voucher contributions receivable		2,985,453	1,438,979
(Increase) decrease in other assets		(3,326,555)	1,346,524
Increase (decrease) in accounts payable and other liabilities		2,995,333	(18,189,821)
(Decrease) increase in escrows and project reserves		(249,632)	8,466,782
Net cash provided by (used in) operating activities	$	143,858,593	(456,815,998)
Supplemental disclosure of noncash investing activity:			
Increase in other real estate owned as a result of loan foreclosures	$	18,509,153	8,923,977

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Housing Development Authority (the Authority) was created under the Virginia Housing Development Authority Act, as amended (the Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally made with the proceeds of notes, bonds, or other debt obligations issued by the Authority. The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (the Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other similar types of funds, are combined to form the Enterprise Funds of the Commonwealth. The Authority reports all of its activities as one enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See note 2 for further discussion.

(b) Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the authorizing act and the various note and bond resolutions. As provided for in Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(c) Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets and liabilities and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(d) Investments

Investments are reported at fair market value on the Statements of Net Assets, with changes in fair market value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Assets. Fair market value is determined by reference to published market prices and quotations from national security exchanges and securities pricing services.

(e) Investment in Rental Property

Investment in rental property represents several multi-family apartment complexes, including the related property, furniture, and equipment. These assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives, which are 30 years for buildings, 15 years for building improvements and from 5 to 10 years for furniture and equipment. The investments are carried net of accumulated depreciation of $5,587,678 as of June 30, 2009 and $8,025,388 as of June 30, 2008. These investments are also tested for impairment when triggers are identified.

(f) Mortgage and Other Loans Receivable

Mortgage and other loans receivable are stated at their unpaid principal balance, net of deferred loan fees and costs and an allowance for loan losses. The Authority charges loan fees to mortgagors. These fees, net of direct costs, are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis and any unamortized net fees on loans fully repaid or restructured are recognized as income in the year in which such loans are repaid or restructured.

(g) Allowance for Loan Losses

The Authority provides for losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The provision for loan losses was $24,790,541 and $18,815,406 for the years ended June 30, 2009 and 2008, respectively.

(h) Property, Furniture, and Equipment

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings and from 3 to 10 years for furniture and equipment. The capitalization threshold for property, furniture, and equipment was $1,000 for the years ended June 30, 2009 and 2008.

(i) Bond Issuance Expense

Costs related to issuing bonds are capitalized in the related bond group and are amortized on the straight-line basis over the lives of the bonds.

(j) Other Real Estate Owned

Other real estate owned represents current investments in rental property, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Assets.

(k) ***Notes and Bonds Payable***

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also has the right to optionally redeem the various bonds at premiums ranging from 0% to 2%. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which will be subject to partial redemption, without premium, from mandatory sinking fund installments.

(l) ***Retirement Plans***

The Authority has three defined contribution employees' retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled.

The Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, at July 1, 2007. GASB Statement No. 45 provisions consist of standards for the measurement, recognition, and disclosure of OPEB expenses and actuarially accrued liabilities associated with OPEB as well as the extent to which progress has been made in funding the plan. Additional details on the implementation of GASB Statement No. 45 are disclosed in note 12.

(m) ***Compensated Absences***

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(n) ***Pass-Through Revenues and Expenses***

U.S. Department of Housing and Urban Development – Project Based Section 8

As the Commonwealth administrator for the Department of Housing and Urban Development's (HUD) Section 8 New Construction and Substantive Rehabilitation program, the Authority requisitions Section 8 funds, makes disbursements of Housing Assistance Payments (HAP) funds to landlords of eligible multi-family developments, and recognizes administrative fee income. The Authority received and disbursed pass-through grants totaling $69,081,297 and $72,123,335 during the years ended June 30, 2009 and 2008, respectively.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
June 30, 2009 and 2008

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for twenty eight HUD-approved Housing Counseling Agencies in Virginia. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The Authority received and disbursed pass-through grants totaling $244,691 and $47,626 during fiscal year 2009 and 2008, respectively.

NeighborWorks America

The Authority is an administrator for NeighborWorks America, a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts. Thirteen nonprofit agencies are assisted by NeighborWorks funds administered by the Authority. The Authority received and disbursed pass-through grants totaling $253,831 during fiscal year 2009 and zero during fiscal year 2008, the year of the Authority's start-up with the program.

(o) ***Housing Choice Voucher Program***

As the Commonwealth administrator for HUD's Section 8 Housing Choice Voucher program, the Authority requisitions Section 8 funds, makes disbursements of HAP funds to eligible tenants, and recognizes administrative fee income.

Upon receipt or disbursement of HAP and administrative funds related to Section 8, corresponding revenues or expenses are recorded in Housing Choice Voucher program income or Housing Choice Voucher program expense in the Statements of Revenues, Expenses and Changes in Net Assets. Housing Choice Voucher contributions receivable are stated at the balance of funds obligated and available from HUD but not yet disbursed to the Authority. Excess HAP or administrative funds disbursed to the Authority are recorded in unrestricted net assets in the Statements of Net Assets. Cumulative excess HAP and administrative funds totaled $3,550,235 and $1,233,554, respectively, as of June 30, 2009 and $12,033,296 and $2,249,821, respectively, as of June 30, 2008. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve as many families up to the number of vouchers authorized by the program.

(p) ***Commonwealth Priority Housing Fund***

The Commonwealth Priority Housing Fund, established by the 1988 Session of the Virginia General Assembly, uses funds provided by the state to provide loans and grants for a wide variety of housing initiatives. The Department of Housing and Community Development develops the program guidelines and the Authority acts as administrator for the Funds. The balances associated with the Commonwealth Priority Housing Fund are recorded in assets and liabilities in the amounts of $8,274,040 and $8,348,458 as of June 30, 2009 and 2008, respectively.

(q) ***Cash Equivalents***

For purposes of the Statements of Cash Flows, cash equivalents consist of investments with original maturities of three months or less from the date of purchase.

(r) ***Rebatable Arbitrage***

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes.

(s) ***Statement of Net Assets***

The assets presented in the Statement of Net Assets represent the total of similar accounts of the Authority's various groups (note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and thereafter unrestricted resources as needed.

(t) ***Operating and Nonoperating Revenues and Expenses***

The Authority's Statements of Revenues, Expenses, and Changes in Net Assets distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally are a result from financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy and ownership, by families of low or moderate income or as a result from the ownership of certain multi-family housing rental properties. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(u) ***Reclassifications***

Certain reclassifications have been made in the June 30, 2008 basic financial statements to conform to the June 30, 2009 presentation.

(2) Basis of Presentation

The accounts of the Authority are presented in a single proprietary fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) ***General Operating Accounts***

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) ***Multi-Family Housing Bond and Rental Housing Bond Groups***

The proceeds of the Multi-Family Housing Bonds and Rental Housing Bonds are used to finance construction and permanent loans on multi-family development projects, as well as, permanent financing for owned rental property.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
June 30, 2009 and 2008

All outstanding bonds in the Multi-Family Housing Bond Group were redeemed on May 1, 2009. There are no anticipated future bond issuances to be made from the Multi-Family Housing Bond Group. Substantially all of the residual assets of the Multi-Family Housing Bond Group were transferred to the Rental Housing Bond Group and are available for funding related housing projects.

(c) ***VHDA General Purpose Bond Group***

The proceeds of the General Purpose Bonds are used to finance construction and permanent loans on multi-family projects, loans on single-family dwellings, as well as, permanent financing for owned rental property and the Authority's office facilities.

(d) ***Commonwealth Mortgage Bond Group***

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term loans to owner occupants of single-family dwelling units, as well as, temporary financing for other real estate owned.

(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans, debt service and debt reserves, and investments. Certain assets are held on behalf of Federal programs or housing initiatives of the Commonwealth.

Restricted assets as of June 30, 2009 and 2008 were as follows:

	June 30	
	2009	**2008**
Current assets:		
Cash and cash equivalents	$ 936,902,290	1,018,520,585
Investments	7,389,131	9,244,905
Interest receivable – investments	249,078	1,062,515
Mortgage and other loans receivable	150,900,802	139,128,909
Interest receivable – mortgage and other loans	38,398,171	36,721,694
Other real estate owned	36,764,772	16,969,446
Housing Choice Voucher contributions receivable	271,482	3,256,935
Other assets	6,585,921	5,264,786
Total current assets	1,177,461,647	1,230,169,775

E-19

	June 30 2009	June 30 2008
Noncurrent assets:		
Investments	$ 89,386,031	227,546,137
Mortgage and other loans receivable	8,060,660,879	7,712,430,776
Less allowance for loan loss	77,291,210	62,520,105
Less net deferred loan fees	25,484,606	24,915,151
Mortgage and other loans receivable, net	7,957,885,063	7,624,995,520
Investment in rental property, net	20,358,208	36,769,344
Property, furniture, and equipment, less accumulated depreciation and amortization of $552,181 and $349,170, respectively	16,653,135	15,158,739
Unamortized bond issuance expenses	7,510,478	6,046,921
Other assets	548,871	499,147
Total noncurrent assets	8,092,341,786	7,911,015,808
Total assets	$ 9,269,803,433	9,141,185,583

(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 9.14%	Thirty to forty years
Multi-Family Housing Bond Group	3.5% to 12.36%	Thirty to forty years
Rental Housing Bond Group	0% to 13.13%	Thirty to forty years
VHDA General Purpose Bond Group	0% to 13.92%	Thirty to forty years
Commonwealth Mortgage Bond Group	1.13% to 13.85%	Thirty years

Commitments to fund new loans and monies available to provide future loans were as follows at June 30, 2009:

	Committed	Uncommitted
General Operating Loan Programs	$ 5,504,432	40,610,914
VHDA General Purpose Bond Group	660,000	23,593,222
Rental Housing Bond Group	105,861,351	11,059,774
Commonwealth Mortgage Bond Group	9,233,247	105,202,968
Total	$ 121,259,030	180,466,878

(5) Cash, Cash Equivalents and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At June 30, 2009 and 2008, the carrying amount of the Authority's deposits was $40,699,934 and $40,163,844, respectively, and checks drawn in excess of bank balances, included in accounts payable and other liabilities were $6,607,753 and $8,138,502, respectively. The associated bank balance of the Authority's deposits was $39,407,440 and $37,627,646 at June 30, 2009 and 2008, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. Government and agency securities, municipal tax-exempt securities, corporate notes, and various other investments for which there are no securities as evidence of the investment. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At June 30, 2009 and 2008, total cash equivalents were $937,831,834 and $1,071,505,930, respectively.

Investments are classified in the statements of net assets as follows:

	June 30 2009	June 30 2008
Current investments	$ 7,389,131	9,244,905
Noncurrent investments	89,386,031	227,546,137
Total investments	$ 96,775,162	236,791,042

The Investment of Public Funds Act of the Code of Virginia permits political subdivisions of the Commonwealth to invest in open repurchase agreements and money market securities that are collateralized with securities that are approved for direct investment. Within the permitted statutory framework, the Authority's investment policy requires securities collateralizing repurchase agreements to maintain a fair value at least equal to 102% of the cost and accrued interest of the repurchase agreement, and no more than 2% of the Authority's total assets may be invested in any one entity, exclusive of overnight repurchase agreements and short term investments with a maturity not to exceed six months.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

As of June 30, 2009, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Corporate notes	$	2,507,075	905,197	—	—	3,412,272
Municipal securities		8,617,308	17,313,228	—	—	25,930,536
Asset-backed securities		—	—	230,807	63,783,017	64,013,824
Agency-mortgage backed securities		—	—		5,449,117	5,449,117
Money market securities		812,812,000	—	—	—	812,812,000
Other interest-bearing securities		122,989,247				122,989,247
Total investments	$	946,925,630	18,218,425	230,807	69,232,134	1,034,606,996

As of June 30, 2008, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Corporate notes	$	—	3,333,460	—	—	3,333,460
Repurchase agreements		310,974,103	—	—	—	310,974,103
Municipal securities		10,156,821	18,705,252	—	—	28,862,073
Asset-backed securities		783,085	7,350,553	—	144,852,591	152,986,229
Agency-mortgage backed securities		—	2,397,443	2,395,179	20,530,626	25,323,248
U.S. government and agency securities		—	1,664,918	694,065	25,112,049	27,471,032
Money market securities		722,599,258	—	—	—	722,599,258
Other interest-bearing securities		36,747,569	—	—	—	36,747,569
Total investments	$	1,081,260,836	33,451,626	3,089,244	190,495,266	1,308,296,972

(b) ***Credit Risk***

Credit risk is the risk that an issuer or other counterparts to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment exposure to credit risk by investment type as of June 30, 2009:

Investment type		Amount	S & P/ Moody's rating	Percentage of total investments
Money Market Securities	$	812,812,000	P-1	78.56%
Other Interest Bearing Instruments		122,989,247	Aaa	11.89%
Asset-Backed Securities		8,881,807	Ba2	0.86%
Asset-Backed Securities		8,676,097	A2	0.84%
Municipal Securities		8,191,579	Aaa	0.79%
Asset-Backed Securities		5,954,467	Baa2	0.58%
Agency Mortgage Backed Securities		5,449,117	Aaa	0.53%
Asset-Backed Securities		5,229,902	Aa1	0.51%
Asset-Backed Securities		5,101,128	Aa3	0.49%
Asset-Backed Securities		5,094,951	B3	0.49%
Asset-Backed Securities		4,655,021	Ba1	0.45%
Asset-Backed Securities		4,491,048	Ca	0.43%
Asset-Backed Securities		4,240,210	Aaa	0.41%
Asset-Backed Securities		4,153,794	B1	0.40%
Asset-Backed Securities		3,932,677	Caa2	0.38%
Asset-Backed Securities		3,460,256	Ba3	0.34%
Municipal Securities		2,693,360	Aa2	0.26%
Municipal Securities		2,557,978	A2	0.25%
Corporate Notes		2,507,075	Baa1	0.24%
Municipal Securities		2,382,082	MIG-1	0.23%
Municipal Securities		2,258,821	A1	0.22%
Municipal Securities		2,030,587	NR	0.20%
Municipal Securities		1,830,843	Aa3	0.18%
Municipal Securities		1,599,575	Aa1	0.15%
Municipal Securities		1,090,740	Baa1	0.10%
Corporate Notes		905,197	A2	0.09%
Municipal Securities		651,202	SP-1+	0.06%
Municipal Securities		643,769	A-	0.06%
Asset-Backed Securities		142,466	Baa1	0.01%
Total investments	$	1,034,606,996		100.00%

(6) Property, Furniture, and Equipment

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Land	$ 2,935,815	—	—	—	2,935,815
Building	26,150,115			2,583,886	28,734,001
Furniture and equipment	14,592,511	2,099,043	(757,162)	—	15,934,392
Motor vehicles	423,448	86,515	(117,845)	—	392,118
Construction in progress	1,225,122	3,007,324	—	(2,583,886)	1,648,560
	$ 45,327,011	5,192,882	(875,007)	—	49,644,886

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Building	$ (12,004,031)	(869,055)	—	(12,873,086)
Furniture and equipment	(10,976,593)	(1,888,063)	785,848	(12,078,808)
Motor vehicles	(309,050)	(47,058)	117,845	(238,263)
	$ (23,289,674)	(2,804,176)	903,693	(25,190,157)

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Land	$ 2,837,095	98,720	—	—	2,935,815
Building	22,882,354	73,998	—	3,193,764	26,150,116
Furniture and equipment	13,818,488	2,847,561	(2,822,956)	749,418	14,592,511
Motor vehicles	406,987	16,460	—	—	423,447
Construction in progress	3,865,175	1,303,129		(3,943,182)	1,225,122
	$ 43,810,099	4,339,868	(2,822,956)	—	45,327,011

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Building	$ (11,157,035)	(846,996)	—	(12,004,031)
Furniture and equipment	(11,837,434)	(1,499,796)	2,360,637	(10,976,593)
Motor vehicles	(264,589)	(44,461)	—	(309,050)
	$ (23,259,058)	(2,391,253)	2,360,637	(23,289,674)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2008 and June 30, 2009 and changes for the year were as follows:

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
	(Amounts shown in thousands)			
General operating accounts:				
Revolving line of credit:				
Bank of America termination date of November 24, 2009	$ 25,000	140,000	165,000	—
Federal Home Loan Bank floating daily rate (rate of 0.15% at June 30, 2009) no fixed maturity	36,330	114,433	28,158	122,605
Total general operating accounts	61,330	254,433	193,158	122,605
Multi-family housing bond group:				
1995 Series H/I, dated October 3, 1995, 5.40% effective interest rate, final due date November 1, 2015	4,500	—	4,500	—
1995 Series K/L, dated October 26, 1995, 5.58% effective interest rate, final due date November 1, 2015	2,520	—	2,520	—
1996 Series A/B/C, dated January 11, 1996, 6.55% effective interest rate, final due date May 1, 2016	9,885	—	9,885	—
1996 Series D/E/F, dated March 28, 1996, 6.70% effective interest rate, final due date May 1, 2016	4,255	—	4,255	—
1996 Series H/I, dated April 25, 1996, 5.83% effective interest rate, final due date May 1, 2016	8,005	—	8,005	—
1996 Series J, dated August 8, 1996, 6.15% effective interest rate, final due date May 1, 2017	9,005	—	9,005	—

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
	(Amounts shown in thousands)			
1996 Series K/L/M, dated October 1, 1996, 5.68% effective interest rate, final due date November 1, 2017	$ 8,075	—	8,075	—
1996 Series N/O, dated December 19, 1996, 5.93% effective interest rate, final due date November 1, 2017	10,160	—	10,160	—
1997 Series A/B, dated May 15, 1997, 5.64% effective interest rate, final due date November 1, 2019	14,105	—	14,105	
1997 Series C/D/E, dated September 11, 1997, 6.09% effective interest rate, final due date November 1, 2019	35,620	—	35,620	
1997 Series F, dated October 16, 1997, 5.33% effective interest rate, final due date November 1, 2017	5,015	—	5,015	—
1997 Series G/H/I, dated December 18, 1997, 6.25% effective interest rate, final due date May 1, 2019	38,855	—	38,855	—
1998 Series A, dated April 23, 1998, 6.79% effective interest rate, final due date November 1, 2019	37,770	—	37,770	—
1998 Series B/C/E, dated April 23, 1998 and September 23, 1998, 5.29% effective interest rate, final due date November 1, 2018	39,060	—	39,060	—
1998 Series F, dated July 29, 1998, 6.65% effective interest rate, final due date May 1, 2019	23,355	—	23,355	—
1998 Series G, dated July 29, 1998, 5.10% effective interest rate, final due date November 1, 2018	33,190	—	33,190	—

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
1998 Series H, dated October 27, 1998, 6.31% effective interest rate, final due date May 1, 2019	$ 26,220	—	26,220	—
1998 Series I, dated October 27, 1998, 4.94% effective interest rate, final due date November 1, 2019	25,320	—	25,320	—
1999 Series A/B, dated January 28, 1999, 5.99% effective interest rate, final due date May 1, 2019	55,050	—	55,050	—
	389,965	—	389,965	—
Unamortized premium	1,726			—
Total multi-family housing bonds	391,691			—
Rental housing bond group:				
1999 Series C/D/E/F, dated May 20, 1999, 5.89% effective interest rate, final due date May 1, 2022	37,430	—	1,870	35,560
1999 Series G/H, dated August 19, 1999, 6.70% effective interest rate, final due date May 1, 2022	45,960	—	1,885	44,075
1999 Series I/J, dated November 4, 1999, 6.83% effective interest rate, final due date February 1, 2023	30,790	—	1,270	29,520
1999 Series K/L, dated December 16, 1999, 6.41% effective interest rate, final due date February 1, 2023	29,780		1,265	28,515
2000 Series A/B, dated May 10, 2000, 7.14% effective interest rate, final due date August 1, 2024	54,610		1,790	52,820
2000 Series C, dated August 3, 2000, 8.18% effective interest rate, final due date April 1, 2024	14,775	—	540	14,235
2000 Series D/E, dated August 3, 2000, 5.98% effective interest rate, final due date April 1, 2024	38,265	—	1,605	36,660

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
June 30, 2009 and 2008

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2000 Series F/G/H, dated October 12, 2000, 6.90% effective interest rate, final due date October 1, 2024	$ 55,880	—	1,930	53,950
2001 Series A/B, dated January 9, 2001, 7.02% effective interest rate, final due date March 1, 2025	54,370	—	1,785	52,585
2001 Series C/D, dated March 22, 2001, 5.87% effective interest rate, final due date June 1, 2024	12,160	—	520	11,640
2001 Series E/F/G, dated April 26, 2001, 5.94% effective interest rate, final due date June 1, 2025	17,545	—	750	16,795
2001 Series H/I, dated July 31, 2001, 6.56% effective interest rate, final due date July 1, 2025	43,815	—	1,440	42,375
2001 Series J/K/L, dated October 23, 2001, 6.06% effective interest rate, final due date December 1, 2025	55,680	—	1,970	53,710
2001 Series M, dated December 18, 2001, 6.78% effective interest rate, final due date January 1, 2027	38,605	—	1,100	37,505
2001 Series N/O, dated December 18, 2001, 5.40% effective interest rate, final due date January 1, 2027	33,110	—	1,100	32,010
2002 Series A, dated April 11, 2002, 6.70% effective interest rate, final due date April 1, 2027	21,615	—	710	20,905
2002 Series B, dated April 11, 2002, 5.30% effective interest rate, final due date April 1, 2027	39,355	—	1,325	38,030

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2002 Series C/D, dated June 27, 2002, 6.45% effective interest rate, final due date September 1, 2027	$ 58,865	—	1,555	57,310
2002 Series E/F/G, dated December 19, 2002, 5.45% effective interest rate, final due date January 1, 2028	70,225	—	2,070	68,155
2003 Series A/B, dated April 24, 2003, 5.04% effective interest rate, final due date June 1, 2028	50,790	—	1,870	48,920
2003 Series C/D, dated August 5, 2003, 3.87% effective interest rate, final due date November 1, 2028	55,015	—	2,815	52,200
2003 Series E, dated August 5, 2003, 4.84% effective interest rate, final due date November 1, 2028	73,615	—	2,935	70,680
2003 Series F/G, dated December 23, 2003, 5.42% effective interest rate, final due date April 1, 2030	48,270	—	1,300	46,970
2004 Series A/B, dated March 17, 2003, 5.25% effective interest rate, final due date March 1, 2030	16,260	—	430	15,830
2004 Series C, dated April 29, 2004, 5.53% effective interest rate, final due date May 1, 2029	69,460	—	1,935	67,525
2004 Series D/E, dated April 29, 2004, 4.72% effective interest rate, final due date May 1, 2029	49,695	—	1,535	48,160
2004 Series F/G, dated September 2, 2004, 5.78% effective interest rate, final due date September 1, 2030	54,545	—	1,270	53,275
2004 Series H/I/J, dated December 16, 2004, 5.10% effective interest rate, final due date December 1, 2029	37,570	—	970	36,600

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2005 Series A, dated April 26, 2005, 5.37% effective interest rate, final due date May 1, 2030	$ 38,985	—	1,195	37,790
2005 Series B/C, dated April 26, 2005, 4.58% effective interest rate, final due date May 1, 2031	61,040	—	2,235	58,805
2005 Series D, dated June 14, 2005, 5.52% effective interest rate, final due date September 1, 2033	41,260	—	840	40,420
2005 Series E/F, dated June 14, 2005, 4.60% effective interest rate, final due date September 1, 2039	44,695	—	575	44,120
2005 Series G, dated October 20, 2005, 5.30% effective interest rate, final due date December 1, 2030	90,550	—	2,290	88,260
2005 Series H/I, dated October 20, 2005, 4.45% effective interest rate, final due date December 1, 2030	39,055	—	1,125	37,930
2005 Series J/K, dated December 14, 2005, 5.30% effective interest rate, final due date February 1, 2035	39,815	—	855	38,960
2006 Series A, dated May 23, 2006, 4.89% effective interest rate, final due date April 1, 2033	8,695	—	195	8,500
2006 Series B, dated October 31, 2006, 4.68% effective interest rate, final due date November 1, 2038	23,670	—	280	23,390
2006 Series C, dated December 12, 2006, 5.95% effective interest rate, final due date January 1, 2039	44,875		140	44,735

Description		Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
			(Amounts shown in thousands)		
2006 Series DEF, dated December 12, 2006, 4.52% effective interest rate, final due date January 1, 2039	$	82,620	—	600	82,020
2007 Series A, dated June 12, 2007, 6.03% effective interest rate, final due date July 1, 2039		119,760	—	—	119,760
2007 Series B/C, dated September 20, 2007, 6.16% effective interest rate, final due date November 1, 2038		23,650	—	—	23,650
2008 Series A, dated March 27, 2008, 5.63% effective interest rate, final due date October 1, 2038		200,000		—	200,000
2009 Series A, dated February 26, 2009, 6.86% effective interest rate, final due date March 1, 2039		—	72,915	—	72,915
2009 Series B, dated March 26, 2009, 5.53% effective interest rate, final due date June 1, 2043		—	29,050	—	29,050
2009 Series C, dated March 30, 2009, 5.81% effective interest rate, final due date February 1, 2021		—	348,000		348,000
		2,066,725	449,965	51,870	2,464,820
Unamortized premium		4,841			3,290
Total rental housing bonds		2,071,566			2,468,110
General purpose bond group:					
2002 Series W, dated October 31, 2002, 5.91% effective interest rate, final due date January 1, 2028		73,115	—	3,840	69,275
2002 Series X/Y/Z, dated October 31, 2002, 4.82% effective interest rate, final due date January 1, 2043		248,450	—	2,740	245,710

Description		Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
			(Amounts shown in thousands)		
2003 Series Q, dated October 30, 2003, 5.65% effective interest rate, final due date October 1, 2028	$	27,150		755	26,395
2003 Series R/S/T/U, dated October 30, 2003 4.62% effective interest rate, final due date October 1, 2038		83,630	—	1,200	82,430
2003 Series V, dated June 26, 2003 4.52% effective interest rate, final due date October 1, 2029		42,875	—	2,105	40,770
		475,220	—	10,640	464,580
Unamortized premium		1,045			1,709
Total VHDA general purpose bonds		476,265			466,289
Commonwealth mortgage bond group:					
1996 Series E/F, dated December 18, 1996, 5.45% effective interest rate, final due date January 1, 2046		140,000	—	140,000	—
2001 Series A, dated January 30, 2001, 6.74% effective interest rate, final due date February 25, 2030		3,723		1,119	2,604
2001 Series B, dated May 4, 2001, 6.58% effective interest rate, final due date May 25, 2031		4,648	—	457	4,191
2001 Series C/D, dated June 13, 2001, 4.08% effective interest rate, final due date January 1, 2014		20,950		3,840	17,110
2001 Series F, dated July 31, 2001, 6.57% effective interest rate, final due date September 25, 2031		6,190	—	1,155	5,035
2001 Series G, dated October 17, 2001, 6.27% effective interest rate, final due date December 25, 2031		6,956	—	1,211	5,745

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2001 Series H, dated October 18, 2001, 5.37% effective interest rate, final due date July 1, 2036	$ 223,000	—	—	223,000
2001 Series I/J, dated October 18, 2001, 4.13% effective interest rate, final due date July 1, 2011	57,305	—	16,425	40,880
2002 Series A, dated January 14, 2002, 6.52% effective interest rate, final due date February 25, 2032	9,381	—	1,636	7,745
2002 Series B, dated March 20, 2002, 6.16% effective interest rate, final due date August 25, 2030	33,974	—	4,392	29,582
2002 Series CD, dated June 27, 2002, 6.05% effective interest rate, final due date June 25, 2032	10,172	—	1,454	8,718
2002 Series E/F/G, dated December 17, 2002, 5.12% effective interest rate, final due date December 25, 2032	34,537	—	4,987	29,550
2003 Series A/B, dated April 3, 2003, 3.87% effective interest rate, final due date July 1, 2026	106,740	—	9,600	97,140
2003 Series C, dated October 1, 2003, 5.08% effective interest rate, final due date August 25, 2033	2,146	—	219	1,927
2004 Series A, dated March 18, 2004, 4.30% effective interest rate, final due date October 1, 2035	149,330	—	13,870	135,460
2004 Series B, dated June 10, 2004, 5.60% effective interest rate, final due date June 25, 2034	8,585	—	1,046	7,539

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
June 30, 2009 and 2008

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2004 Series C, dated November 2, 2004, 4.21% effective interest rate, final due date January 1, 2031	$ 155,190	—	13,060	142,130
2005 Series A, dated April 21, 2005, 4.31% effective interest rate, final due date October 1, 2031	416,300	—	38,100	378,200
2005 Series B, dated April 21, 2005, 4.92% effective interest rate, final due date July 1, 2042	46,120	—	—	46,120
2005 Series C/D/E, dated November 3, 2005, 4.41% effective interest rate, final due date October 1, 2032	428,990	—	28,800	400,190
2006 Series AB, dated April 27, 2006, 5.88% effective interest rate, final due date March 25, 2036	11,028	—	1,115	9,913
2006 Series C, dated June 8, 2006, 6.12% effective interest rate, final due date June 25, 2034	67,636	—	13,048	54,588
2006 Series DEF, dated July 13, 2006 4.60% effective interest rate, final due date January 1, 2033	629,900	—	33,500	596,400
2007 Series ABCD, dated May 18, 2007 4.96% effective interest rate, final due date January 1, 2036	1,090,000	—	9,465	1,080,535
2008 Series A, dated March 25, 2008, 6.05% effective interest rate, final due March 25, 2038	104,212	—	13,389	90,823
2008 Series B, dated April 10, 2008, 6.08% effective interest rate, final due date March 25, 2038	158,743	—	22,853	135,890
2008 Series C, dated November 18, 2008, 6.37% effective interest rate, final due date June 25, 2038	—	55,501	3,509	51,992

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009
		(Amounts shown in thousands)		
2008 Series DE, dated December 16, 2008, 6.10% effective interest rate, final due date January 1, 2038	$ —	200,000	—	200,000
	3,925,756	255,501	378,250	3,803,007
Unamortized premium	13,709			16,978
Total commonwealth mortgage bond group	3,939,465			3,819,985
Total	$ 6,940,317			6,876,989

Notes and bonds payable at June 30, 2007 and June 30, 2008 and changes for the year were as follows (amounts in thousands):

	June 30, 2007	Issued	Retired	Change in unamortized premium and compound interest payable	June 30, 2008
General operating accounts	$ —	136,330	75,000		61,330
Multi-family housing bond group	449,350	—	57,310	(349)	391,691
Rental housing bond group	1,894,707	223,650	48,575	1,784	2,071,566
VHDA General purpose bond group	485,865	—	10,430	830	476,265
Commonwealth mortgage bond group	3,168,261	939,011	176,744	8,937	3,939,465
Total	$ 5,998,183	1,298,991	368,059	11,202	6,940,317

Current and noncurrent amounts of notes and bonds payable at June 30, 2009 and 2008 were as follows:

	June 30 2009	June 30 2008
	(Amount in thousands)	
Notes and bonds payable – current	$ 431,844	332,143
Bonds payable – noncurrent	6,445,145	6,608,174
Total	$ 6,876,989	6,940,317

The Authority has participated in current refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. Effective May 1, 2009, all outstanding bonds in the Multi-Family Housing Bond Group were redeemed. The call premium of $3,098,850 less unamortized premiums and cost of issuance on the retired bonds of $999,673, is being amortized through October 2019. There were $395,080,000 and $52,880,000 of refundings for the years ended June 30, 2009 and 2008, respectively.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing July 1, 2009 and thereafter are as follows:

Period ending June 30	Original principal	Current interest	Total debt service
2010	$ 431,843,820	338,655,793	770,499,613
2011	258,470,000	326,677,853	585,147,853
2012	284,140,000	315,798,754	599,938,754
2013	277,985,000	303,749,550	581,734,550
2014	277,210,000	291,430,760	568,640,760
2015 – 2019	1,373,445,000	1,259,816,499	2,633,261,499
2020 – 2024	1,246,475,000	911,358,134	2,157,833,134
2025 – 2029	1,072,315,000	599,901,109	1,672,216,109
2030 – 2034	891,778,097	340,625,961	1,232,404,058
2035 – 2039	669,365,057	128,633,852	797,998,909
2040 – 2044	71,985,000	7,561,428	79,546,428
Total	$ 6,855,011,974	4,824,209,693	11,679,221,667

The Authority has a $200 million revolving credit agreement with Bank of America to provide funds for general corporate purposes. The term of the agreement was for 364 days, and at the end of each day, was automatically extended for 364 days, up to a final expiration date. On November 25, 2008, Bank of America provided notice of their election to terminate the credit agreement as of November 24, 2009. Interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus 23 basis points per annum, 30 basis points per annum or 40 basis points per annum based upon the Authority's long-term credit ratings of AA or higher, A, or BBB or lower, respectively. All amounts outstanding at a given time are due and payable on the termination date. The Authority is in compliance with all debt covenant requirements. At June 30, 2009, there were no amounts outstanding and $25.0 million was outstanding at June 30, 2008.

The Authority has a $150 million revolving credit agreement with the Bank of Nova Scotia to provide funds for general corporate purposes. The term of the agreement expires on November 29, 2013. Interest on any advances is charged at rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 25 basis points to 150 basis points, based upon the Authority's long-term credit ratings and the duration outstanding. All amounts outstanding at in given time are due and payable on the termination date. At June 30, 2009 and 2008 there were no amounts outstanding.

The Authority maintains a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by government agency securities held in FHLB of Atlanta. Interest on any advance is charged under a floating daily rate, which amounted to 0.15% on June 30, 2009 and there is a maximum maturity for any advance of twenty-four months. The Authority is in compliance with all debt covenant requirements. At June 30, 2009, $122.6 million was outstanding and $36.3 million was outstanding at June 30, 2008.

(8) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (note 12). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor. At June 30, 2009 and 2008, these escrows and project reserves were presented in the Authority's statements of net assets as follows:

	June 30	
	2009	2008
Escrows – current	$ 37,946,204	34,166,579
Project reserves – noncurrent	168,015,080	171,525,076
Total	$ 205,961,284	205,691,655

(9) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Multi-Family Housing Bond Group, Rental Housing Bond Group, and VHDA General Purpose Bond Group is limited by certain federal legislations. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. Rebates paid were $851,746 and $2,700,672 for the years ended June 30, 2009 and 2008, respectively. Remaining liability balances were $2,613,103 and $4,550,703 at June 30, 2009 and 2008, respectively.

(10) Net Assets

Capital assets, net of related debt, represent property, furniture, and equipment, as well as an investment in rental property, less the current outstanding applicable debt. Restricted net assets represent those portions of the total net assets in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net assets are generally required reserve funds, mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service.

Unrestricted net assets represent those portions of the total net assets set aside to reflect current utilization and tentative plans for future utilization of such net assets. As of June 30, 2009 and 2008, such plans included funds to be available for other loans and loan commitments; over commitments and over

allocations in the various bond issues; for support funds and contributions to bond issues; and for working capital and future operating and capital expenditures. Additional unrestricted net assets commitments include contractual obligations for additional contributions to bond reserve funds; maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; self-insurance on the uninsured, unsubsidized multi-family conventional loan program and any unanticipated losses in connection with the uninsured portions of the balance of the single-family and multi-family loans; self-insurance on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; single-family loan prepayment shortfalls; and other risks and contingencies.

(11) Employee Benefits Plans

The Authority incurs employment retirement savings expense under two defined contribution plans equal to 8% of full-time employees' compensation. Total retirement savings expense for the years ended June 30, 2009 and 2008 was $1,855,824 and $1,709,222 respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of June 30, 2009 and 2008, included in other liabilities is an employee compensated absences accrual of $3,551,919 and $3,126,061 respectively (note 13).

(12) Other Post-Employment Benefits

At the sole discretion of the Authority, eligible employees may participate in the Virginia Housing Development Authority Retiree Health Care Plan (RHC), a single-employer defined benefit plan. The Authority administers the RHC through the Virginia Housing Development Authority Retiree Health Care Plan Trust (RHC Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the RHC. Assets of the RHC Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment reimbursement of eligible medical and dental expenses to current and eligible future retirees and their spouses in accordance with the terms of the RHC. Employer contributions are recorded in the year in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations.

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). RHC participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost-of-living plus 2% not to exceed 150% of the annual premium for preferred provider organization medical plan offered that year if the participant under age 65 or not to exceed 75% or the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical and dental expenses. For the year ended June 30, 2009, there were approximately 70 participating retirees and spouses and 300 active employees earning service credits in the RHC.

E-29

The Authority currently contributes amounts to the RHC Trust sufficient to fully fund the annual required contribution (ARC), an actuarially determined rate in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus an amortized amount of unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2009 of $889,263 was approximately 4.1% of covered payroll.

The actuarially determined values for disclosure in accordance with GASB 45 are as follows:

Fiscal year-end	OPEB obligation (asset)	ARC	OPEB liability	ARC adjustment	Amortization factor	OPEB cost
June 30, 2008	$ —	753,288	—	—	12.41	$ 753,288
June 30, 2009	(29,736)	895,410	(2,082)	(2,316)	12.84	891,013

The OPEB cost to the Authority and its contributions and changes in the RHC plan for fiscal years 2008 and 2009 are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	OPEB cost	Contribution	Change in net OPEB obligation	Net OPEB obligation (asset) balance
June 30, 2008	$ —	753,288	(783,024)	(29,736)	(29,736)
June 30, 2009	(29,736)	891,013	(971,913)	(80,900)	(110,636)

For the year ended June 30, 2009, the Authority's Annual OPEB cost was $891,013; the percentage of Annual OPEB Cost Contribution was 100%; and the ending Net OPEB asset was $110,636. For the year ended June 30, 2008, the Authority's Annual OPEB cost was $753,288; the percentage of Annual OPEB Cost Contributed was 100%; and the ending Net OPEB asset was $29,736.

As of December 31, 2008, the unfunded actuarial accrued liability (UAAL) for benefits was $4,135,976. The covered payroll (annual payroll of active employees covered by the RHC) was $21,830,868 and the ratio of the UAAL to the covered payroll was 18.9%. As of December 31, 2008, the actuarial value of net assets held by the RHC Trust was $7,880,680, the actuarial accrued liability was $12,016,655, and the funded ratio was 65.6%. As of June 30, 2009, the RHC Trust had $8,075,612 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the projected-unit-credit-cost method was used. The actuarial assumptions included a 7% investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate and 2.5% real rate of return). The projected healthcare cost trend is 11% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over 30 years.

(13) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2009 was as follows:

	Balance at June 30, 2008	Additions	Decreases	Balance at June 30, 2009
Project reserves	$ 171,525,076	126,610,661	130,120,657	168,015,080
Commonwealth Priority Housing Fund liability	8,216,186	61,657	80,658	8,197,185
Other liabilities	16,512,384	4,575,858	4,892,262	16,195,980
Compensated absences payable	3,126,061	1,925,603	1,499,745	3,551,919
Total	$ 199,379,707	133,173,779	136,593,322	195,960,164

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2008 was as follows:

	Balance at June 30, 2007	Additions	Decreases	Balance at June 30, 2008
Project reserves	$ 165,136,963	57,273,361	50,885,248	171,525,076
Commonwealth Priority Housing Fund liability	7,300,283	943,229	27,326	8,216,186
Other liabilities	15,538,323	3,773,421	2,799,360	16,512,384
Compensated absences payable	2,849,475	1,489,838	1,213,252	3,126,061
Total	$ 190,825,044	63,479,849	54,925,186	199,379,707

(14) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which is the HUD Section 8 programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Circular A-133, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial in relation to its financial statements.

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for their risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(15) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made the following borrowing subsequent to June 30, 2009 as follows:

	Borrowing date	Amount
Federal Home Loan Bank Atlanta, credit agreement	July 29, 2009	$ 47,145,000

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Schedule 1

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit Of The Commonwealth of Virginia)

Required Supplementary Information

Retiree Healthcare Plan – Schedule of Funding Progress by Plan Valuation Date

Actuarial valuation date		Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio		Covered payroll	Unfunded as a percent of covered payroll
December 31, 2007	$	8,631,596	10,747,191	2,115,595	80.3%	$	20,479,198	10.3%
December 31, 2008		7,880,680	12,016,655	4,135,976	65.6%		21,830,868	18.9%

The required schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As of December 31, 2008, the unfunded actuarial accrued liability (UAAL) for benefits was $4,135,976. The covered payroll (annual payroll of active employees covered by the RHC) was $21,830,868 and the ratio of the UAAL to the covered payroll was 18.9%. The Authority established the RHC Trust fund in November 2006 and as of the actuarial valuation date of December 31, 2008, the actuarial value of net assets held by the RHC Trust was $7,880,680. As of June 30, 2009, the RHC Trust had $8,075,612 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. The Schedule of Funding Progress, which provides multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time in relation to the actuarial accrued liability for benefits, is presented as required supplementary information for the RHC as of December 31, 2008 and 2007. In this actuarial valuation, the projected-unit-credit-cost method was used. The actuarial assumptions included a 7% investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate and 2.5% real rate of return). The projected healthcare cost trend is 11% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over 30 years.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

June 30, 2009

Assets		General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current assets:							
Cash and cash equivalents	$	322,363,096	—	186,125,168	43,848,011	426,195,493	978,531,768
Investments		7,389,131	—	—	—	—	7,389,131
Interest receivable – investments		413,899	—	77,089	15,389	155,132	661,509
Mortgage loans held for sale		1,671,773	—	—	—	—	1,671,773
Mortgage and other loans receivable		1,709,255	—	53,037,121	23,266,525	74,597,156	152,610,057
Interest receivable – mortgage and other loans		1,075,486	—	15,790,875	2,922,923	19,651,152	39,440,436
Other real estate owned		—	—	23,576,926	1,192,086	11,995,760	36,764,772
Housing Choice Voucher contributions receivable		271,482	—	—	—	—	271,482
Other assets		12,002,090	—	752,520	3,654,847	810,178	17,219,635
Total current assets		346,896,212	—	279,359,699	74,899,781	533,404,871	1,234,560,563
Noncurrent assets:							
Investments		52,252,017	—	30,779,700	905,197	5,449,117	89,386,031
Mortgage and other loans receivable		83,007,238	—	2,696,776,703	528,448,062	4,787,769,202	8,096,001,205
Less allowance for loan loss		3,866,996	—	29,349,190	7,068,481	40,873,539	81,158,206
Less net deferred loan fees		489,064	—	38,726,934	3,528,599	(16,770,927)	25,973,670
Mortgage and other loans receivable, net		78,651,178	—	2,628,700,579	517,850,982	4,763,666,590	7,988,869,329
Investment in rental property, net		771,482	—	15,969,066	4,389,142	—	21,129,690
Property, furniture, and equipment, less accumulated depreciation and amortization of $25,190,157		8,206,870	—	7,010,521	9,237,338	—	24,454,729
Unamortized bond issuance expenses		403,224	—	4,365,062	1,711,119	1,434,297	7,913,702
Other assets		557,791	—	—	9,527	422,560	989,878
Total noncurrent assets		140,842,562	—	2,686,824,928	534,103,305	4,770,972,564	8,132,743,359
Total assets	$	487,738,774	—	2,966,184,627	609,003,086	5,304,377,435	9,367,303,922

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

June 30, 2009

Liabilities and Net Assets	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current liabilities:						
Notes and bonds payable	$ 122,605,000	—	59,805,000	10,870,000	238,563,820	431,843,820
Accrued interest payable on notes and bonds	12,837	—	38,897,809	9,519,679	66,415,918	114,846,243
Escrows	37,946,204	—	—	—	—	37,946,204
Accounts payable and other liabilities	7,364,446	—	1,280,934	110,307	13,392,919	22,148,606
Total current liabilities	167,928,487	—	99,983,743	20,499,986	318,372,657	606,784,873
Noncurrent liabilities:						
Bonds payable, net	—	—	2,408,304,990	455,419,116	3,581,420,797	6,445,144,903
Project reserves	168,015,080	—	—	—	—	168,015,080
Other liabilities	(2,188,997)	—	25,167,148	2,581,487	2,385,446	27,945,084
Total noncurrent liabilities	165,826,083	—	2,433,472,138	458,000,603	3,583,806,243	6,641,105,067
Total liabilities	333,754,570	—	2,533,455,881	478,500,589	3,902,178,900	7,247,889,940
Net assets:						
Invested in capital assets, net of related debt	7,361,915	—	3,652,389	(8,878,847)	—	2,135,457
Restricted by bond indentures	(15,934)	—	429,076,357	139,381,344	1,402,198,535	1,970,640,302
Unrestricted	146,638,223	—	—	—	—	146,638,223
Total net assets	153,984,204	—	432,728,746	130,502,497	1,402,198,535	2,119,413,982
Total liabilities and net assets	$ 487,738,774	—	2,966,184,627	609,003,086	5,304,377,435	9,367,303,922

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans	$ 4,459,646	36,619,121	154,665,698	38,815,719	283,974,333	518,534,517
Pass-through grants income	69,579,819	—	—	—	—	69,579,819
Housing Choice Voucher program income	61,143,049	—	—	—	—	61,143,049
Investment in rental property income	—	—	11,510,320	2,676,580	—	14,186,900
Gains and recoveries on sale of other real estate owned	850,554	—	421,070	7,959	207,005	1,486,588
Other	6,613,034	37,890	206,514	980,954	44,728	7,883,120
Total operating revenues	142,646,102	36,657,011	166,803,602	42,481,212	284,226,066	672,813,993
Operating expenses:						
Interest on notes and bonds	2,005,470	18,718,568	122,920,752	23,306,883	188,218,652	355,170,325
Salaries and related employee benefits	32,086,533	—	—	—	—	32,086,533
General operating expenses	17,885,133	—	217,226	651,829	—	18,754,188
Note and bond expenses	538,224	—	—	—	—	538,224
Amortization of bond issuance expenses	10,083	62,630	133,834	53,997	158,202	418,746
Pass-through grants expenses	69,579,819	—	—	—	—	69,579,819
Housing Choice Voucher program expenses	70,642,377	—	—	—	—	70,642,377
External mortgage servicing expenses	475	—	—	5,458	1,425,218	1,431,151
Investment in rental property expenses	38,655	—	10,770,655	2,626,607	—	13,435,917
Losses and expenses on other real estate owned	370,313	—	—	991,501	8,597,956	9,959,770
Provision for loan losses	1,992,833	(4,318,555)	16,356,947	3,223,866	7,535,450	24,790,541
Total operating expenses	195,149,915	14,462,643	150,399,414	30,860,141	205,935,478	596,807,591
Operating income (expense)	(52,503,813)	22,194,368	16,404,188	11,621,071	78,290,588	76,006,402
Nonoperating revenues (losses):						
Investment income (loss)	(7,343,559)	2,879,217	(2,894,917)	677,523	8,259,617	1,577,881
Other, net	58,342	—	—	—	—	58,342
Total nonoperating revenues (losses)	(7,285,217)	2,879,217	(2,894,917)	677,523	8,259,617	1,636,223
Income (loss) before transfers	(59,789,030)	25,073,585	13,509,271	12,298,594	86,550,205	77,642,625
Transfers between funds	14,565,780	(293,169,973)	290,800,279	9,462,036	(21,658,122)	—
Change in net assets	(45,223,250)	(268,096,388)	304,309,550	21,760,630	64,892,083	77,642,625
Total net assets, beginning of year	199,207,454	268,096,388	128,419,196	108,741,867	1,337,306,452	2,041,771,357
Total net assets, end of year	$ 153,984,204	—	432,728,746	130,502,497	1,402,198,535	2,119,413,982

See accompanying independent auditors' report.

Schedule 4

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

June 30, 2008

Assets	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current assets:						
Cash and cash equivalents	$ 228,110,431	44,830,605	148,103,161	82,709,299	607,916,278	1,111,669,774
Investments	9,244,905	—	—	—	—	9,244,905
Interest receivable – investments	696,105	462,051	157,755	132,896	301,644	1,750,451
Mortgage loans held for sale	—	—	—	—	—	—
Mortgage and other loans receivable	3,049,981	15,089,587	33,614,459	20,805,771	69,619,092	142,178,890
Interest receivable – mortgage and other loans	1,019,085	3,507,540	11,791,866	2,844,426	18,544,931	37,707,848
Other real estate owned	—	—	10,785,903	938,950	5,244,593	16,969,446
Housing Choice Voucher contributions receivable	3,256,935	—	—	—	—	3,256,935
Other assets	4,263,349	54,158	961,305	2,874,767	59,958	8,213,537
Total current assets	249,640,791	63,943,941	205,414,449	110,306,109	701,686,496	1,330,991,786
Noncurrent assets:						
Investments	113,693,336	35,887,643	77,104,848	860,310	—	227,546,137
Mortgage and other loans receivable	102,224,165	575,501,881	1,980,890,577	480,307,276	4,664,111,785	7,803,035,684
Less allowance for loan loss	2,352,477	4,318,556	19,972,468	4,890,992	33,338,089	64,872,582
Less net deferred loan fees	558,727	8,233,589	29,853,598	3,926,540	(17,098,576)	25,473,878
Mortgage and other loans receivable – net	99,312,961	562,949,736	1,931,064,511	471,489,744	4,647,872,272	7,712,689,224
Investment in rental property – net	1,288,273	2,618,261	28,942,178	5,208,905	—	38,057,617
Property, furniture, and equipment, less accumulated depreciation and amortization of $23,289,674	7,504,310	—	7,227,746	7,305,281	—	22,037,337
Unamortized bond issuance expenses	340,000	707,057	2,338,824	1,765,116	1,235,924	6,386,921
Other assets	6,115,646	—	—	981	498,166	6,614,793
Total noncurrent assets	228,254,526	602,162,697	2,046,678,107	486,630,337	4,649,606,362	8,013,332,029
Total assets	$ 477,895,317	666,106,638	2,252,092,556	596,936,446	5,351,292,858	9,344,323,815

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

June 30, 2008

Liabilities and Net Assets		General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current liabilities:							
Notes and bonds payable	$	61,330,000	35,260,000	51,870,000	10,640,000	173,043,055	332,143,055
Accrued interest payable on notes and bonds		11,671	3,864,807	33,185,940	9,668,833	60,776,810	107,508,061
Escrows		34,166,579	—	—	—	—	34,166,579
Accounts payable and other liabilities		9,468,311	508,236	638,224	171,970	10,394,582	21,181,323
Total current liabilities		104,976,561	39,633,043	85,694,164	20,480,803	244,214,447	494,999,018
Noncurrent liabilities:							
Bonds payable, net		—	356,431,413	2,019,696,396	465,625,293	3,766,420,631	6,608,173,733
Project reserves		171,525,076	—	—	—	—	171,525,076
Other liabilities		2,186,226	1,945,794	18,282,800	2,088,483	3,351,328	27,854,631
Total noncurrent liabilities		173,711,302	358,377,207	2,037,979,196	467,713,776	3,769,771,959	6,807,553,440
Total liabilities		278,687,863	398,010,250	2,123,673,360	488,194,579	4,013,986,406	7,302,552,458
Net assets:							
Invested in capital assets, net of related debt		8,278,375	1,114,874	(2,519,591)	(10,574,381)	—	(3,700,723)
Restricted by bond indentures		—	266,981,514	130,938,787	119,316,248	1,337,306,452	1,854,543,001
Unrestricted		190,929,079	—	—	—	—	190,929,079
Total net assets		199,207,454	268,096,388	128,419,196	108,741,867	1,337,306,452	2,041,771,357
Total liabilities and net assets	$	477,895,317	666,106,638	2,252,092,556	596,936,446	5,351,292,858	9,344,323,815

See accompanying independent auditors' report.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans	$ 6,411,768	47,408,723	131,330,859	39,292,249	263,179,436	487,623,035
Pass-through grants received	72,123,335	—	—	—	—	72,123,335
Housing Choice Voucher program income	62,895,029	—	—	—	—	62,895,029
Investment in rental property income	—	400,388	9,180,742	2,550,880	—	12,132,010
Gains and recoveries on sale of other real estate owned	16,370	—	—	838	66,871	84,079
Other	6,487,983	—	2,163	854,361	86,900	7,431,407
Total operating revenues	147,934,485	47,809,111	140,513,764	42,698,328	263,333,207	642,288,895
Operating expenses:						
Interest on notes and bonds	2,075,418	26,179,247	109,720,170	23,815,382	173,257,278	335,047,495
Salaries and related employee benefits	29,775,579	—	—	—	—	29,775,579
General operating expenses	15,588,743	—	179,985	667,012	—	16,435,740
Note and bond expenses	233,730	—	—	—	—	233,730
Amortization of bond issuance expenses	—	101,852	112,799	53,997	80,588	349,236
Pass-through grants disbursed	72,123,335	—	—	—	—	72,123,335
Housing Choice Voucher program expenses	65,096,118	—	—	—	—	65,096,118
External mortgage servicing expenses	1,554	—	—	9,609	1,360,744	1,371,907
Investment in rental property expenses	35,434	892,401	8,520,340	2,359,148	—	11,807,323
Losses and expenses on other real estate owned	1,879	—	—	594,695	1,830,855	2,427,429
Provision for loan losses	261,049	(495,227)	10,173,279	1,398,962	7,477,343	18,815,406
Total operating expenses	185,192,839	26,678,273	128,706,573	28,898,805	184,006,808	553,483,298
Operating income (expense)	(37,258,354)	21,130,838	11,807,191	13,799,523	79,326,399	88,805,597
Nonoperating revenues (losses):						
Investment income (loss)	(15,992,776)	4,910,129	(24,974,255)	1,608,851	17,119,500	(17,328,551)
Other, net	59,033	—	—	—	1,965	60,998
Total nonoperating revenues (losses)	(15,933,743)	4,910,129	(24,974,255)	1,608,851	17,121,465	(17,267,553)
Income (loss) before transfers	(53,192,097)	26,040,967	(13,167,064)	15,408,374	96,447,864	71,538,044
Transfers between funds	22,254,221	(23,495,446)	4,116,561	(1,241,920)	(1,633,416)	—
Change in net assets	(30,937,876)	2,545,521	(9,050,503)	14,166,454	94,814,448	71,538,044
Total net assets, beginning of year	230,145,330	265,550,867	137,469,699	94,575,413	1,242,492,004	1,970,233,313
Total net assets, end of year	$ 199,207,454	268,096,388	128,419,196	108,741,867	1,337,306,452	2,041,771,357

See accompanying independent auditors' report.

KPMG LLP
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners
Virginia Housing Development Authority:

We have audited the basic financial statements of the Virginia Housing Development Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 21, 2009. That report recognizes that the Authority implemented a new accounting standard effective July 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, the Audit Committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 21, 2009

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VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis,
Basic Financial Statements, and
Supplementary Information

March 31, 2010 and 2009

(Unaudited)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Table of Contents

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis

March 31, 2010 and 2009

Management of the Virginia Housing Development Authority (the Authority) offers readers of its financial report this overview and analysis of the Authority's financial performance for the nine months ended March 31, 2010 and 2009. Readers are encouraged to consider this information in conjunction with the Authority's financial statements, accompanying footnotes, and supplemental information, which follow this section.

Organization Overview

The Authority is a political subdivision of the Commonwealth of Virginia, created under the Virginia Housing Development Authority Act (the Act) enacted by the General Assembly in 1972, as amended. The Act empowers the Authority to finance the acquisition, construction, rehabilitation, and ownership of affordable housing for home ownership or occupancy by low-or moderate-income Virginians. To raise funds for its mortgage loan operations, the Authority sells tax-exempt and taxable notes and bonds to investors. Such notes, bonds, and other indebtedness are not obligations of the Commonwealth of Virginia (the Commonwealth) and the Commonwealth is not liable for repayments of such obligations. Furthermore, as a self-sustaining organization, the Authority does not draw upon the general taxing authority of the Commonwealth. Operating revenues are generated primarily from interest on mortgage loans, program administration fees, and investment income from bond proceeds and earnings accumulated since inception.

In addition to its major mortgage loan programs, the Authority also administers, on a fee basis, various other programs related to its lending activities. Such programs include the Housing Choice Voucher program, which provides rental subsidies from federal funds, and the federal Low Income Housing Tax Credit program, which awards income tax credits for the purpose of developing low-income multifamily housing projects. The Authority also underwrites Resources Enabling Affordable Community Housing (REACH Virginia) initiatives, in which the interest rates on loans are subsidized by the Authority, principally for the elderly, disabled, homeless, and other low-income persons. The amount of net assets used to provide reduced interest rates on mortgage loans or otherwise subsidize its programs is equal to 15% of the average of the Authority's change in net assets, as unadjusted for the effect of Governmental Accounting Standards Board (GASB) No. 31 *Certain Investments and External Investment Pools*, for the preceding three fiscal years. The Authority may use a higher amount if determined to be appropriate. The amounts made available to provide reduced interest rates on mortgage loans or otherwise provide housing subsidies under its programs are subject to review by the Authority of the impact on its financial position. The Authority finances some, but not all, of such subsidized mortgage loans, in whole or in part, with funds under its various bond resolutions.

Financial Statements

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and the accompanying notes.

The *Statement of Net Assets* reports all of the Authority's assets and liabilities, both financial and capital, presented in order of liquidity and using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The difference between assets and liabilities is presented as net assets, and is displayed in three components: capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when external constraints are placed upon their use, such as bond indentures, legal agreements or statutes. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* identify all the Authority's revenues and expenses for the reporting period, distinguishing between operating and nonoperating activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgage loans, externally funded programs and other revenue sources.

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. These statements provide information regarding the sources and uses of cash and the change in cash during the reporting period.

The *Notes to Financial Statements* provide additional information that are essential for understanding financial data that may not be displayed on the face of the financial statements and as such, are an integral part of the Authority's basic financial statements.

Financial Highlights

Overview

The Authority has continued to maintain a sound financial position through three quarters of FY 2010 following prolonged after effects of severe upheaval in the housing and financial markets. Efforts have been primarily aimed toward continued loan availability and down-payment assistance for qualified first time homebuyers, loan loss mitigation, use of the GNMA securities funding source established in the spring of 2009, and continual review of bond market opportunities. As a result, the Authority has sustained its services and profitability in an environment of limited financing options, rising delinquencies and foreclosures, nominal investment earnings, and further property devaluations.

In response to higher loan losses, higher reserve requirements have been established. The Authority's homeownership education, underwriting and loss mitigation practices have helped restrain delinquency and foreclosure rates below those for Virginia and the nation. The Authority promoted its Borrower Assistance Program to prevent foreclosure through loan modification for otherwise responsible borrowers encountering financial hardships beyond their control and has continued to participate in foreclosure prevention awareness initiatives. The Authority services substantially all of its single family loans, affording flexibility in working with troubled borrowers.

In December, the Authority established the Homeownership Mortgage Bond Group pursuant to the U. S. Treasury's New Issuance Bond Program, created to assist state and local housing finance agencies to acquire cost effective capital for mortgage lending. Under this program, the Authority received an allocation of $482.9 million to issue short-term variable rated bonds to Treasury, representing 60% of the total issue, to be held in escrow until converted no later than March 1, 2011 upon the issuance of the remaining 40% to the general public. Capital funds raised from this program will sustain the Authority's tax-exempt homeownership mortgage loan production into the next fiscal year.

Nine Months Ended March 31, 2010

Homeownership loan originations totaled 2,860 in the three quarters of fiscal year (FY) 2010 compared to 3,169 for the same period last year. Mortgage loan production decreased by 309 or 9.8% due to market competition and limited capital available at lendable mortgage rates, brought on primarily from federal government programs to prop up the housing market through purchases of single-family mortgage loans, as well as a general decline in home purchase activity.

During the first three quarters of FY 2010, 1,319 single-family mortgage loans valued at $176.50 million were securitized by GNMA, bringing capital raised from securitized loans to $181.90 million.

As of March 31, 2010, the Authority serviced 52,248 first and second homeownership mortgage loans with outstanding balances totaling $5.18 billion. The number of first mortgage loans serviced, net of prepayments, increased 208 or 0.5% since March 31, 2009 while the associated outstanding loan balances increased $17.06 million or 0.3% as of the same date. Second mortgage loans serviced count and balances increased from a year ago by 2,415 (29.9%), and $15.59 million (23.2%), respectively. In the three quarters of FY 2010, there were 466 foreclosures valued at $64.60 million or 1.27% of the homeownership loan portfolio, compared to a year ago with 239 foreclosures valued at $30.56 million or 0.61% of loan amounts. The recovery rate on foreclosed homes has averaged 75% over the last twelve months. Delinquency rates on the portfolio loan count of first mortgage loans averaged 9.57% for three quarters of FY 2010, compared to 6.97% a year ago. Delinquency rates based on outstanding loan balances averaged 5.24% and 2.98% in the three quarters of FY 2010 and FY 2009, respectively.

Financing commitments were made for 49 rental housing projects during the first nine months of FY 2010, representing 3,884 units totaling $251.15 million, compared to 55 projects and 3,133 units totaling $181.7 million for the same period a year ago.

As of March 31, 2010 the Authority serviced 1,483 rental mortgage loans with outstanding balances totaling $3.31 billion. Compared to March 31, 2009, the number of loans in the portfolio increased 53 or 3.7% and the loan balances increased $109.15 million or 3.4%. Delinquency rates based on portfolio loan count averaged 1.35% and 0.99% in the three quarters of FY 2010 and FY 2009, respectively. The average delinquency rates in the three quarters based on outstanding loan balances were 0.69% or $22.45 million compared to 0.17% or $5.20 million in FY 2009.

Taking into account all of the programmatic accomplishments, operating income for the nine months ended March 31, 2010 was $75.6 million, an increase of $7.9 million from the prior year. With the inclusion of nonoperating income, consisting primarily of investment income, net assets increased for the nine months by $78.5 million compared to a $68.5 million increase last year.

Nine Months Ended March 31, 2009

Homeownership loan originations totaled 3,169 in the three quarters of fiscal year (FY) 2009 compared to 5,164 for the same period last year. Mortgage loan production decreased by 1,995 or 39% as a consequence of market aversion to taxable bond resources and managing available tax-exempt bond resources. Such market conditions prompted the Authority to suspend availability of taxable products since April 2008.

As of March 31, 2009, the Authority serviced 49,592 first and second homeownership mortgage loans with outstanding balances totaling $5.1 billion. The number of loans serviced, net of prepayments, increased 3,907 or 8.6% since March 31, 2008 while outstanding loan balances increased $347 million or 7.2% as of the same date. To date in FY 2009, there were 239 foreclosures valued at 0.61% of the homeownership loan portfolio, compared to a year ago with 90 foreclosures valued at 0.24% of loan amounts. Delinquency rates on the portfolio loan count of first mortgage loans averaged 6.97% for the first nine months of FY 2009, compared to 4.83% in the same period a year ago. Delinquency rates based on outstanding loan balances averaged 2.98% and 1.85% in the three quarters of FY 2009 and FY 2008, respectively.

Financing commitments were made for 55 rental housing projects thus far this year, representing 3,133 units totaling $181.7 million, compared to 57 projects and 3,023 units totaling $158.7 million for the same period a year ago. Decreased investor interest in tax credits coupled with diminishing property available for developing affordable rental housing stock has resulted in funding of smaller projects with fewer rental units.

As of March 31, 2009, the Authority serviced 1,430 rental mortgage loans with outstanding balances totaling $3.2 billion. Compared to March 31, 2008, the number of loans in the portfolio increased 61 or 4.5% and the loan balances increased $142.6 million or 4.7%. Delinquency rates based on portfolio loan count were 0.99% and 0.86% as of March 31, 2009 and 2008, respectively. The average delinquency rates based on outstanding loan balances for nine months of FY 2009 were 0.17% or $5.2 million compared to 0.20% or $6.0 million in FY 2008. Delinquency rates continued to be among the lowest levels since July 2003. In FY 2009, foreclosed rental properties valued at $7.4 million were acquired and their operations continued under the Authority's ownership and control.

Financial Analysis of the Authority

Cash is held by the trustees and banks in depository accounts and investments for a variety of purposes, including: debt service reserve funds required by bond indenture, escrow and reserve funds held for the benefit of single-family mortgagors and multi-family projects, funding for new mortgage loan originations, working capital for operating costs of the Authority, governmental funds held for disbursement toward Section 8 projects, and other funds held in a fiduciary capacity to support other housing initiatives. Monies on deposit in Virginia banks are secured under the Virginia Security for Public Deposits Act of the Code of Virginia.

Investment objectives are to invest all monies at favorable rates to maximize returns while maintaining short-term liquidity and to manage investments in a prudent manner to enable the Authority to fulfill its financial commitments. Precautions are taken to minimize the risk associated with investments, including monitoring creditworthiness of the investment, as determined by ratings provided by Standard & Poor's and Moody's, concentration risk, and maturity risk. The Authority does not enter into short sales or futures transactions for which a bona fide hedging purpose has not been established.

Mortgage and other loan receivables represent the Authority's principal asset. Mortgage loans are financed through a combination of proceeds of notes and bonds and net assets accumulated since inception. Mortgage loan payments received from mortgagors are used to pay debt service due on outstanding bonds.

The largest component of the Authority's liabilities is outstanding bonds payable, the majority of which is fixed rate to maturity dates that may extend into the future as much as forty years. The Authority continues to maintain strong long-term ratings of Aa1 from Moody's Investors Services and AA+ from Standard & Poor's Rating Services for its general credit rating as well as all bond indentures other than the Commonwealth Mortgage Bonds indenture, which is rated Aaa and AAA, from Moody's and Standard & Poor's, respectively. Net assets comprise capital assets, net of related debt, and restricted and unrestricted net assets. *Capital assets, net of related debt* represents office buildings, land, furniture and equipment, vehicles and an investment in rental property, less the current outstanding applicable debt. *Restricted net assets* represent the portion of net assets held in trust accounts for the benefit of the respective bond owners, subject to the requirements of the various bond indentures. *Unrestricted net assets* represent a portion of net assets that have been designated for a broad range of initiatives, such as administration of the Housing Choice Voucher program, support for REACH Virginia initiatives, contributions to bond issues and bond reserve funds, working capital, future operating and capital expenditures, and general financial support to the Authority's loan programs.

Condensed Statement of Net Assets

(In millions)

		March 31, 2010	2009	2008
Cash and cash equivalents	$	1,391.6	1,298.7	1,043.7
Investments		83.9	178.4	360.8
Mortgage and other loans receivable, net		8,064.1	8,150.1	7,720.4
Other assets		159.4	151.9	140.6
Total assets		9,699.0	9,779.1	9,265.5
Notes and bonds payable, net		7,112.2	7,282.7	6,843.5
Other liabilities		388.8	386.2	372.3
Total liabilities		7,501.0	7,668.9	7,215.8
Invested in capital assets, net of related debt		7.0	—	2.6
Restricted by bond indentures		2,040.0	1,950.1	1,868.3
Unrestricted		151.0	160.1	178.8
Net assets	$	2,198.0	2,110.2	2,049.7

March 31, 2010 Compared to March 31, 2009

Total assets increased $87.8 million, or 4.2%, from the prior year. Cash and cash equivalents, and investments, combined, decreased $1.6 million, or .1% from the prior year. Mortgage and other loans receivables decreased by $86.0 million, or 1.1%, largely as a result of new homeownership mortgage loans securitized through GNMA.

Total liabilities decreased $167.9 million, or 2.2% from the prior year. Notes and bonds payable decreased $170.5 million, or 2.3% from the prior year. In the current fiscal year, the Authority issued $590.29 million in Homeownership taxable bonds, $51.75 million in Commonwealth tax-exempt bonds, and $122.56 million in

Rental Housing tax-exempt bonds. Proceeds from bond issues were a principal source of funding for mortgage loan originations and repayment of short term borrowing.

Total assets exceeded total liabilities by $2,198.0 million, representing an increase in net assets of $87.8 million, or 4.2% from the prior year. As of March 31, 2010, net assets invested in capital assets, net of related debt, consisted of $43.5 million in investments in rental property, net of depreciation and amortization and $23.5 million in property, furniture, and equipment, net of depreciation and amortization, less related bonds payable of $60.0 million. Net assets restricted by bondholders totaled $2,040.0 million, an increase of $89.9 million, or 4.6% from the prior year. Unrestricted net assets totaled $151.0 million, a decrease of $9.1 million from the prior year.

March 31, 2009 Compared to March 31, 2008

Total assets increased $513.6 million, or 5.5% from the prior year. Cash and cash equivalents, and investments, combined, increased $72.6 million, or 5.2% from the prior year. Mortgage and other loans receivables increased by $429.7 million, or 5.6%, largely as a result of new homeownership loan originations and a decreased level of mortgage loan prepayments.

Total liabilities increased $453.1 million, or 6.3% from the prior year due to net additional draws on lines of credit and issuances of bonds. In the first nine months of FY 2009, the Authority issued $255.5 million in single-family homeownership bonds, $102 million in net additional rental housing bonds, and drew a net additional $78.1 million on lines of credit. Proceeds from bond issues and lines of credit were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2,110.2 million, representing an increase in net assets of $60.5 million, or 3.0% from the prior year. As of March 31, 2009, net assets invested in capital assets, net of related debt, consisted of $50.9 million in investments in rental property, net of depreciation and amortization and $20.3 million in property, furniture, and equipment, net of depreciation and amortization, less related bonds payable of $71.2 million. Net assets restricted by bondholders totaled $1,950.1 million, an increase of $81.8 million, or 4.4% from the prior year. Unrestricted net assets totaled $160.1 million, a decrease of $18.7 million, or 10.5% from the prior year, as a result of replacing bonds with a general line of credit.

Condensed Statement of Revenues, Expenses and Changes in Net Assets
(In millions)

		Nine months ended March 31,		
		2010	**2009**	**2008**
Operating revenues:				
Interest on mortgage and other loans	$	385.2	389.2	361.3
Pass-through grants received		83.8	51.5	55.3
Housing Choice Voucher program income		50.9	44.0	49.2
Other operating revenues		26.9	16.6	13.9
Total operating revenues		546.8	501.3	479.7
Operating expenses:				
Interest on notes and bonds payable		255.2	263.6	241.3
Pass-through grants disbursed		83.8	51.5	55.3
Housing Choice Voucher program expense		52.5	52.5	48.5
Other operating expenses		79.7	66.0	56.2
Total operating expenses		471.2	433.6	401.3
Net operating income		75.6	67.7	78.4
Nonoperating revenues:				
Investment income		2.9	0.8	1.1
Other nonoperating revenues		—	—	—
Total nonoperating revenues		2.9	0.8	1.1
Change in net assets	$	78.5	68.5	79.5

The principal determinants of the Authority's change in net assets (more commonly referred to as excess revenues) are operating revenues less operating expenses plus nonoperating revenues.

Operating revenues consist primarily of interest earnings on mortgage loans and operating expenses consist predominantly of interest expense on notes and bonds payable and operating expenses of the Authority. Nonoperating revenues consist of investment earnings as well as realized and unrealized gains or losses on the sale of investments.

Nine months ended March 31, 2010

Operating revenues increased $45.5 million or 9.1% from the prior year. The increase was primarily attributable to federal funding of new tax credit programs in Pass-through grants received ($29.8 million), higher federal funding in the Housing Choice Voucher program ($6.9 million), and gains on the securitization of single family mortgage loans ($3.8 million). Interest on mortgage and other loans decreased $4.0 million reflecting lower interest rates which as a percent of average loans outstanding averaged 6.33% compared to 6.48% the previous year.

Operating expenses increased $37.6 million or 8.7% compared to the three quarters of FY 2009. Interest expense on notes and bonds payable decreased $8.4 million or 3.2% from the prior year. Pass-through grants disbursed increased $32.3 million due to the Authority's role as administrator for new federal tax credit programs. Loan losses and expenses, included in operating expenses, increased $17.4 million compared to the same period in FY 2009. Conversely, other operating expenses, primarily administrative costs, decreased $3.7 million.

Nonoperating revenues increased $2.1 million compared to the prior year, due to some recovery of fair value of investment assets.

Nine Months Ended March 31, 2009

Operating revenues increased $21.6 million or 4.5% from the prior year. The increase was primarily attributable to interest earnings on mortgage and other loan receivables, which increased $27.9 million, or 7.7%, due to growth in the volume of mortgage loans serviced during the year, a reduction in mortgage loan prepayments as compared to previous years and a slight increase in mortgage rates.

Operating expenses increased $32.3 million or 8.0% from the prior year. Interest expense on notes and bonds payable increased $22.3 million or 9.2% from the prior year, due to net increases in the amount of notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased $9.8 million or 17.4% above last year. Expenses for the Housing Choice Voucher program increased $4.0 million or 8.2% over last year.

Nonoperating revenues decreased slightly by $0.3 million or 27.3% from the prior year, due primarily to a decline in short term investment rates.

Other Economic Factors

The Authority's mortgage loan financing activities are sensitive to the general level of interest rates, the interest rates and other characteristics of the Authority's loans compared to loan products available in the conventional mortgage markets, and the availability of affordable housing in the Commonwealth. The availability of long-term tax-exempt and taxable financing on favorable terms is a key element in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's main sources of revenues include mortgage loan activity and investment interest income. Short-term investment rates in the United States have been restrained at historically low levels and declined further from an average of 0.69% to an average of 0.11% in the nine months ended March 31, 2009 and 2010, respectively.

Delinquency and foreclosure rates in the single family loan portfolio, and to a lesser extent the multifamily loan portfolio, are influenced by unemployment. Virginia's seasonally-adjusted unemployment rate increased from 6.4% in March 2009 to 7.6% in March 2010.

Additional Information

If you have questions about this report or need additional information, please visit the Authority's Web site, www.vhda.com, or contact the Finance Division of the Virginia Housing Development Authority.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Net Assets

March 31, 2010 and 2009

Assets		**2010**	**2009**
Current assets:			
Cash and cash equivalents (note 5)	$	1,391,556,629	1,298,736,046
Investments (note 5)		5,602,926	30,382,167
Interest receivable – investments		601,780	1,789,321
Mortgage and other loans receivable (note 4)		157,331,946	151,880,877
Interest receivable – mortgage and other loans		38,754,077	38,719,757
Other real estate owned		28,565,337	14,255,509
Housing Choice Voucher contributions receivable		—	124,264
Other assets		15,097,820	9,105,877
Total current assets		1,637,510,515	1,544,993,818
Noncurrent assets:			
Investments (note 5)		78,325,316	148,024,324
Mortgage and other loans receivable (note 4)		8,034,075,071	8,102,253,795
Less allowance for loan loss		100,672,662	78,183,478
Less net deferred loan fees		26,598,638	25,875,605
Mortgage and other loans receivable, net		7,906,803,771	7,998,194,712
Investment in rental property, net		43,541,567	50,892,431
Property, furniture, and equipment, less accumulated depreciation and amortization of $26,6,715,190 and $24,862,347 respectively (note 6)		24,579,698	23,624,911
Unamortized bond issuance expenses		7,239,426	6,505,343
Other assets		1,023,477	6,871,721
Total noncurrent assets		8,061,513,255	8,234,113,442
Total assets	$	9,699,023,770	9,779,107,260
Liabilities and Net Assets			
Current liabilities:			
Notes and bonds payable (note 7)	$	576,755,638	710,895,488
Accrued interest payable on notes and bonds		100,390,149	108,176,226
Housing Choice Voucher contributions payable		2,120	—
Escrows (note 8)		65,244,312	58,827,080
Accounts payable and other liabilities (notes 5 and 9)		16,852,307	19,428,550
Total current liabilities		759,244,526	897,327,344
Noncurrent liabilities:			
Bonds payable, net (note 7)		6,535,435,691	6,571,822,006
Project reserves (notes 8 and 13)		178,013,070	171,985,452
Other liabilities (notes 5, 9, 11, and 13)		28,354,747	27,715,368
Total noncurrent liabilities		6,741,803,508	6,771,522,826
Total liabilities		7,501,048,034	7,668,850,170
Net assets (note 10):			
Invested in capital assets, net of related debt		7,010,975	10,756
Restricted by bond indentures (note 3)		2,040,013,436	1,950,136,092
Unrestricted		150,951,325	160,110,242
Total net assets		2,197,975,736	2,110,257,090
Total liabilities and net assets	$	9,699,023,770	9,779,107,260

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Revenues, Expenses, and Changes in Net Assets

Nine months ended March 31, 2010 and 2009

	2010	2009
Operating revenues:		
Interest on mortgage and other loans	$ 385,224,474	389,241,653
Pass-through grants income	83,791,647	51,545,750
Housing Choice Voucher program income	50,925,344	43,975,151
Investment in rental property income	10,410,082	10,681,308
Gains and recoveries on sale of other real estate owned	4,814,471	117,419
Other	11,627,472	5,836,486
Total operating revenues	546,793,490	501,397,767
Operating expenses:		
Interest on notes and bonds	255,195,593	263,627,225
Salaries and related employee benefits (note 11)	21,984,513	23,047,651
General operating expenses	11,333,069	13,103,067
Note and bond expenses	531,590	372,453
Amortization of bond issuance expenses	600,436	316,942
Pass-through grants expenses	83,791,647	51,545,750
Housing Choice Voucher program expenses	52,488,690	52,520,875
External mortgage servicing expenses	1,037,693	1,097,936
Investment in rental property expenses	9,345,279	10,633,969
Losses and expenses on other real estate owned	13,516,890	4,032,706
Provision for loan losses	21,349,317	13,414,074
Total operating expenses	471,174,717	433,712,648
Operating income	75,618,773	67,685,119
Nonoperating revenues:		
Investment income (note 9)	2,903,244	753,687
Other, net	39,737	46,927
Total nonoperating revenues	2,942,981	800,614
Change in net assets	78,561,754	68,485,733
Total net assets, beginning of year	2,119,413,982	2,041,771,357
Total net assets, end of nine months	$ 2,197,975,736	2,110,257,090

See accompanying notes to basic financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Nine Months Ended March 31, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Cash payments for mortgage and other loans	$	(609,353,657)	(684,607,340)
Principal repayments on mortgage and other loans		653,599,375	367,062,318
Interest received on mortgage and other loans		384,057,426	386,343,500
Pass-through grants received		83,791,647	51,545,750
Pass-through grants disbursed		(83,791,647)	(51,545,750)
Housing Choice Voucher payments received		51,198,946	47,107,822
Housing Choice Voucher payments disbursed		(52,518,700)	(52,373,103)
Escrow and project reserve payments received		243,424,600	189,052,748
Escrow and project reserve payments disbursed		(205,844,167)	(164,531,489)
Other operating revenues		18,636,824	3,265,867
Cash received for loan origination fees		7,065,655	5,627,423
Cash paid for loan origination fees		(4,854,546)	(5,783,863)
Cash payments for salaries and related benefits		(24,344,365)	(24,188,219)
Cash payments for general operating expenses		(12,245,700)	(7,912,734)
Cash payments for mortgage servicing expenses		(922,558)	(1,037,935)
Proceeds from sale of other real estate owned		13,952,163	3,933,735
Investment in rental property		(27,783,140)	(8,876,188)
Net cash provided by operating activities		434,068,156	53,082,542
Cash flows from noncapital financing activities:			
Proceeds from sale of notes and bonds		1,176,208,000	914,183,706
Principal payments on notes and bonds		(942,308,823)	(571,588,820)
Interest payments on notes and bonds		(264,519,414)	(256,572,538)
Cash payments for bond issuance expenses		(3,755,006)	(7,016,065)
Net cash (used in) provided by noncapital financing activities		(34,375,243)	79,006,283
Cash flows used in capital and related financing activities:			
Purchases of property, furniture, and equipment		(2,249,304)	(3,627,283)
Cash flows from investing activities:			
Purchases of investments		(242,631,552)	(99,039,546)
Proceeds from sales or maturities of investments		254,841,609	145,847,367
Interest received on investments		3,371,195	11,796,909
Net cash provided by investing activities		15,581,252	58,604,730
Net increase in cash and cash equivalents		413,024,861	187,066,272
Cash and cash equivalents, at beginning of year		978,531,768	1,111,669,774
Cash and cash equivalents, at end of nine months	$	1,391,556,629	1,298,736,046

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Statements of Cash Flows

Nine Months Ended March 31, 2010 and 2009

		2010	2009
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	75,618,773	67,685,119
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		2,123,139	2,043,422
Other depreciation and amortization		2,125,023	2,377,112
Interest on notes and bonds		255,228,406	263,627,225
Increase in investment in rental property, net		(23,969,276)	(14,894,985)
Decrease (increase) in mortgage and other loans receivable		58,876,018	(308,920,097)
Increase in allowance for loan loss		19,514,456	13,310,896
Increase in net deferred loan fees		624,968	401,726
Decrease (increase) in interest receivable – mortgage and other loans		686,359	(1,011,908)
Increase in other real estate owned		8,199,435	2,713,936
Decrease in Housing Choice Voucher contributions receivable		273,602	3,132,671
Decrease (increase) in other assets		2,129,146	(1,106,054)
Decrease in accounts payable and other liabilities		(4,942,326)	(797,780)
Increase in escrows and project reserves		37,580,433	24,521,259
Net cash provided by operating activities	$	434,068,156	53,082,542
Supplemental disclosure of noncash investing activity:			
Increase in other real estate owned as a result of loan foreclosures	$	32,959,774	11,692,908

See accompanying notes to basic financial statements.

E-56

(1) Organization and Summary of Significant Accounting Policies

(a) *Organization*

The Virginia Housing Development Authority (the Authority) was created under the Virginia Housing Development Authority Act, as amended (the Act) enacted by the 1972 Session of the Virginia General Assembly. The Act empowers the Authority, among other authorized activities, to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income. Mortgage loans are generally made with the proceeds of notes, bonds, or other debt obligations issued by the Authority. The notes, bonds and other debt obligations do not constitute a debt or grant or loan of credit of the Commonwealth of Virginia (the Commonwealth), and the Commonwealth is not liable for the repayment of such obligations.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other similar types of funds, are combined to form the Enterprise Funds of the Commonwealth. The Authority reports all of its activities as one enterprise fund, in accordance with U.S. generally accepted accounting principles (GAAP). See note 2 for further discussion.

(b) *Measurement Focus and Basis of Accounting*

The Authority utilizes the economic resources measurement focus and accrual basis of accounting in preparing its basic financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds and groups of funds, which are set up in accordance with the authorizing act and the various note and bond resolutions. As provided for in Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(c) *Use of Estimates*

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and judgments that affect reported amounts of assets and liabilities and the disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(d) *Investments*

Investments are reported at fair market value on the Statements of Net Assets, with changes in fair market value recognized in investment income in the Statements of Revenues, Expenses, and Changes in Net Assets. Fair market value is determined by reference to published market prices and quotations from national security exchanges and securities pricing services.

(e) *Investment in Rental Property*

Investment in rental property represents several multi-family apartment complexes, including the related property, furniture, and equipment. These assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives, which are 30 years for buildings, 15 years for building improvements and from 5 to 10 years for furniture and equipment. The investments are carried net of accumulated depreciation of $11,746,117 as of March 31, 2010 and $11,123,135 as of March 31, 2009. These investments are also tested for impairment when triggers are identified.

(f) *Mortgage and Other Loans Receivable*

Mortgage and other loans receivable are stated at their unpaid principal balance, net of deferred loan fees and costs and an allowance for loan losses. The Authority charges loan fees to mortgagors. These fees, net of direct costs, are deferred and amortized, using the interest method, over the contractual life of the loans as an adjustment to yield. The interest method is computed on a loan-by-loan basis and any unamortized net fees on loans fully repaid or restructured are recognized as income in the year in which such loans are repaid or restructured.

(g) *Allowance for Loan Losses*

The Authority provides for losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment, to maintain the allowance at a level it believes sufficient to cover losses in collection of loans. Estimates of future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience and delinquency statistics, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The provision for loan losses was $21,349,317 and $13,414,074 for the nine months ended March 31, 2010 and 2009, respectively.

(h) *Property, Furniture, and Equipment*

Capital assets are capitalized at cost and depreciation is provided on the straight-line basis over the estimated useful lives, which are 30 years for buildings and from 3 to 10 years for furniture and equipment. The capitalization threshold for property, furniture, and equipment is $1,000.

(i) *Bond Issuance Expense*

Costs related to issuing bonds are capitalized in the related bond group and are amortized on the straight-line basis over the lives of the bonds.

(j) *Other Real Estate Owned*

Other real estate owned represents current investments in rental property, acquired primarily through foreclosure, and is stated at the lower of cost or fair value less estimated disposal costs. Gains and losses from the disposition of other real estate owned are reported separately in the Statements of Revenues, Expenses, and Changes in Net Assets.

E-57

(k) Notes and Bonds Payable

Notes and bonds payable are stated at their unpaid balance less any unamortized premiums or discounts. Bond premiums and discounts are amortized over the lives of the issues using the interest method. The Authority generally has the right to specially redeem bonds, without premium, upon the occurrence of certain specified events, such as the prepayment of a mortgage loan. The Authority also generally has the right to optionally redeem the various bonds at premiums ranging from 0% to 2%. The optional redemptions generally cannot be exercised until the bonds have been outstanding for approximately ten years. All issues generally have term bonds, which will be subject to partial redemption, without premium, from mandatory sinking fund installments.

(l) Retirement Plans

The Authority has three defined contribution employees' retirement savings plans covering substantially all employees. Retirement expense is fully funded as incurred. To the extent terminating employees are less than 100% vested in the Authority's contributions, the unvested portion is forfeited and redistributed to the remaining participating employees.

The Authority also provides postretirement healthcare benefits under a defined benefit plan to all employees who have met the years of service requirement and who retire from the Authority on or after attaining age 55 or become permanently disabled.

The Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, at July 1, 2007. GASB Statement No. 45 provisions consist of standards for the measurement, recognition, and disclosure of OPEB expenses and actuarially accrued liabilities associated with OPEB as well as the extent to which progress has been made in funding the plan. Additional details on the implementation of GASB Statement No. 45 are disclosed in note 12.

(m) Compensated Absences

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(n) Pass-Through Revenues and Expenses

U.S. Department of Housing and Urban Development – Project Based Section 8

As the Commonwealth administrator for the Department of Housing and Urban Development's (HUD) Section 8 New Construction and Substantive Rehabilitation program, the Authority requisitions Section 8 funds, makes disbursements of Housing Assistance Payments (HAP) funds to landlords of eligible multi-family developments, and recognizes administrative fee income. The Authority received and disbursed pass-through grants totaling $53,691,256 and $51,545,750 during the nine months ended March 31, 2010 and 2009, respectively.

U.S. Department of Housing and Urban Development – Housing Counseling Assistance Program

The Authority serves as an administrator for twenty eight HUD-approved Housing Counseling Agencies in Virginia. The Housing Counseling Assistance Program provides counseling to consumers on seeking, financing, maintaining, renting, or owning a home. There were $149,640 of Housing Counseling Assistance Program pass-through revenues and expenses during the nine months ended March 31, 2010, and none for the prior year.

U.S. Department of Housing and Urban Development – Tax Credit Assistance Program

The Tax Credit Assistance Program (TCAP) provides grant funding for capital investment in Low Income Housing Tax Credit (LIHTC) projects via a formula-based allocation to State housing credit allocation agencies. The Authority is the housing credit administrator in the Commonwealth. The housing credit agencies in each state distribute these funds competitively and according to their qualified allocation plan. The Authority received and disbursed $10,826,033 of assistance during the nine months ended March 31, 2010, and none for the prior year.

NeighborWorks America

The Authority is an administrator for NeighborWorks America, a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts. Thirteen nonprofit agencies are assisted by NeighborWorks funds administered by the Authority. There were $157,704 of NeighborWorks America pass-through revenues and expenses during the nine months ended March 31, 2010 and none for the prior year.

U. S. Department of the Treasury - Low-Income Housing Grants in Lieu of Tax Credit Allocations for 2009 (Tax Credit Exchange)

As the housing credit administrator for the Commonwealth, the Authority administers the Tax Credit Exchange program which was created by the American Recovery and Reinvestment Act of 2009. Grants are received by the Authority and issued to finance the acquisition or construction of qualified low-income housing projects. The Authority received and disbursed $18,967,015 million of assistance during the nine months ended March 31, 2010, and none for the prior year.

(o) Housing Choice Voucher Program

As the Commonwealth administrator for HUD's Section 8 Housing Choice Voucher program, the Authority requisitions Section 8 funds, makes disbursements of HAP funds to eligible tenants, and recognizes administrative fee income.

Upon receipt or disbursement of HAP and administrative funds related to Section 8, corresponding revenues or expenses are recorded in Housing Choice Voucher program income or Housing Choice Voucher program expense in the Statements of Revenues, Expenses and Changes in Net Assets. Housing Choice Voucher contributions receivable are stated at the balance of funds obligated and available from HUD but not yet disbursed to the Authority. Excess HAP or administrative funds disbursed to the Authority are recorded in unrestricted net assets in the Statements of Net Assets.

Cumulative excess HAP and administrative funds totaled $2,070,719 and $1,149,723, respectively, as of March 31, 2010 and $4,433,467 and $1,303,926, respectively, as of March 31, 2009. HUD monitors the utilization of these excess funds and adjusts funding levels prospectively to assure all funds are being used to serve as many families up to the number of vouchers authorized by the program.

(p) ***Commonwealth Priority Housing Fund***

The Commonwealth Priority Housing Fund, established by the 1988 Session of the Virginia General Assembly, uses funds provided by the state to provide loans and grants for a wide variety of housing initiatives. The Department of Housing and Community Development develops the program guidelines and the Authority acts as administrator for the Funds. The balances associated with the Commonwealth Priority Housing Fund are recorded in assets and liabilities in the amounts of $8,231,045 and $8,329,993 as of March 31, 2010 and 2009, respectively.

(q) ***Cash Equivalents***

For purposes of the Statements of Cash Flows, cash equivalents consist of investments with original maturities of three months or less from the date of purchase.

(r) ***Rebatable Arbitrage***

Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. This results in investment income in excess of interest costs. Federal law requires such income be rebated to the government if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Arbitrage must be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes.

(s) ***Statement of Net Assets***

The assets presented in the Statement of Net Assets represent the total of similar accounts of the Authority's various groups (note 2). Since the assets of certain of the groups are restricted by the related debt resolutions, the total does not indicate that the combined assets are available in any manner other than that provided for in the resolutions for the separate groups. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first and thereafter unrestricted resources as needed.

(t) ***Operating and Nonoperating Revenues and Expenses***

The Authority's Statements of Revenues, Expenses, and Changes in Net Assets distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally are a result from financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy and ownership, by families of low or moderate income or as a result from the ownership of certain multi-family housing rental properties. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(u) ***Reclassifications***

Certain reclassifications have been made in the March 31, 2009 basic financial statements to conform to the March 31, 2010 presentation.

(2) Basis of Presentation

The accounts of the Authority are presented in a single proprietary fund set of basic financial statements consisting of various programs. The Authority's activities include the following programs:

(a) ***General Operating Accounts***

The General Operating Accounts consist of a group of accounts used to record the receipt of income not directly pledged to the repayment of specific notes and bonds and the payment of expenses related to the Authority's administrative functions.

(b) ***Multi-Family Housing Bond and Rental Housing Bond Groups***

The proceeds of the Multi-Family Housing Bonds and Rental Housing Bonds are used to finance construction and permanent loans on multi-family development projects, as well as, permanent financing for owned rental property.

All outstanding bonds in the Multi-Family Housing Bond Group were redeemed on May 1, 2009. There are no anticipated future bond issuances to be made from the Multi-Family Housing Bond Group. Substantially all of the residual assets of the Multi-Family Housing Bond Group were transferred to the Rental Housing Bond Group and are available for funding related housing projects.

(c) ***VHDA General Purpose Bond Group***

The proceeds of the General Purpose Bonds are used to finance construction and permanent loans on multi-family projects, loans on single-family dwellings, as well as, permanent financing for owned rental property and the Authority's office facilities.

(d) ***Commonwealth Mortgage Bond Group***

The proceeds of Commonwealth Mortgage Bonds are used to purchase or make long-term loans to owner occupants of single-family dwelling units, as well as, temporary financing for other real estate owned.

(e) ***Homeownership Mortgage Bond Group***

This bond group was established on December 2, 2009 and encompasses the Authority's participation in the U. S. Department of the Treasury Single Family New Issue Bond Program which was created to assist state and local housing finance agencies acquire cost-effective mortgage loan capital.

(3) Restricted Assets

Restricted assets are primarily assets held for the benefit of the respective bond owners and include mortgage loans, debt service and debt reserves, and investments. Certain assets are held on behalf of Federal programs or housing initiatives of the Commonwealth.

Restricted assets as of March 31, 2010 and 2009 were as follows:

	March 31 2010	March 31 2009
Current assets:		
Cash and cash equivalents	$ 1,160,373,967	1,225,088,093
Investments	—	22,727,454
Interest receivable – investments	213,591	1,056,960
Mortgage and other loans receivable	155,318,635	148,534,823
Interest receivable – mortgage and other loans	37,806,582	37,620,308
Other real estate owned	27,932,647	13,622,519
Other assets	10,949,290	6,528,193
Total current assets	1,392,594,712	1,455,178,350
Noncurrent assets:		
Investments	66,635,227	126,958,130
Mortgage and other loans receivable	7,979,374,045	8,001,820,623
Less allowance for loan loss	97,918,598	73,514,282
Less net deferred loan fees	26,125,190	25,337,810
Mortgage and other loans receivable, net	7,855,330,257	7,902,968,531
Investment in rental property, net	42,784,493	49,633,149
Property, furniture, and equipment, less accumulated depreciation and amortization of $14,052,382 and $13,156,991 respectively	16,027,035	14,322,827
Unamortized bond issuance expenses	7,054,384	6,309,409
Other assets	39,394	439,147
Total noncurrent assets	7,987,870,790	8,100,631,193
Total assets	$ 9,380,465,502	9,555,809,543

(4) Mortgage and Other Loans Receivable

Substantially all mortgage and other loans receivable are secured by first liens on real property within the Commonwealth. The following are the interest rates and typical loan terms by loan program or bond group for the major loan programs:

Loan program/bond group	Interest rates	Initial loan terms
General Operating Accounts	0% to 9.14%	Thirty to forty years
Rental Housing Bond Group	0% to 13.13%	Thirty to forty years
VHDA General Purpose Bond Group	0% to 13.92%	Thirty to forty years
Commonwealth Mortgage Bond Group	1.13% to 13.85%	Thirty years

Commitments to fund new loans and monies available to provide future loans were as follows at March 31, 2010:

	Committed	Uncommitted
General Operating Loan Programs	$ 4,729,452	—
VHDA General Purpose Bond Group	2,756,514	—
Rental Housing Bond Group	156,178,211	—
Commonwealth Mortgage Bond Group	3,369,330	—
Homeownership Bond Group	104,085,667	267,110,220
Total	$ 271,119,174	267,110,220

(5) Cash, Cash Equivalents and Investments

Cash includes cash on hand and amounts in checking accounts, which are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act. At March 31, 2010 and 2009, the carrying amount of the Authority's deposits was $57,865,085 and $49,015,352, respectively, and checks drawn in excess of bank balances, included in accounts payable and other liabilities were $3,476,015 and $6,274,551, respectively. The associated bank balance of the Authority's deposits was $56,583,192 and $46,352,866 at March 31, 2010 and 2009, respectively. The difference between the carrying amount and the bank balance is due to outstanding checks, deposits in transit, and other reconciling items.

Cash equivalents include investments with original maturities of three months or less from date of purchase. Investments consist of U.S. Government and agency securities, municipal tax-exempt securities, corporate notes, and various other investments for which there are no securities as evidence of the investment. Investments in the bond funds consist of those permitted by the various resolutions adopted by the Authority. At March 31, 2010 and 2009, total cash equivalents were $1,333,691,544 and $1,249,720,695, respectively.

Investments are classified in the statements of net assets as follows:

		March 31, 2010	March 31, 2009
Current investments	$	5,602,926	30,382,167
Noncurrent investments		78,325,316	148,024,324
Total investments	$	83,928,242	178,406,491

The Investment of Public Funds Act of the Code of Virginia permits political subdivisions of the Commonwealth to invest in open repurchase agreements and money market securities that are collateralized with securities that are approved for direct investment. Within the permitted statutory framework, the Authority's investment policy requires securities collateralizing repurchase agreements to maintain a fair value at least equal to 102% of the cost and accrued interest of the repurchase agreement, and no more than 2% of the Authority's total assets may be invested in any one entity, exclusive of overnight repurchase agreements and short term investments with a maturity not to exceed six months.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy is to hold all investments to maturity and to limit the length of an investment at purchase, to coincide with expected timing of its use.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. As a means of communicating interest rate risk, the Authority has elected the segmented time distribution method of disclosure, which requires the grouping of investment cash flows into sequential time periods in tabular form.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
March 31, 2010 and 2009

As of March 31, 2010, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Corporate notes	$	-	918,817	—	—	918,817
Municipal securities		7,796,326	12,844,309	—	—	20,640,635
Asset-backed securities		—	—	—	34,616,937	34,616,937
Agency-mortgage backed securities			—	—	29,945,252	29,945,252
Money market securities		1,160,292,565	—	—	—	1,160,292,565
Other interest-bearing securities		171,205,579	—	—	—	171,205,579
Total investments	$	1,339,294,470	13,763,126	—	64,562,189	1,417,619,785

As of March 31, 2009, the Authority had the following investments (including cash equivalents) and maturities:

Investment type		Less than 1 year	1 – 5 years	6 – 10 years	Over 10 years	Fair value
Corporate notes	$	2,486,225	882,916			3,369,141
Municipal securities		7,071,074	18,618,787			25,689,861
Asset-backed securities		—	1,006,820	486,328	77,968,811	79,461,959
Agency-mortgage backed securities		—	3,439,752	—	18,083,740	21,523,492
U.S. government and agency securities		22,727,454	1,664,957	751,405	25,120,808	50,264,624
Money market securities		1,169,342,000	—	—	—	1,169,342,000
Other interest-bearing securities		78,476,108		—	—	78,476,108
Total investments	$	1,280,102,861	25,613,232	1,237,733	121,173,359	1,428,127,185

E-61

(b) ***Credit Risk***

Credit risk is the risk that an issuer or other counterparts to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability. The following table presents investment exposure to credit risk by investment type as of March 31, 2010:

Investment type	Amount	S & P/ Moody's rating	Percentage of total investments
Money Market Securities	$ 1,160,292,565	P-1	81.85%
Other Interest Bearing Instruments	171,205,579	Aaa	12.07%
Agency Mortgage Backed Securities	29,945,252	Aaa	2.11%
Asset Backed Securities	8,537,594	Ba2	0.60%
Municipal Securities	6,057,033	Aaa	0.43%
Asset Backed Securities	4,854,020	A2	0.34%
Asset Backed Securities	3,842,676	B3	0.27%
Asset Backed Securities	3,332,796	Ba1	0.24%
Asset Backed Securities	3,286,849	Aa1	0.23%
Municipal Securities	3,284,530	Aa1	0.23%
Asset Backed Securities	3,229,960	B1	0.23%
Asset Backed Securities	2,838,091	Caa2	0.20%
Asset Backed Securities	2,537,748	Baa2	0.18%
Municipal Securities	2,504,572	A2	0.18%
Municipal Securities	2,193,400	NR	0.15%
Municipal Securities	1,798,293	Aa2	0.13%
Asset Backed Securities	1,439,957	Aaa	0.10%
Municipal Securities	1,371,767	MIG-1	0.10%
Municipal Securities	1,276,365	Aa3	0.10%
Municipal Securities	1,067,000	A	0.08%
Corporate Notes	918,817	A2	0.06%
Municipal Securities	635,625	A-	0.04%
Asset Backed Securities	479,527	Aa3	0.03%
Municipal Securities	452,050	A1	0.03%
Asset Backed Securities	142,352	Ca	0.01%
Asset Backed Securities	92,176	Ba3	0.01%
Asset Backed Securities	3,191	Baa1	0.00%
Total investments	$ 1,417,619,785		100.00%

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
March 31, 2010 and 2009

(6) Property, Furniture, and Equipment

Activity in the property, furniture, and equipment accounts for the nine months ended March 31, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance March 31, 2010
Land	$ 2,935,815		—	---	2,935,815
Building	28,734,001	48,247	--	1,898,797	30,681,045
Furniture and equipment	15,934,392	871,530	(599,301)	—	16,206,621
Motor vehicles	392,118	—	—		392,118
Construction in progress	1,648,560	1,329,526		(1,898,797)	1,079,289
	$ 49,644,886	2,249,303	(599,301)	—	51,294,888

Activity in the related accumulated depreciation and amortization accounts during the nine months ended March 31, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance March 31, 2010
Building	$ (12,873,086)	(551,662)	—	(13,424,748)
Furniture and equipment	(12,078,808)	(1,538,728)	598,105	(13,019,431)
Motor vehicles	(238,263)	(32,748)	—	(271,011)
	$ (25,190,157)	(2,123,138)	598,105	(26,715,190)

Activity in the property, furniture, and equipment accounts for the nine months ended March 31, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance March 31, 2009
Land	$ 2,935,815	—	—	2,935,815
Building	26,150,115	—	—	26,150,115
Furniture and equipment	15,303,426	720,126	(353,462)	15,670,090
Motor vehicles	423,447	86,516	(117,845)	392,118
Construction in Progress	514,207	2,824,913	—	3,339,120
	$ 45,327,010	3,631,555	(471,307)	48,487,258

Activity in the related accumulated depreciation and amortization accounts during the nine months ended March 31, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance March 31, 2009
Building	$ (12,004,031)	(664,611)	—	(12,668,642)
Furniture and equipment	(10,976,593)	(1,342,670)	352,905	(11,966,358)
Motor vehicles	(309,050)	(36,142)	117,845	(227,347)
	$ (23,289,674)	(2,043,423)	470,750	(24,862,347)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2009 and March 31, 2010 and changes for the nine months were as follows:

Description	Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
		(Amounts shown in thousands)		
General operating accounts:				
Revolving line of credit:				
Bank of America termination date of December 1, 2010	$ —			
Federal Home Loan Bank floating daily rate (rate of 0.08 % at March 31, 2010) no fixed maturity	122,605	250,618	202,323	170,900
Total general operating accounts	122,605	250,618	202,323	170,900
Rental housing bond group:				
1999 Series C/D/E/F, dated May 20, 1999, 5.89% effective interest rate, final due date May 1, 2022	35,560	—	35,560	—
1999 Series G/H, dated August 19, 1999, 6.70% effective interest rate, final due date May 1, 2022	44,075	—	44,075	—
1999 Series I/J, dated November 4, 1999, 6.83% effective interest rate, final due date February 1, 2023	29,520	—	29,520	—
1999 Series K/L, dated December 16, 1999, 6.41% effective interest rate, final due date February 1, 2023	28,515	—	28,515	—
2000 Series A/B, dated May 10, 2000, 7.14% effective interest rate, final due date August 1, 2024	52,820	—	1,910	50,910
2000 Series C, dated August 3, 2000, 8.18% effective interest rate, final due date April 1, 2024	14,235	—	—	14,235

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2000 Series D/E, dated August 3, 2000, 5.98% effective interest rate, final due date April 1, 2024	$	36,660	—	—	36,660
2000 Series F/G/H, dated October 12, 2000, 6.90% effective interest rate, final due date October 1, 2024		53,950	—	2,055	51,895
2001 Series A/B, dated January 9, 2001, 7.02% effective interest rate, final due date March 1, 2025		52,585	—	1,900	50,685
2001 Series C/D, dated March 22, 2001, 5.87% effective interest rate, final due date June 1, 2024		11,640	—	—	11,640
2001 Series E/F/G, dated April 26, 2001, 5.94% effective interest rate, final due date June 1, 2025		16,795	—	—	16,795
2001 Series H/I, dated July 31, 2001, 6.56% effective interest rate, final due date July 1, 2025		42,375	—	1,520	40,855
2001 Series J/K/L, dated October 23, 2001, 6.06% effective interest rate, final due date December 1, 2025		53,710	—	2,070	51,640
2001 Series M, dated December 18, 2001, 6.78% effective interest rate, final due date January 1, 2027		37,505	—	1,165	36,340
2001 Series N/O, dated December 18, 2001, 5.40% effective interest rate, final due date January 1, 2027		32,010	—	1,150	30,860
2002 Series A, dated April 11, 2002, 6.70% effective interest rate, final due date April 1, 2027		20,905	—	-	20,905
2002 Series B, dated April 11, 2002, 5.30% effective interest rate, final due date April 1, 2027		38,030		—	38,030
2002 Series C/D, dated June 27, 2002, 6.45% effective interest rate, final due date September 1, 2027		57,310	—	1,645	55,665

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2002 Series E/F/G, dated December 19, 2002, 5.45% effective interest rate, final due date January 1, 2028	$	68,155	—	2,155	66,000
2003 Series A/B, dated April 24, 2003, 5.04% effective interest rate, final due date June 1, 2028		48,920	—	—	48,920
2003 Series C/D, dated August 5, 2003, 3.87% effective interest rate, final due date November 1, 2028		52,200	—	2,870	49,330
2003 Series E, dated Agust 5, 2003, 4.84% effective interest rate, final due date November 1, 2028		70,680	—	3,030	67,650
2003 Series F/G, dated December 23, 2003, 5.42% effective interest rate, final due date April 1, 2030		46,970	—	—	46,970
2004 Series A/B, dated March 17, 2003, 5.25% effective interest rate, final due date March 1, 2030		15,830	—	450	15,380
2004 Series C, dated April 29, 2004, 5.53% effective interest rate, final due date May 1, 2029		67,525	—	—	67,525
2004 Series D/E, dated April 29, 2004, 4.72% effective interest rate, final due date May 1, 2029		48,160	—	—	48,160
2004 Series F/G, dated September 2, 2004, 5.78% effective interest rate, final due date September 1, 2030		53,275	—	1,320	51,955
2004 Series H/I/J, dated December 16, 2004, 5.10% effective interest rate, final due date December 1, 2029		36,600	—	1,000	35,600
2005 Series A, dated April 26, 2005, 5.37% effective interest rate, final due date May 1, 2030		37,790	—	—	37,790

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2005 Series B/C, dated April 26, 2005, 4.58% effective interest rate, final due date May 1, 2031	$	58,805	—	1,155	57,650
2005 Series D, dated June 14, 2005, 5.52% effective interest rate, final due date September 1, 2033		40,420	—	875	39,545
2005 Series E/F, dated June 14, 2005, 4.60% effective interest rate, final due date September 1, 2039		44,120	—	725	43,395
2005 Series G, dated October 20, 2005, 5.30% effective interest rate, final due date December 1, 2030		88,260		2,385	85,875
2005 Series H/I, dated October 20, 2005, 4.45% effective interest rate, final due date December 1, 2030		37,930	-	1,025	36,905
2005 Series J/K, dated December 14, 2005, 5.30% effective interest rate, final due date February 1, 2035		38,960	-	890	38,070
2006 Series A, dated May 23, 2006, 4.89% effective interest rate, final due date April 1, 2033		8,500	—	—	8,500
2006 Series B, dated October 31, 2006, 4.68% effective interest rate, final due date November 1, 2038		23,390	—	390	23,000
2006 Series C, dated December 12, 2006, 5.95% effective interest rate, final due date January 1, 2039		44,735	—	485	44,250
2006 Series DEF, dated December 12, 2006, 4.52% effective interest rate, final due date January 1, 2039		82,020	—	1,470	80,550
2007 Series A, dated June 12, 2007, 6.03% effective interest rate, final due date July 1, 2039		119,760	—	1,050	118,710

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2007 Series B/C, dated September 20, 2007, 6.16% effective interest rate, final due date November 1, 2038	$	23,650	—	340	23,310
2008 Series A, dated March 27, 2008, 5.63% effective interest rate, final due date October 1, 2038		200,000	—	—	200,000
2009 Series A, dated February 26, 2009, 6.86% effective interest rate, final due date March 1, 2039		72,915	—	—	72,915
2009 Series B, dated March 26, 2009, 5.53% effective interest rate, final due date June 1, 2043		29,050	—	—	29,050
2009 Series CD, dated March 30, 2009, 5.81% effective interest rate, final due date February 1, 2021		348,000	—	—	348,000
2009 Series E, dated September 24, 2009, 4.17% effective interest rate, final due date October 1, 2044.		—	52,185	—	52,185
2009 Series F, dated November 25, 2009, 4.85% effective interest rate, final due date December 1, 2044			49,370		49,370
2010 Series A, dated March 23, 2010, 4.80% effective interest rate, final due date April 1, 2045		—	21,005		21,005
		2,464,820	122,560	172,700	2,414,680
Unamortized premium		3,290			3,357
Total rental housing bonds		2,468,110			2,418,037
General purpose bonds group:					
2002 Series W, dated October 31, 2002, 5.91% effective interest rate, final due date January 1, 2028		69,275	—	4,015	65,260
2002 Series X/Y/Z, dated October 31, 2002, 4.82% effective interest rate, final due date January 1, 2043		245,710	—	2,830	242,880

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2003 Series Q, dated October 30, 2003, 5.65% effective interest rate, final due date October 1, 2028	$	26,395	—	780	25,615
2003 Series R/S/T/U, dated October 30, 2003 4.62% effective interest rate, final due date October 1, 2038		82,430		715	81,715
2003 Series V, dated June 26, 2003 4.52% effective interest rate, final due date October 1, 2029		40,770	—	1,010	39,760
		464,580		9,350	455,230
Unamortized (discount) premium		1,709			2,110
Total VHDA general purpose bonds		466,289			457,340
Commonwealth mortgage bonds group:					
2001 Series A, dated January 30, 2001, 6.62% effective interest rate, final due date February 25, 2030		2,604	—	461	2,143
2001 Series B, dated May 4, 2001, 6.58% effective interest rate, final due date May 25, 2031		4,191	—	4,191	
2001 Series C/D, dated June 13, 2001, 4.08% effective interest rate, final due date January 1, 2014		17,110	—	17,110	
2001 Series F, dated July 31, 2001, 6.57% effective interest rate, final due date September 25, 2031		5,035	—	5,035	
2001 Series G, dated October 17, 2001, 6.27% effective interest rate, final due date December 25, 2031		5,745	—	5,745	
2001 Series H, dated October 18, 2001, 5.37% effective interest rate, final due date July 1, 2036		223,000	—	—	223,000

Description		Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
			(Amounts shown in thousands)		
2001 Series I/J, dated October 18, 2001, 4.13% effective interest rate, final due date July 1, 2011	$	40,880	—	40,880	—
2002 Series A, dated January 14, 2002, 6.59% effective interest rate, final due date February 25, 2032		7,745	—	1,380	6,365
2002 Series B, dated March 20, 2002, 6.14% effective interest rate, final due date August 25, 2030		29,582	—	3,425	26,157
2002 Series CD, dated June 27, 2002, 6.02% effective interest rate, final due date June 25, 2032		8,718	—	1,832	6,886
2002 Series E/F/G, dated December 17, 2002, 5.13% effective interest rate, final due date December 25, 2032		29,550	—	5,318	24,232
2003 Series A/B, dated April 3, 2003, 3.85% effective interest rate, final due date July 1, 2026		97,140	—	97,140	—
2003 Series C, dated October 1, 2003, 5.08% effective interest rate, final due date August 25, 2033		1,927	—	28	1,899
2004 Series A, dated March 18, 2004, 4.30% effective interest rate, final due date October 1, 2029		135,460	—	10,440	125,020
2004 Series B, dated June 10, 2004, 5.61% effective interest rate, final due date June 25, 2034		7,539	—	1,373	6,166
2004 Series C, dated November 2, 2004, 4.21% effective interest rate, final due date January 1, 2031		142,130	—	10,610	131,520
2005 Series A, dated April 21, 2005, 4.31% effective interest rate, final due date October 1, 2031		378,200	—	31,290	346,910

Description	Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
		(Amounts shown in thousands)		
2005 Series B, dated April 21, 2005, 4.92% effective interest rate, final due date July 1, 2042	$ 46,120	—		46,120
2005 Series C/D/E, dated November 3, 2005, 4.41% effective interest rate, final due date October 1, 2032	400,190	—	25,130	375,060
2006 Series AB, dated April 27, 2006, 5.87% effective interest rate, final due date March 25, 2036	9,913	—	964	8,949
2006 Series C, dated June 8, 2006, 6.13% effective interest rate, final due date June 25, 2034	54,588	—	9,230	45,358
2006 Series DEF, dated July 13, 2006 4.59% effective interest rate, final due date January 1, 2033	596,400	—	70,895	525,505
2007 Series ABCD, dated May 18, 2007 4.88% effective interest rate, final due date January 1, 2036	1,080,535	—	25,640	1,054,895
2008 Series A, dated March 25, 2008, 6.05% effective interest rate, final due March 25, 2038	90,823	—	9,299	81,524
2008 Series B, dated April 10, 2008, 6.08% effective interest rate, final due date March 25, 2038	135,890	—	14,701	121,189
2008 Series C, dated November 18, 2008, 6.38% effective interest rate, final due date June 25, 2038	51,992	—	4,829	47,163
2008 Series DE, dated December 16, 2008, 6.10% effective interest rate, final due date January 1, 2036	200,000	—	—	200,000

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
March 31, 2010 and 2009

Description	Balance at June 30, 2009	Issued	Retired	Balance at March 31, 2010
		(Amounts shown in thousands)		
2009 Series A, dated November 25, 2009, 4.52% effective interest rate, final due date July 1, 2029	$ —	51,750	—	51,750
	3,803,007	51,750	396,946	3,457,811
Unamortized premium	16,978			18,422
Total commonwealth mortgage bonds group	3,819,985			3,476,233
Homeownership mortgage bonds group:				
2009 Series B, dated December 23, 2009, 0.003% effective interest rate, final due date November 1, 2041		482,960	160,990	321,970
2010 Series A, dated February 10, 2010, 3.38% effective interest rate, final due date September 1, 2021		107,330		107,330
2009 Series B-1, dated February 10, 2010, 0.79% effective interest rate, final due date November 1, 2041	—	160,990		160,990
	—	751,280	160,990	590,290
Unamortized discount	—			(609)
Total homeownership mortgage bonds group	—			589,681
Total	$ 6,876,989			7,112,191

Notes and bonds payable at June 30, 2008 and March 31, 2009 and changes for the nine months were as follows (amounts in thousands):

		June 30, 2008	Issued	Retired	Change in unamortized premium and compound interest payable	March 31, 2009
General operating accounts	$	61,330	208,718	191,958	-	78,090
Multi-family housing bond group		391,691	—	18,310	(71)	373,310
Rental housing bond group		2,071,566	449,965	35,260	(2,350)	2,483,921
VHDA General purpose bond group		476,265	—	9,085	510	467,690
Commonwealth mortgage bond group		3,939,465	255,501	316,977	1,717	3,879,706
Total	$	6,940,317	914,184	571,590	(194)	7,282,717

Current and noncurrent amounts of notes and bonds payable at March 31, 2010 and 2009 were as follows:

		March 31 2010	March 31 2009
		(Amount in thousands)	
Notes and bonds payable – current	$	576,756	710,895
Bonds payable – noncurrent		6,535,435	6,571,822
Total	$	7,112,191	7,282,717

The Authority has participated in current refundings, in which new debt is issued and the proceeds are used to redeem, generally within ninety days, previously issued debt. Related discounts or premiums previously deferred are recognized in income or expense, respectively. Effective May 1, 2009, all outstanding bonds in the Multi-Family Housing Bond Group were redeemed. The call premium of $3,098,850 less unamortized premiums and cost of issuance on the retired bonds of $999,673 is being amortized through October 2019. There were $51,750,000 of refundings for the nine months ended March 31, 2010 and $47,080,000 for the nine months ended March 31, 2009.

The principal payment obligations and associated interest related to all note and bond indebtedness (excluding the effect of unamortized discounts and premium) commencing April 1, 2010 and thereafter are as follows:

Period ending March 31		Original principal	Current interest	Total debt service
2011	$	576,755,638	323,083,165	899,838,803
2012		273,995,000	309,520,671	583,515,671
2013		276,105,000	300,789,372	576,894,372
2014		269,975,000	287,817,237	557,792,237
2015		268,325,000	275,937,368	544,262,368
2016 - 2020		1,322,090,000	1,189,926,647	2,512,016,647
2021 - 2025		1,149,820,000	864,701,915	2,014,521,915
2026 - 2030		1,047,300,564	574,948,505	1,622,249,069
2031 - 2035		842,483,464	322,306,801	1,164,790,265
2036 - 2040		639,501,485	116,197,600	755,699,085
2041 - 2045		421,230,000	10,529,759	431,759,759
2046 - 2050		1,330,000	33,250	1,363,250
2051 - 2055		—	—	—
Total	$	7,088,911,151	4,575,792,290	11,664,703,441

The Homeownership Mortgage Bond Group exists pursuant to the New Issuance Bond Program (NIBP) of the U.S. Treasury, by which the Federal National Mortgage Associations (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), collectively the GSEs, will accept bonds in a principal amount not to exceed 60% of the principal amount of certain bond issues at interest rates that at the time of issuance are either (i) fixed to maturity or (ii) bear a short-term rate that will convert no later than March 1, 2011 to rates fixed to maturity upon the issuance of the remaining 40% of the bond issues solely to the general public at interest rates fixed to maturity, subject to a limitation of three (3) conversions. The Authority received from the Treasury an allocation to sell $482.9 million in principal to the GSEs who will issue and sell securities backed by the bonds to the Treasury in exchange for the funds received. Funds from the Treasury bonds, issued as taxable, short-term variable rate bonds, remain in escrow until such time as tax-exempt fixed rate market bonds are issued, whereupon the Treasury bonds may be converted, in the principal amount of 1.5 times the market bonds principal amount, at a tax-exempt rate fixed to maturity. Subsequent to the issuance of $107.3 million general public Homeownership Mortgage Bonds in January, 2010, the first conversion of the original Treasury issued bonds was made in February, 2010 in the amount of $161.0 million. Provisions of the NIBP program require receipts of principal on mortgage loans originated from bond proceeds be used to redeem the program's bonds, limit the withdrawal of assets from the lien and pledge of the bond resolution, and require proceeds of the variable rate Treasury bonds be exclusively pledged to the Treasury.

The Authority has a $100 million revolving credit agreement with Bank of America to provide funds for general corporate purposes. The agreement will terminate on December 1, 2010 unless extended by Bank of America and the Authority. All amounts outstanding are due and payable on the termination date. Interest on any advances is charged at a rate equal to the daily floating LIBOR rate for deposits with one month maturity plus 95 basis points per annum, 110 basis points per annum or 125 basis points per annum based upon the Authority's long-term credit ratings of AA or higher, A, or BBB or lower, respectively. All amounts outstanding at a given time are due and payable on the termination date. The Authority is in compliance with all debt covenant requirements. At March 31, 2010 and March 31, 2009 there were no amounts outstanding.

The Authority has a $150 million revolving credit agreement with the Bank of Nova Scotia to provide funds for general corporate purposes. The term of the agreement expires on November 29, 2013. Interest on any advances is charged at rate equal to the daily floating LIBOR rate for deposits with one month maturity plus a margin ranging from 25 basis points to 150 basis points, based upon the Authority's long-term credit ratings and the duration outstanding. All amounts outstanding at a given time are due and payable on the termination date. At March 31, 2010 and 2009 there were no amounts outstanding.

The Authority maintains a credit agreement with the Federal Home Loan Bank (FHLB) of Atlanta, whereby FHLB of Atlanta may advance funds that are secured by government agency securities held in FHLB of Atlanta. Interest on any advance is charged under a floating daily rate, which amounted to 0.08% on March 31, 2010 and there is a maximum maturity for any advance of twenty-four months. The Authority is in compliance with all debt covenant requirements. At March 31, 2010, $170.9 million was outstanding and $78.1 million was outstanding at March 31, 2009.

(8) Escrows and Project Reserves

Escrows and project reserves represent amounts held by the Authority as escrows for insurance, real estate taxes and completion assurance, and as reserves for replacement and operations (note 13). The Authority invests these funds and, for project reserves, allows earnings to accrue to the benefit of the mortgagor. At March 31, 2010 and 2009, escrows and project reserves were presented in the Authority's statements of net assets as follows:

	March 31, 2010	March 31, 2009
Escrows – current	$ 65,244,312	58,827,080
Project reserves – noncurrent	178,013,070	171,985,452
Total	$ 243,257,382	230,812,532

(9) Investment Income and Arbitrage Liabilities

The amount of investment income the Authority may earn with respect to certain tax-exempt bond issues in the Commonwealth Mortgage Bond Group, Homeownership Bond Group, Multi-Family Housing Bond

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
March 31, 2010 and 2009

Group, Rental Housing Bond Group, and VHDA General Purpose Bond Group is limited by certain federal legislations. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are recorded in accounts payable and other liabilities. Rebates paid were zero and $284,483 for the nine months ended March 31, 2010 and 2009, respectively. Remaining liability balances were $2,668,795 and $3,456,446 at March 31, 2010 and 2009, respectively.

(10) Net Assets

Capital assets, net of related debt, represent property, furniture, and equipment, as well as an investment in rental property, less the current outstanding applicable debt. Restricted net assets represent those portions of the total net assets in trust accounts established by the various bond resolutions for the benefit of the respective bond owners. Restricted net assets are generally required reserve funds, mortgage loans and funds held for placement into mortgage loans, investments, and funds held for scheduled debt service.

Unrestricted net assets represent those portions of the total net assets set aside to reflect current utilization and tentative plans for future utilization of such net assets. As of March 31, 2010 and 2009, such plans included funds to be available for other loans and loan commitments; for over commitments and over allocations in the various bond issues; for support funds and contributions to bond issues; and for working capital and future operating and capital expenditures. Additional unrestricted net assets commitments include contractual obligations for additional contributions to bond reserve funds; maintenance of the Authority's obligation with regard to the general obligation pledge on its bonds; contributions to future bond issues other than those scheduled during the next year; self-insurance on the uninsured, unsubsidized multi-family conventional loan program and any unanticipated losses in connection with the uninsured portions of the balance of the single-family and multi-family loans; self-insurance on the liability exposure of commissioners and officers; the cost of holding foreclosed property prior to resale; costs incurred with the redemption of bonds; single-family loan prepayment shortfalls; and other risks and contingencies.

(11) Employee Benefits Plans

The Authority incurs employment retirement savings expense under two defined contribution plans equal to 8% of full-time employees' compensation. Total retirement savings expense for the nine months ended March 31, 2010 and 2009 was $1,260,720 and $1,302,847 respectively.

The Authority sponsors a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the Authority's basic financial statements.

As of March 31, 2010 and 2009, included in other liabilities is an employee compensated absences accrual of $3,546,360 and $3,348,753, respectively (note 13).

(12) Other Post-Employment Benefits

At the sole discretion of the Authority, eligible employees may participate in the Virginia Housing Development Authority Retiree Health Care Plan (RHC), a single-employer defined benefit plan. The Authority administers the RHC through the Virginia Housing Development Authority Retiree Health Care

Plan Trust (RHC Trust), an irrevocable trust to be used solely for providing benefits to eligible participants in the RHC. Assets of the RHC Trust are irrevocable and legally protected from creditors and dedicated to providing post-employment reimbursement of eligible medical and dental expenses to current and eligible future retirees and their spouses in accordance with the terms of the RHC. Employer contributions are recorded in the year in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations.

Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service, (or at least 55 years of age with 10 years of service if employed by the Authority prior to such date). RHC participants receive an annual benefit based on age and years of service at retirement and based on a matrix, updated annually for cost-of-living plus 2% not to exceed 150% of the annual premium for preferred provider organization medical plan offered that year if the participant under age 65 or not to exceed 75% or the annual premium if the participant is age 65 or over. The annual benefit may be used to pay for health insurance purchased through the Authority's group plan or elsewhere, and for other eligible medical and dental expenses. For the nine months ended March 31, 2010, there were approximately 50 participating retirees and 300 active employees earning service credits in the RHC.

The Authority currently contributes amounts to the RHC Trust sufficient to fully fund the annual required contribution (ARC), an actuarially determined rate in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus an amortized amount of unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2009 of $889,263 was approximately 4.1% of covered payroll.

The actuarially determined values for disclosure in accordance with GASB 45 are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	ARC	Interest on OPEB liability	ARC adjustment	Amortization factor	OPEB cost
June 30, 2008	$ —	753,288	—	—	12.41	$ 753,288
June 30, 2009	(29,736)	895,410	(2,082)	(2,316)	12.84	891,013

The OPEB cost to the Authority and its contributions and changes in the RHC plan for fiscal years 2008 and 2009 are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	OPEB cost	Contribution	Change in net OPEB obligation	Net OPEB obligation (asset) balance
June 30, 2008	$ —	753,288	(783,024)	(29,736)	(29,736)
June 30, 2009	(29,736)	891,013	(971,913)	(80,900)	(110,636)

For the year ended June 30, 2009, the Authority's Annual OPEB cost was $891,013; the percentage of Annual OPEB Cost Contribution was 100%; and the ending Net OPEB asset was $110,636. For the year

ended June 30, 2008, the Authority's Annual OPEB cost was $753,288; the percentage of Annual OPEB Cost Contribution was 100%; and the ending Net OPEB asset was $29,736.

As of December 31, 2008, the unfunded actuarial accrued liability (UAAL) for benefits was $4,135,976. The covered payroll (annual payroll of active employees covered by the RHC) was $21,830,868 and the ratio of the UAAL to the covered payroll was 18.9%. As of December 31, 2008, the actuarial value of net assets held by the RHC Trust was $7,880,680, the actuarial accrued liability was $12,016,655, and the funded ratio was 65.6%. As of June 30, 2009, the RHC Trust had $8,075,612 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. In the actuarial valuation, the projected-unit-credit-cost method was used. The actuarial assumptions included a 7% investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate and 2.5% real rate of return). The projected healthcare cost trend is 11% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over 30 years.

(13) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the nine months ended March 31, 2010 was as follows:

	Balance at June 30, 2009	Additions	Decreases	Balance at March 31, 2010
Project reserves	$ 168,015,080	50,195,519	40,197,529	178,013,070
Commonwealth Priority Housing Fund liability	8,197,185	1,024,243	1,076,672	8,144,756
Other liabilities	16,195,980	2,268,332	1,800,681	16,663,631
Compensated absences payable	3,551,919	1,138,064	1,143,623	3,546,360
Total	$ 195,960,164	54,626,158	44,218,505	206,367,817

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the nine months ended March 31, 2009 was as follows:

	Balance at June 30, 2008	Additions	Decreases	Balance at March 31, 2009
Project reserves	$ 171,525,076	47,627,073	47,166,697	171,985,452
Commonwealth Priority Housing Fund liability	8,216,186	62,823	64,339	8,214,670
Other liabilities	16,512,384	2,609,630	2,970,069	16,151,945
Compensated absences payable	3,126,061	1,490,420	1,267,728	3,348,753
Total	$ 199,379,707	51,789,946	51,468,833	199,700,820

(14) Contingencies and Other Matters

Certain claims, suits, and complaints arising in the ordinary course of business have been filed and are pending against the Authority. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind or involve such amounts as would not have a material adverse effect on the basic financial statements of the Authority.

The Authority participates in several Federal financial assistance programs, principal of which is the HUD Section 8 programs. Although the Authority's administration of Federal grant programs has been audited in accordance with the provisions of the United States Office of Management and Budget Circular A-133, these programs are still subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial in relation to its financial statements..

The Authority is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Authority carries commercial insurance for their risks. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(15) Subsequent Events

In addition to scheduled issuances and redemptions, the Authority made the following borrowings subsequent to March 31, 2010, as follows:

	Borrowing date	Amount
Rental Housing Bonds, Series 2010-B-Non-AMT	April 27, 2010	$ 22,750,000
Federal Home Loan Bank Atlanta, credit agreement	April 13, 2010	$ 76,300,000
Federal Home Loan Bank Atlanta, credit agreement	April 29, 2010	$ 45,000,000

The interest rate on Homeownership Bonds, Series 2009 B-1 converted on April 10, 2010 from 0.79% to 4.42%.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit Of The Commonwealth of Virginia)

Required Supplementary Information

Retiree Healthcare Plan – Schedule of Funding Progress by Plan Valuation Date

Actuarial valuation date		Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio		Covered payroll	Unfunded as a percent of covered payroll
December 31, 2007	$	8,631,596	10,747,191	2,115,595	80.3%	$	20,479,198	10.3%
December 31, 2008		7,880,680	12,016,655	4,135,976	65.6%	$	21,830,868	18.9%

The required schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As of December 31, 2008, the unfunded actuarial accrued liability (UAAL) for benefits was $4,135,976. The covered payroll (annual payroll of active employees covered by the RHC) was $21,830,868 and the ratio of the UAAL to the covered payroll was 18.9%. The Authority established the RHC Trust fund in November 2006 and as of the actuarial valuation date of December 31, 2008, the actuarial value of net assets held by the RHC Trust was $7,880,680. As of June 30, 2009, the RHC Trust had $8,075,612 in net assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Actuarially determined amounts are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and are subject to continual revisions as actual results are compared with past expectations and revised estimates are made about the future. The Schedule of Funding Progress, which provides multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time in relation to the actuarial accrued liability for benefits, is presented as required supplementary information for the RHC as of December 31, 2008 and 2007. In this actuarial valuation, the projected-unit-credit-cost method was used. The actuarial assumptions included a 7% investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate and 2.5% real rate of return). The projected healthcare cost trend is 11% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over 30 years.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

March 31, 2010

Assets	General Operating Accounts	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current assets:						
Cash and cash equivalents	$ 440,327,052	118,759,864	69,395,035	243,628,645	519,446,033	1,391,556,629
Investments	5,602,926	—	—	—	—	5,602,926
Interest receivable – investments	389,601	47,834	35,197	63,072	66,076	601,780
Mortgage and other loans receivable	2,013,310	55,017,057	23,463,571	75,680,833	1,157,175	157,331,946
Interest receivable – mortgage and other loans	983,796	16,753,206	2,760,218	18,146,883	109,974	38,754,077
Other real estate owned	632,691	250,000	1,736,425	25,946,221	—	28,565,337
Other assets	6,641,046	942,555	2,927,007	4,376,920	210,292	15,097,820
Total current assets	456,590,422	191,770,516	100,317,453	367,842,574	520,989,550	1,637,510,515
Noncurrent assets:						
Investments	54,096,811	19,505,015	918,817	3,804,673	—	78,325,316
Mortgage and other loans receivable	69,006,357	2,779,631,565	507,687,269	4,601,302,624	76,447,256	8,034,075,071
Less allowance for loan loss	2,754,064	43,028,466	9,928,426	44,862,378	99,328	100,672,662
Less net deferred loan fees	482,614	39,313,767	3,759,716	(16,971,576)	14,117	26,598,638
Mortgage and other loans receivable, net	65,769,679	2,697,289,332	493,999,127	4,573,411,822	76,333,811	7,906,803,771
Investment in rental property, net	757,073	37,641,394	5,143,100	—	—	43,541,567
Property, furniture, and equipment, less accumulated depreciation and amortization of $26,715,190	8,841,635	6,847,601	8,890,462	—	—	24,579,698
Unamortized bond issuance expenses	185,042	3,265,934	1,670,621	1,323,452	794,377	7,239,426
Other assets	658,889	—	9,527	355,061	—	1,023,477
Total noncurrent assets	130,309,129	2,764,549,276	510,631,654	4,578,895,008	77,128,188	8,061,513,255
Total assets	$ 586,899,551	2,956,319,792	610,949,107	4,946,737,582	598,117,738	9,699,023,770

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

March 31, 2010

Liabilities and Net Assets		General Operating Accounts	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Current liabilities:							
Notes and bonds payable	$	170,900,000	62,710,000	65,665,000	274,280,638	3,200,000	576,755,638
Accrued interest payable on notes and bonds		1,717	41,314,471	7,268,368	51,124,863	680,730	100,390,149
Housing Choice Voucher contributions payable		2,120	—	—	—	—	2,120
Escrows		65,244,312	—	—	—	—	65,244,312
Accounts payable and other liabilities		5,655,074	417,302	115,002	4,296,032	6,368,897	16,852,307
Total current liabilities		241,803,223	104,441,773	73,048,370	329,701,533	10,249,627	759,244,526
Noncurrent liabilities:							
Bonds payable, net		—	2,355,327,417	391,675,155	3,201,952,170	586,480,949	6,535,435,691
Project reserves		178,013,070	—	—	—	—	178,013,070
Other liabilities		(6,405,368)	29,074,873	3,421,654	2,263,588	—	28,354,747
Total noncurrent liabilities		171,607,702	2,384,402,290	395,096,809	3,204,215,758	586,480,949	6,741,803,508
Total liabilities		413,410,925	2,488,844,063	468,145,179	3,533,917,291	596,730,576	7,501,048,034
Net assets:							
Invested in capital assets, net of related debt		8,519,418	6,362,786	(7,871,229)	—	—	7,010,975
Restricted by bond indentures		14,017,883	461,112,943	150,675,157	1,412,820,291	1,387,162	2,040,013,436
Unrestricted		150,951,325	—	—	—	—	150,951,325
Total net assets		173,488,626	467,475,729	142,803,928	1,412,820,291	1,387,162	2,197,975,736
Total liabilities and net assets	$	586,899,551	2,956,319,792	610,949,107	4,946,737,582	598,117,738	9,699,023,770

See accompanying notes to financial statements.

E-73

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Nine months ended March 31, 2010

	General Operating Accounts	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Home-ownership Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans	$ 2,156,869	148,011,278	28,389,089	206,346,711	320,527	385,224,474
Pass-through grants income	83,791,647	—	—	—	—	83,791,647
Housing Choice Voucher program income	50,925,344	—	—	—	—	50,925,344
Investment in rental property income	—	8,423,330	1,986,752	—	—	10,410,082
Gains and recoveries on sale of other real estate owned	(1)	4,392,909	20,680	400,883	—	4,814,471
Other	7,360,422	361,783	674,366	3,230,901	—	11,627,472
Total operating revenues	144,234,281	161,189,300	31,070,887	209,978,495	320,527	546,793,490
Operating expenses:						
Interest on notes and bonds	172,470	105,031,433	17,123,961	132,076,897	790,832	255,195,593
Salaries and related employee benefits	21,984,513	—	—	—	—	21,984,513
General operating expenses	10,822,256	162,919	347,894	—	—	11,333,069
Note and bond expenses	531,590	—	—	—	—	531,590
Amortization of bond issuance expenses	45,375	315,880	40,497	190,939	7,745	600,436
Pass-through grants expenses	83,791,647	—	—	—	—	83,791,647
Housing Choice Voucher program expenses	52,488,690	—	—	—	—	52,488,690
External mortgage servicing expenses	52,079	—	8,353	977,261	—	1,037,693
Investment in rental property expenses	15,272	7,694,124	1,635,883	—	—	9,345,279
Losses and expenses on other real estate owned	(63)	—	1,177,502	12,339,451	—	13,516,890
Provision for loan losses	(525,463)	14,926,668	2,859,945	3,988,839	99,328	21,349,317
Total operating expenses	169,378,366	128,131,024	23,194,035	149,573,387	897,905	471,174,717
Operating income (expense)	(25,144,085)	33,058,276	7,876,852	60,405,108	(577,378)	75,618,773
Nonoperating revenues (losses):						
Investment income (loss)	(1,239,211)	3,523,774	176,876	227,737	214,068	2,903,244
Other, net	39,737	—	—		—	39,737
Total nonoperating revenues (losses)	(1,199,474)	3,523,774	176,876	227,737	214,068	2,942,981
Income (loss) before transfers	(26,343,559)	36,582,050	8,053,728	60,632,845	(363,310)	78,561,754
Transfers between funds	45,847,981	(1,835,067)	4,247,703	(50,011,089)	1,750,472	—
Change in net assets	19,504,422	34,746,983	12,301,431	10,621,756	1,387,162	78,561,754
Total net assets, beginning of year	153,984,204	432,728,746	130,502,497	1,402,198,535	—	2,119,413,982
Total net assets, end of nine months	$ 173,488,626	467,475,729	142,803,928	1,412,820,291	1,387,162	2,197,975,736

See accompanying notes to financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

March 31, 2009

Assets	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current assets:						
Cash and cash equivalents	$ 264,451,143	32,051,967	525,518,250	55,298,367	421,416,319	1,298,736,046
Investments	7,654,713	22,727,454	—	—	—	30,382,167
Interest receivable – investments	735,962	581,324	148,982	45,992	277,061	1,789,321
Mortgage and other loans receivable	3,346,054	15,287,483	36,797,349	22,384,274	74,065,717	151,880,877
Interest receivable – mortgage and other loans	1,133,308	3,472,430	12,019,442	2,873,424	19,221,153	38,719,757
Other real estate owned	632,990	—	662,000	2,029,901	10,930,618	14,255,509
Housing Choice Voucher contributions receivable	124,264	—	—	—	—	124,264
Other assets	3,902,541	(685)	696,931	4,015,988	491,102	9,105,877
Total current assets	281,980,975	74,119,973	575,842,954	86,647,946	526,401,970	1,544,993,818
Noncurrent assets:						
Investments	73,863,539	32,967,668	40,310,201	882,916	—	148,024,324
Mortgage and other loans receivable	112,931,017	555,987,008	2,093,902,645	509,523,685	4,829,909,440	8,102,253,795
Less allowance for loan loss	4,669,196	4,790,506	24,514,664	7,303,485	36,905,627	78,183,478
Less net deferred loan fees	537,795	7,848,662	31,235,883	3,611,903	(17,358,638)	25,875,605
Mortgage and other loans receivable, net	107,724,026	543,347,840	2,038,152,098	498,608,297	4,810,362,451	7,998,194,712
Investment in rental property, net	1,259,282	2,715,259	41,781,561	5,136,329	—	50,892,431
Property, furniture, and equipment, less accumulated	—	—	—	—	—	
depreciation and amortization of $24,862,347	9,756,495	—	7,064,827	6,803,589	—	23,624,911
Unamortized bond issuance expenses	195,934	650,338	2,475,444	1,724,618	1,459,009	6,505,343
Other assets	6,432,574	—	—	981	438,166	6,871,721
Total noncurrent assets	199,231,850	579,681,105	2,129,784,131	513,156,730	4,812,259,626	8,234,113,442
Total assets	$ 481,212,825	653,801,078	2,705,627,085	599,804,676	5,338,661,596	9,779,107,260

(Continued)

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Net Assets

March 31, 2009

Liabilities and Net Assets	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Current liabilities:						
Notes and bonds payable	$ 78,090,000	371,655,000	56,340,000	10,905,000	193,905,488	710,895,488
Accrued interest payable on notes and bonds	738	9,226,077	37,147,107	7,399,250	54,403,054	108,176,226
Escrows	58,827,080	—	—	—	—	58,827,080
Accounts payable and other liabilities	6,003,123	632,465	260,338	103,068	12,429,556	19,428,550
Total current liabilities	142,920,941	381,513,542	93,747,445	18,407,318	260,738,098	897,327,344
Noncurrent liabilities:						
Bonds payable, net	—	1,654,877	2,427,581,336	456,784,758	3,685,801,035	6,571,822,006
Project reserves	171,985,452	—	—	—	—	171,985,452
Other liabilities	(1,480,468)	1,757,022	22,215,423	2,585,306	2,638,085	27,715,368
Total noncurrent liabilities	170,504,984	3,411,899	2,449,796,759	459,370,064	3,688,439,120	6,771,522,826
Total liabilities	313,425,925	384,925,441	2,543,544,204	477,777,382	3,949,177,218	7,668,850,170
Net assets:						
Invested in capital assets, net of related debt	7,676,658	1,247,803	1,651,704	(10,565,409)	—	10,756
Restricted by bond indentures	—	267,627,834	160,431,177	132,592,703	1,389,484,378	1,950,136,092
Unrestricted	160,110,242	—	—	—	—	160,110,242
Total net assets	167,786,900	268,875,637	162,082,881	122,027,294	1,389,484,378	2,110,257,090
Total liabilities and net assets	$ 481,212,825	653,801,078	2,705,627,085	599,804,676	5,338,661,596	9,779,107,260

See accompanying notes to financial statements.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

Nine months ended March 31, 2009

	General Operating Accounts	Multi-Family Housing Bond Group	Rental Housing Bond Group	VHDA General Purpose Bond Group	Commonwealth Mortgage Bond Group	Total
Operating revenues:						
Interest on mortgage and other loans	$ 3,416,952	33,021,583	109,896,374	29,320,529	213,586,215	389,241,653
Pass-through grants income	51,545,750	—	—	—	—	51,545,750
Housing Choice Voucher program income	43,975,151	—	—	—	—	43,975,151
Investment in rental property income	—	459,570	8,214,973	2,006,765	—	10,681,308
Gains and recoveries on sale of other real estate owned	—	—	—	1,035	116,384	117,419
Other	4,476,755	37,890	627,584	671,481	22,776	5,836,486
Total operating revenues	103,414,608	33,519,043	118,738,931	31,999,810	213,725,375	501,397,767
Operating expenses:						
Interest on notes and bonds	1,884,274	16,884,136	87,475,198	17,520,593	139,863,024	263,627,225
Salaries and related employee benefits	23,047,651	—	—	—	—	23,047,651
General operating expenses	12,438,456	—	162,919	501,692	—	13,103,067
Note and bond expenses	372,453	—	—	—	—	372,453
Amortization of bond issuance expenses	—	56,720	87,484	40,498	132,240	316,942
Pass-through grants expenses	51,545,750	—	—	—	—	51,545,750
Housing Choice Voucher program expenses	52,520,875	—	—	—	—	52,520,875
External mortgage servicing expenses	338	—	—	10,673	1,086,925	1,097,936
Investment in rental property expenses	28,991	563,819	7,569,187	2,471,972	—	10,633,969
Losses and expenses on other real estate owned		—	—	313,119	3,719,587	4,032,706
Provision for loan losses	2,316,897	471,950	4,645,196	2,412,493	3,567,538	13,414,074
Total operating expenses	144,155,685	17,976,625	99,939,984	23,271,040	148,369,314	433,712,648
Operating income (expense)	(40,741,077)	15,542,418	18,798,947	8,728,770	65,356,061	67,685,119
Nonoperating revenues (losses):						
Investment income (loss)	(9,694,080)	2,915,467	(468,127)	575,326	7,425,101	753,687
Other, net	46,928	—	—	—	(1)	46,927
Total nonoperating revenues (losses)	(9,647,152)	2,915,467	(468,127)	575,326	7,425,100	800,614
Income (loss) before transfers	(50,388,229)	18,457,885	18,330,820	9,304,096	72,781,161	68,485,733
Transfers between funds	18,967,675	(17,678,636)	15,332,865	3,981,331	(20,603,235)	—
Change in net assets	(31,420,554)	779,249	33,663,685	13,285,427	52,177,926	68,485,733
Total net assets, beginning of year	199,207,454	268,096,388	128,419,196	108,741,867	1,337,306,452	2,041,771,357
Total net assets, end of quarter	$ 167,786,900	268,875,637	162,082,881	122,027,294	1,389,484,378	2,110,257,090

See accompanying notes to financial statements.

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SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT

Certain provisions of the Continuing Disclosure Agreement, as amended, between the Authority and the Trustee (the "Continuing Disclosure Agreement") are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full text of the Continuing Disclosure Agreement.

The Continuing Disclosure Agreement between the Authority and the Trustee was executed and delivered for the benefit of the Holders and Beneficial Owners of the Subject Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). The Offered Bonds are to be Subject Bonds.

Certain Definitions

Defined terms used in the Continuing Disclosure Agreement and not otherwise defined therein have the meanings set forth in the Resolution.

"Annual Financial Information" means the information to be provided by the Authority described under the caption "Content of Annual Financial Information."

"Beneficial Owner" means a beneficial owner of Subject Bonds as determined pursuant to the Rule.

"Bonds" means, at any time, all of the Authority's then Outstanding Rental Housing Bonds, collectively.

"Fiscal Year" means that period established by the Authority with respect to which its, as applicable, Audited Financial Statements or Unaudited Financial Statements are prepared. As of the date of the Continuing Disclosure Agreement, the Authority's Fiscal Year begins on July 1 and ends on June 30 of the next calendar year.

"Holders" means the Owners of the Subject Bonds.

"Listed Event" means any of the events listed below under the heading "Reporting of Significant Events."

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Participating Underwriter" means the original underwriters of the applicable Subject Bonds required to comply with the Rule in connection with the offering of such Subject Bonds.

"Rule" means the applicable provisions of Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as in effect on the date of the Continuing Disclosure Agreement, including any official interpretation thereof.

"SEC" means the United States Securities and Exchange Commission.

"Subject Bonds" means those Bonds with respect to which the terms of the Continuing Disclosure Agreement are expressly incorporated into the Authority documents authorizing the issuance of such Bonds.

Provision of Annual Financial Information

The Authority will, not later than 180 days after the end of the Authority's Fiscal Year, provide to the MSRB the Annual Financial Information.

The Continuing Disclosure Agreement requires the Authority to provide, in a timely manner, notice to the MSRB of any failure by the Authority to provide Annual Financial Information to the MSRB on or before the date described in the first paragraph under this heading and also of any change in the Authority's fiscal year.

Content of Annual Financial Information

The Authority's Annual Financial Information shall contain or include by reference the following:

(a) the audited financial statements, if available, or unaudited financial statements of the Authority for the Fiscal Year ended on the previous June 30, prepared in accordance with generally accepted accounting principles applied on a consistent basis; provided, however that the Authority may from time to time, in order to comply with federal or state legal requirements, modify the basis upon which its financial statements are prepared;

(b) the amount of General Fund assets made or expected to be made available to originate mortgage loans with yields which are, at the time such loans are originated, substantially less than the yields of U.S. government or agency-securities of similar maturity;

(c) the amount outstanding under the Authority's $38 million (original amount) line of credit to the Commonwealth's Virginia Housing Partnership Revolving Fund, if such line of credit is in effect during the applicable Fiscal Year;

(d) delinquency status of Mortgage Loans and mortgage loans originated under the Authority's Multi-Family Housing Bond, Multi-Family Mortgage Bond and Multi-Family Mortgage Purchase Bond programs;

(e) the following information regarding each Development which is financed by Outstanding Bonds or for which the Authority has an outstanding Mortgage Loan commitment:

(1) Name of the Development;

(2) City or county in which the Development is located;

(3) Original principal amount of Mortgage Loan or outstanding commitment;

(4) Identification of any federal subsidy or mortgage insurance applicable to the Development;

(5) Type of occupancy; and

(6) Percentage of units completed or occupied, as applicable;

(f) delinquency and foreclosure status of mortgage loans originated under the Authority's bond financed single family mortgage loan program;

(g) information on insurance or guaranty providers for the Authority's bond financed single family mortgage loan program; and

(h) information on the portions of the Authority's bond financed single family mortgage loan program serviced by the Authority and by its largest external servicers.

If the Authority's Annual Financial Information does not include its audited financial statements, when and if such audited financial statements become available the Authority shall provide them to the MSRB.

Any of the items (b) through (e) above will not be provided separately if included in the Authority's financial statements. In addition, any or all of the items listed above may be included by specific reference to documents, including official statements of debt issues of the Authority or related public entities, previously provided either to (i) the MSRB, or (ii) filed with the SEC (if such document is an official statement, it must also be available from the MSRB). Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

In addition to items (a) through (e) above, the Authority's Annual Financial Information shall include information regarding amendments to the Continuing Disclosure Agreement as described below in the last two paragraphs under the heading "Amendment of Continuing Disclosure Agreement."

Reporting of Significant Events

The Authority will give notice, in a timely manner, to the MSRB of the occurrence of any of the following events with respect to the Subject Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) modification to rights of Holders;

(4) Subject Bond calls;

(5) unscheduled draws on credit enhancements reflecting financial difficulties;

(6) substitution of credit or liquidity providers, or their failure to perform;

(7) defeasances;

(8) rating changes;

(9) adverse tax opinions or events adversely affecting the tax-exempt status (if applicable) of any Subject Bonds;

(10) unscheduled draws on the debt service reserves reflecting financial difficulties; or

(11) release, substitution or sale of property securing repayment of the Subject Bonds.

Notwithstanding the foregoing, unless the Rule requires otherwise, notice of the Listed Events described in items (4) and (7) need not be given any earlier than, if applicable, the date notice is required to be given to Holders of applicable Subject Bonds pursuant to the Bond Resolution or the Authority's documents authorizing the issuance of such Subject Bonds.

The Continuing Disclosure Agreement requires the Trustee to promptly give notice to the Authority whenever, in the course of performing its duties as Trustee under the Bond Resolution, the Trustee identifies a Listed Event; provided, however, that the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Continuing Disclosure Agreement and the Bond Resolution.

Amendment of Continuing Disclosure Agreement

The Continuing Disclosure Agreement may be amended by written agreement of the Authority and the Trustee, and any provision of the Continuing Disclosure Agreement may be waived without the consent of the Holders or Beneficial Owners (except to the extent required as described in clause 4 (ii) below), under the following conditions: (1) the Authority determines that such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby or is made to facilitate compliance with the Rule and any future amendments to the Rule, (2) the Continuing Disclosure Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of each primary offering of Subject Bonds affected by the amendment or waiver after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have delivered to the Trustee an opinion of counsel expert in federal securities laws ("Securities Counsel"), addressed to the Authority and the Trustee, to the same effect, as set forth in clause (2) above, (4) either (i) a party unaffiliated with the Authority (such as the Trustee or bond counsel) acceptable to the Authority and the Trustee has determined that the amendment or waiver does not materially impair the interests of the Beneficial Owners, or (ii) the Holders consent to the amendment or waiver of the Continuing Disclosure Agreement pursuant to the same procedures as are required for amendments to the Bond Resolution with consent of Holders; and (5) the Authority shall have delivered copies of such amendment or waiver to the MSRB.

In addition to the foregoing, the Authority and the Trustee may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that the adoption and the terms of such amendment or waiver would not, in and of themselves, cause the undertakings in the Continuing Disclosure Agreement to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

To the extent any amendment to the Continuing Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to the Continuing Disclosure Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Enforcement

The obligation of the Authority to comply with the provisions of the Continuing Disclosure Agreement are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Beneficial Owner of Outstanding Subject Bonds, or by the Trustee on behalf of the Holders of Outstanding Subject Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Subject Bonds or by any Beneficial Owner; provided, however, that a Beneficial Owner may not take any enforcement action pursuant to clause (ii) without the consent of the Holders of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding; provided further, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The

Holders, the Beneficial Owners and the Trustee's right to enforce the provisions of the Continuing Disclosure Agreement are limited to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Continuing Disclosure Agreement. Any failure by the Authority or the Trustee to perform in accordance with the Continuing Disclosure Agreement will not constitute a default or any Event of Default under the Bond Resolution, and the rights and remedies provided by the Bond Resolution upon the occurrence of a default or an Event of Default will not apply to any such failure.

Termination

The Authority's and the Trustee's obligations under the Continuing Disclosure Agreement with respect to the Subject Bonds terminate upon legal defeasance pursuant to the Bond Resolution, prior redemption or payment in full of all of the Subject Bonds.

The Continuing Disclosure Agreement, or any provision thereof, shall be null and void in the event that the Authority (1) delivers to the Trustee an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require the provisions of the Continuing Disclosure Agreement, or any of such provisions, do not or no longer apply to the Subject Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers notice to such effect to the MSRB.

Manner of Reporting

All notices and filings required to be made to the MSRB hereunder shall be made in the manner prescribed by the MSRB.

Governing Law

The Continuing Disclosure Agreement must be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of the Continuing Disclosure Agreement must be instituted in a court of competent jurisdiction in the Commonwealth, provided that, to the extent the Continuing Disclosure Agreement addresses matters of federal securities laws, including the Rule, the Continuing Disclosure Agreement must be construed in accordance with such federal securities laws and the official interpretation thereof.

APPENDIX G

Set forth below is the proposed form of the Approving Opinion of Hunton & Williams LLP, Bond Counsel to the Authority for the Offered Bonds. Such opinion is subject to change prior to the delivery of the Offered Bonds.

Virginia Housing Development Authority
Richmond, Virginia

Commissioners:

We have examined a record of proceedings relating to the issuance of $33,000,000 Rental Housing Bonds, 2010 Series D-Non-AMT (the "Bonds"), by the Virginia Housing Development Authority (the "Authority"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), created by the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Code of Virginia, 1950, as amended (the "Act"), and organized and existing under the Act and other laws of the Commonwealth.

The Bonds are authorized to be issued pursuant to the Act and a resolution of the Authority adopted March 24, 1999 entitled "A Resolution Providing for the Issuance of Rental Housing Bonds of the Virginia Housing Development Authority and for the Rights of the Owners Thereof", as amended and supplemented to the date hereof (the "Resolution"); a resolution of the Authority adopted April 31, 2010, entitled "Bond Limitations Resolution" (the "Bond Limitations Resolution"); and the Written Determinations of an Authorized Officer of the Authority dated August 10, 2010 and executed and delivered in accordance with the Bond Limitation Resolution. Such Written Determinations, the Bond Limitations Resolution and the Resolution are collectively herein referred to as the "Bond Resolution." The Bonds are authorized to be issued pursuant to the Resolution for the purpose of providing funds to carry out the Authority's Program of making Mortgage Loans. All capitalized terms used herein and not otherwise defined have the meanings set forth in the Bond Resolution.

Based upon the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth, the Act is valid and the Authority has been duly created and validly exists as a political subdivision with such political and corporate powers as set forth in the Act with lawful authority, among other things, to carry out the Program of making Mortgage Loans, to provide funds therefor and to perform its obligations under the terms and conditions of the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Authority and is valid and binding upon the Authority and is enforceable in accordance with its terms.

3. The Bonds are valid and legally binding general obligations of the Authority secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates a valid pledge of, and the lien that it purports to create upon, the Assets held or set aside or to be held and set aside pursuant to the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

The foregoing opinion is qualified to the extent that the enforceability of the Bonds and the Bond Resolution may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Our services as bond counsel to the Authority have been limited to delivery of the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the Bond Resolution. We express no opinion herein as to the tax-exempt status of the interest on any of the Bonds, the financial resources of the Authority, the adequacy of the Assets pledged to payment of the Bonds, the ability of the Authority to provide for the payment of the Bonds or the accuracy or completeness of any information that may have been relied on by anyone in making a decision to purchase the Bonds, including the Authority's Preliminary Official Statement for the Bonds dated August 3, 2010, and its Official Statement for the Bonds dated August 10, 2010.

Very truly yours,

APPENDIX H

Set forth below is the proposed form of the Tax Opinion of Hawkins Delafield & Wood LLP, Tax Counsel to the Authority for the Offered Bonds. Such opinion is subject to change prior to the delivery of the Offered Bonds.

Virginia Housing Development Authority
Richmond, Virginia

Commissioners:

We have acted as Special Tax Counsel to the Virginia Housing Development Authority (the "Authority") in connection with the offering of $33,000,000 Rental Housing Bonds, 2010 Series D-Non-AMT (herein called the "Offered Bonds") of the Authority. In connection with rendering the opinion below, we have examined the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder and have also examined the following:

(1) the Resolution of the Authority adopted March 24, 1999 entitled "A Resolution Providing for the Issuance of Rental Housing Bonds of the Virginia Housing Development Authority and for the Rights of the Owners Thereof", as amended and supplemented to the date hereof (herein called the "Resolution"), a resolution of the Authority adopted April 13, 2010, entitled "Bond Limitations Resolution" (herein called the "Bond Limitations Resolution") and the Written Determinations of an Authorized Officer of the Authority executed and delivered in accordance therewith (such Written Determinations, the Bond Limitations Resolution and the Resolution are collectively herein called the "Bond Resolution");

(2) the opinion of even date herewith of Hunton & Williams LLP, Bond Counsel, approving the legality of the Offered Bonds and other matters;

(3) the Authority's Tax Certification and Arbitrage Certificate, of even date herewith (the "Certificates"), of authorized officers of the Authority, to the effect that the Offered Bonds are not "arbitrage bonds" within the meaning of the Code and as to other matters affecting the tax-exempt status of such Bonds; and

(4) the relevant provisions of such other documents and such other matters of fact and law as we have deemed relevant to the rendering of this opinion.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. We have relied, to the extent we deemed such reliance proper, on certificates and opinions provided to us. In rendering the opinions expressed below, we have relied, with independent investigation, upon the opinion of counsel referred to above that the Offered Bonds are valid and legally binding obligations of the Authority and other matters not related to federal income taxation.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Based upon the foregoing, we are of the opinion that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for federal tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and is not included in the adjusted current earnings of corporations for the purpose of calculating the alternative minimum tax. No opinion is expressed as to the exclusion from gross income of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person". In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Offered Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Sections 103 of the Code.

Except as stated in the paragraph above, we express no opinion as to any other matter with respect to the exemption of interest on the Offered Bonds from federal income taxation or as to the treatment of any such Bonds for tax purposes by any state, city, county or other jurisdiction. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

As Special Tax Counsel we were not retained to pass on, and assume no responsibility for, matters other than those covered by the specific opinions above.

Very truly yours,

VIRGINIA HOUSING DEVELOPMENT AUTHORITY • Rental Housing Bonds, 2010 Series D-Non-AMT

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