	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 except that 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", 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. 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.

$19,500,000
VIRGINIA HOUSING DEVELOPMENT AUTHORITY
Rental Housing Bonds
2011 Series C-Non-AMT

Maturity Date (Dec. 1)	Principal Amount	Serial or Term	Interest Rate	CUSIP
2013	$ 300,000	Serial	0.80%	92812QR66
2014	525,000	Serial	1.20	92812QR74
2015	530,000	Serial	1.60	92812QR82
2016	535,000	Serial	1.95	92812QR90
2017	545,000	Serial	2.25	92812QS24
2018	555,000	Serial	2.50	92812QS32
2019	570,000	Serial	2.85	92812QS40
2020	585,000	Serial	3.10	92812QS57
2021	600,000	Serial	3.25	92812QS65
2022	620,000	Serial	3.45	92812QS73
2023	640,000	Serial	3.60	92812QS81
2024	665,000	Serial	3.80	92812QS99
2025	690,000	Serial	3.90	92812QT23
2026	715,000	Serial	4.00	92812QT31
2031	4,050,000	Term	4.375	92812QT49
2038	7,375,000	Term	4.60	92812QT64

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 June 1 and December 1, commencing June 1, 2012. 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. 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. In addition, Hawkins Delafield & Wood LLP will pass on certain matters for the Authority as its Disclosure Counsel. It is expected that the Offered Bonds will be available for delivery through DTC in New York, New York on or about December 8, 2011.

Raymond James & Associates, Inc.

BB&T Capital Markets **BofA Merrill Lynch**
Davenport & Company LLC **Morgan Keegan** **Wells Fargo Securities**

November 8, 2011

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

Page

OFFICIAL STATEMENT 1
DESCRIPTION OF THE OFFERED BONDS 2
Special Redemption 2
Optional Redemption 3
Sinking Fund Redemption 4
Notice to Owners 4
Defeasance 4
Acceleration 4
SECURITY 4
Pledge of Assets 4
Mortgage Loans 5
General 5
Federal Programs and Requirements 5
Authority Income Limits 6
"Economically Mixed" Developments 7
Delinquencies and Foreclosures; Risk of Loss 7
Investment Obligations 8
Exchange Agreements and Enhancement Agreements 8
General Obligations of the Authority 8
Sources of Payment 9
Amendments to Resolution; Bonds Acquired by the Authority 9
WITHDRAWAL OF ASSETS; LIMITED OPERATING COVENANTS 9
TAX MATTERS 10
Federal Taxes 10
Summary of Certain Federal Requirements 11
Requirements Applicable to Developments Financed by Tax Exempt AMT Bonds and Tax Exempt Non-AMT Bonds 11
Requirements Applicable to Developments Financed by Transitioned 1954 Code Tax Exempt Non-AMT Bonds 11
Virginia Taxes 12
Proposed Legislation and Other Matters 12
CONTINUING DISCLOSURE 12
LEGAL MATTERS 13
UNDERWRITING 13
RATINGS 13
THE PROGRAM 14
General 14
Underwriting of Mortgage Loans and Management of Developments 14
Underwriting 14
Commitment and Initial Closing 15
Construction 15
Final Closing and Certifications 15
Permanent Financing 16
Regulation and Management 16
THE AUTHORITY 16
Commissioners 16
Management Structure; Principal Staff Officers 17
Program Funds 18
Other Multi-Family Programs 18
Single Family Program 19
Summary of Types of Single Family Mortgage Loans 19
Single Family First Mortgage Loans Currently and Previously Financed 20
Single Family Second Mortgage Loans Currently and Previously Financed 20
Other Single Family Mortgage Loan Financings Prior to April 1, 2008 21
Single Family Mortgage Loan Insurance 22
Lowering by Standard & Poor's of the United States Debt Rating to AA+ 23
Single Family Mortgage Loan Terms 23
Security for Single Family Mortgage Loan 24
Bond Financing of Single Family Mortgage Loans 24
Data on Commonwealth Bond Mortgage Loans 24
New Issuance Bond Program and Homeownership Mortgage Bonds 28
Data on Homeownership Bond Mortgage Loans 29
VHDA General Purpose Bonds 33
Ginnie Mae Financing 37
Future Funding of Single Family Programs 37
General Description of Single Family Program 37
Single Family Mortgage Loan Origination Procedures and Underwriting Criteria 38
Servicing of Single Family Mortgage Loans 40
Loan Modifications 40
Declining Markets; Risk of Loss 41
Miscellaneous Programs 43
Summary of Revenues, Expenses, and Net Assets 43
Prepayments 44
Geographic Concentration in Virginia 45
Changes in Federal or State Law 45
Prior and Anticipated Financings of the Authority 46
Investments 46
General Fund and Other Net Assets 47
SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION 49
Assets and the Pledge Thereof 49
Application of Assets for Payment of Bond Amounts 50
Withdrawal, Transfer, Sale, Exchange and Modification of Assets 50
Revenue Test 50
Investment of Funds 51
Covenants 51
Incurrence of Additional Bond Obligations 51
Amendments 51
Defeasance 52
Events of Default 52
Remedies 52
Registration 53
LITIGATION 53
LEGAL INVESTMENT 53
MISCELLANEOUS 53
Appendices:
A – The Resolution
B – Description and Procedures of DTC
C – Information Concerning Federal Programs and Requirements
D – Developments and Authority Property Financed by Outstanding Bonds
E – Financial Statements
F – Summary of Certain Provisions of the Continuing Disclosure Agreement
G – Proposed Form of Approving Opinion of Hunton & Williams LLP for the Offered Bonds
H – Proposed Form of Tax Opinion of Hawkins Delafield & Wood LLP for the Offered Bonds

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, 2011 Series C-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 5, 2011 (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 a Mortgage Loan. See Appendix D for a description of the Development expected to be financed by the Offered Bonds.

The Offered Bonds shall be issued in the denominations and in the 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 a binding commitment for, a new Mortgage Loan in a principal amount equal to or greater than the amount of the original proceeds of the Offered Bonds to be disbursed to finance such Mortgage Loan, which amount to be disbursed may be less than such principal amount. In the event that 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 Loan to be financed, in whole or in part, with the proceeds of the Offered Bonds will permit the prepayment of such Mortgage Loan on a date which is on or after the December 1, 2020 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 the Mortgage Loan prior to the December 1, 2020 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.

The Authority does not currently anticipate any sales of Mortgage Loans which would result in special redemption of the Offered Bonds; however, no assurance can be given that no such sales will occur. See "Withdrawal of Assets; Limited Operating Covenants" below for a discussion of the Authority's ability to transfer Mortgage Loans.

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 "Withdrawal of Assets; 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 other Assets, 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 "Withdrawal of Assets; Limited Operating 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 the Offered Bonds is to be redeemed, Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine. See Appendix B for a discussion of the redemption practices of DTC regarding the selection of Bonds within a maturity to be redeemed.

Optional Redemption

The Offered Bonds maturing on or after December 1, 2021, are subject to redemption, at the election of the Authority, either in whole or in part on any date on or after December 1, 2020 (the "December 1, 2020 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 as described above, the Authority has complete discretion to select the amount and maturities, if more than one maturity may be redeemed, 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 the Offered Bonds is to be redeemed, Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine. See Appendix B for a discussion of the redemption practices of DTC regarding the selection of Bonds within a maturity to be redeemed.

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. See Appendix B for a discussion of the redemption practices of DTC regarding the selection of Bonds within a maturity to be redeemed. In the event of a partial redemption of a maturity of Term Bonds (other than in satisfaction of Sinking Fund Installments) or the purchase and cancellation of less than all of a maturity of Term Bonds, the Authority shall instruct the Trustee as to which Sinking Fund Installments shall be affected by such redemption or purchase and cancellation.

Offered Bonds Maturing December 1, 2031		Offered Bonds Maturing December 1, 2038	
Sinking Fund Installment Date (Dec. 1)	Principal Amount	Sinking Fund Installment Date (Dec. 1)	Principal Amount
2027	$ 740,000	2032	$ 920,000
2028	775,000	2033	960,000
2029	810,000	2034	1,005,000
2030	845,000	2035	1,050,000
2031*	880,000	2036	1,095,000
	$4,050,000	2037	1,145,000
		2038*	1,200,000
			$7,375,000

*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 "Withdrawal of Assets; 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 "Withdrawal of Assets; Limited Operating Covenants" and "Summary of Certain Provisions of the Bond Resolution - Withdrawal, Transfer, Sale, Exchange and Modification of Assets").

The Authority may from time to time withdraw Assets from the Bond Resolution for deposit in its General Fund, subject to satisfaction of the Revenue Test. Although the Authority may make such withdrawals, it has not done so since the date of the financial statements in Appendix E. However, the Authority can give no assurances that it will not make any future withdrawals.

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

General

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.

See "The Program" below for a discussion of the underwriting on Mortgage Loans and the management of Developments under the Authority's program of making or purchasing Mortgage Loans and financing Authority Property pursuant to the Bond Resolution.

Federal Programs and Requirements

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 (including Mortgage Loans) on developments that are assisted under such federal programs and are financed under the Bond Resolution or 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 Housing Assistance Payments Contracts ("Payments Contracts") providing the federal subsidies for the Developments under the Section 8 Program have original terms of approximately 30 or 40 years and are scheduled to expire on or about the maturity dates of their Mortgage Loans in the years 2011 through 2022. Upon such expiration, the Mortgagor and a Section 8 contract administrator designated by HUD may, with the approval of HUD, enter into new Payments Contracts with terms not exceeding 20 years, but the annual funding of the subsidy under such new Payments Contracts will be subject to annual appropriations by the federal government. If the Mortgagor enters into such new Payments Contract, the Authority may provide a new Mortgage Loan to finance the development, including the costs of any rehabilitation. Because the continuation of the subsidy under the new Payments Contract is subject to annual federal appropriations, the Authority underwrites such new Mortgage Loans using the lesser of the contract rents ("Contract Rents") under the new Payments Contract or the estimated market rents for the Development. The Authority has financed, and expects to finance in the future, such new Mortgage Loans. In addition, for certain of the Section 8 assisted Developments, the Authority has provided, prior to the expiration of the original Payments Contract, additional Mortgage Loan financing that will mature after the scheduled expiration of such original Payments Contract, and in certain cases the monthly payments of principal and interest on such additional Mortgage Loan financing may not commence until the maturity date of the original Mortgage Loan or the expiration of the original Payments Contract. In underwriting such additional Mortgage Loan financing, the Authority uses the lesser of the Contract Rents under the original Payments Contract or the estimated market rents for the Development for the period that the additional Mortgage Loan will be outstanding after the expiration of the original Payments Contract. The Authority may provide, and expects to provide in the future, such additional Mortgage Loan financing for other Developments. The above described new Mortgage Loans and additional Mortgage Loans are financed by Bonds and are security for the Bonds.

The agreements that provide monthly payments of interest to the Authority under the Section 236 Program Interest Reduction Payments Program, as described in Appendix C, have original terms of 40 years that expire on or about the maturity dates of the Mortgage Loans. In the case of the Mortgage Loans that originally financed the Developments assisted under the Section 236 Program Interest Reduction Payments Program, the terms of these agreements will expire in years 2012 through 2018 as and when the Mortgage Loans are fully paid. However, in the case of certain other Developments assisted under the Section 236 Program Interest Reduction Payments Program, the Authority has refinanced the mortgage loans of other lenders that originally financed such Developments, and the interest reduction payments for those Developments will terminate upon the maturity dates of the mortgage loans that were so refinanced. These terminations will occur in years 2015 through 2018. Such Mortgage Loans are financed by Bonds issued under the Bond Resolution and are security for the Bonds. In the case of a Development financed by such a Mortgage Loan, the interest reduction payments will, prior to such termination date, be applied to pay principal and interest on a portion of the original principal amount of the Mortgage Loan, and the remaining portion of the original principal amount of the Mortgage Loan and interest on such portion will be payable over its 30-year term. Also, in those cases, all or substantially all of the units in each of the Developments are assisted under the Low Income Housing Tax Credit Program, and except for one such Development the rental assistance payments described in Appendix C are replaced by rental subsidies under the Section 8 Program pursuant to Payment Contracts having terms of 20 years, subject to annual federal appropriations, for all or most of the units in such Developments.

See Appendix C for further discussion of the requirements under the Section 8 Program, Section 236 Program and Low Income Housing Tax Credit Program, including the income limits for tenants occupying the units in the developments assisted under those Programs.

Authority Income Limits

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) and except as described below regarding "economically mixed" Developments. 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.

"Economically Mixed" Developments

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 program for such financings and has developed the following guidelines that will govern the financing of such "economically mixed" Developments under the program: (i) in the case of Developments receiving Mortgage Loans financed by Taxable Bonds or net assets of the Authority, (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; (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; and (ii) in the case of Developments receiving Mortgage Loans financed by Tax Exempt Bonds, 20% of the units must target households earning income of 50% 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.

Delinquencies and Foreclosures; Risk of Loss

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 $3.5 billion as of June 30, 2011 as shown in Appendix D. As of September 30, 2011 the Mortgagors of all of the Developments then funded under the Program were current in their Mortgage Loan payments, except eight Mortgagors with respect to eleven Mortgage Loans having an aggregate current principal balance of approximately $15.3 million. The Authority has commenced foreclosure proceedings on one such Development funded by a Mortgage Loan having a current principal balance of approximately $7.7 million. As of September 30, 2011, since the inception of the Program, the Authority had acquired by foreclosure or deed in lieu of foreclosure nineteen Developments financed under the Program having an aggregate original principal balance of approximately $88 million. As of September 30, 2011, the Authority owned fifteen 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 which, as of their foreclosure dates, had an aggregate outstanding principal balance of $68 million, and the Authority has sold the other four of such Developments to third parties. As of September 30, 2011, the Authority had also foreclosed on two Developments that were purchased by third parties at the foreclosure sales. On October 27, 2011, the Authority acquired by foreclosure an additional Development financed under the Program having a current principal balance of approximately $5.4 million (such Development is one of the eleven Mortgage Loans identified above as not being current in their Mortgage Loan payments). 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 conducts quarterly analyses of the risk of loan 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 estimated losses on Mortgage Loans under the Program and on multi-family mortgage loans under other multi-family programs of the Authority. For this analysis, the Authority develops a list of the multi-family developments that are identified as being at risk of foreclosure and assigns one of four levels of risk ("high risk," "medium risk," "low risk" or "possible") to each of those at risk multi-family developments based upon a number of factors, including its mortgage loan payment status and record, its debt service coverage from rental income, the willingness and ability of the mortgagor to fund mortgage loan payment deficiencies, its physical condition, the mortgagor's operation and management of the development, the financial status of any other multi-family developments that the principals in the mortgagor have financed with the Authority and such other factors as the Authority determines to be related to the risk of loss. In addition, the Authority estimates the potential loss for each of the at-risk multi-family developments calculated as the difference between the outstanding principal balance of the mortgage loan and the value of the development financed by such mortgage loan as determined by the Authority

based upon the amount of debt financing (assumed to be fully amortizing over 30 years with level payments and at the lesser of the existing interest rate on the Authority's mortgage loan or the average of the multi-family interest rates then being offered by the Authority) which could be supported by the net operating income of the development. Reductions are made in the potential loss for any operating and replacement reserves of the development and for the value of federal low-income housing tax credits, if any, that may be taken over the balance of the initial 10 years of the operation of the development. Based on such level of risk and potential loss, the Authority includes an amount for each such at-risk development in the Authority's Allowance for Loan Loss. Set forth below is a chart that, as of September 30, 2011, lists the number of such at-risk developments at each level of risk, the aggregate principal balance of the mortgage loans financing such developments, and the amount included in the Authority's Allowance for Loan Loss for the developments at such risk level.

Foreclosure Risk Level	Number of Developments	Principal Balance (in millions)	Amount Included in Allowance for Loan Loss (in millions)
High	14	$ 21.3	$8.1
Medium	16	27.6	6.3
Low	24	104.4	7.7
Possible	73	260.9	5.6
TOTAL	127	$414.2	$27.7

The Authority also includes in the Allowance for Loan Loss additional amounts for all other multi-family developments based upon percentages (ranging from 1% to 5%) of the outstanding principal balances of the mortgage loans financing such other developments and may include other additional amounts in the Allowance for Loan Loss to cover risks on multi-family developments not otherwise covered by the above described amounts. The total of all of the foregoing amounts that were included in the Authority's Allowance for Loan Loss as of September 30, 2011 is $61.7 million. The Authority's total Allowance for Loan Loss which includes such total amount and amounts for possible losses on single family mortgage loans financed by the Authority was $134.4 million as of September 30, 2011. The Authority may at any time modify the above described analysis and calculations as it shall determine to reflect its risk of loan loss.

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 September 30, 2011, approximately $230 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.

WITHDRAWAL OF ASSETS; 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, except that 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", 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. 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, county 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 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.

Proposed Legislation and Other Matters

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 or otherwise prevent beneficial owners of the Offered Tax Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Offered Tax Exempt Bonds. For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Proposed Act"). On September 13, 2011, Senate Majority Leader Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act included a provision that, if enacted as proposed, would have limited the amount of exclusions (including Tax Exempt interest, such as interest on the Offered Tax Exempt Bonds) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012. On October 11, 2011, a procedural vote in the Senate to end debate and thus allow a vote on the Proposed Act, as amended, did not pass. This or other legislative proposals may be considered or introduced that could affect the market price or marketability of tax exempt bonds, such as the Offered Tax Exempt 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. The Annual Financial Information and notices of such 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 required event notices 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 required event notices.

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. Hawkins Delafield & Wood LLP will pass on certain matters for the Authority as its Disclosure Counsel.

UNDERWRITING

The Offered Bonds are being purchased 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 if any are purchased. In connection with said purchase and underwriting, the Underwriters are to receive a fee of $160,550, representing approximately 0.82% of the principal amount of the Offered Bonds.

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 ("WFBNA"). WFBNA has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered Bonds with WFA. WFA is also a subsidiary of Wells Fargo & Company. BB&T Capital Markets is a division of Scott & Stringfellow, LLC.

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 of the date of this Official Statement, 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.

An 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.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Offered Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds.

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 notifies the Board of Commissioners of the Authority (the "Board") of the proposed Mortgage Loan and, absent any objection by the Board, approves 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 by the Authority's staff to determine whether such costs are reasonable based on costs of similar developments. An appraisal of the land is obtained from an independent real estate appraiser. For the purpose of analyzing the feasibility of the Development, the Authority's underwriting policies provide that (i) the loan-to-value ratio may not exceed 90%, in the case of for-profit Mortgagors, and 100%, in the case of non-profit Mortgagors, (ii) the term of the Mortgage Loan may not exceed 35 years, and (3) the debt service coverage, which is calculated as the net operating income (i.e., the rental income less operating expenses) divided by the debt service on the Mortgage Loan, may not be less than 110%. 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. See "Security – Mortgage Loans – Authority Income Limits" above for a discussion of the income limits applicable to the Developments.

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 typically pays a monthly amount to fund a reserve for replacements account for the Development. Such monthly amounts may be discontinued if the balance in such account is maintained at the equivalent of three years of reserve deposits, a capital needs study shows that reserves are at a sufficient level or another party is collecting reserves. In addition, on a case by case basis, the Authority may not require such monthly amount if the Authority determines that such deposit is not warranted. 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
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
Jacqueline T. Black.....	Commissioner	2014	Section 8 Housing Choice Voucher assisted tenant, Chester
Timothy M. Chapman.....	Commissioner	2014	Managing Member, Chapman Development LLC, Reston
Kermit E. Hale	Commissioner	2015*	General Manager, MKB Realtors, Roanoke
Charles L. Krum, Jr.	Commissioner	2015*	Retired, Pharmacist, Abingdon
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

* 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.

Program Funds

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 7 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 tax exempt bonds which the Authority may issue is limited only by the provisions in the Code. The Authority is currently in compliance with such limit in the Code. The Code of Virginia limits the outstanding principal amount of Authority obligations secured by a capital reserve fund to $1.5 billion, excluding certain refunding transactions. The Authority has no outstanding obligations secured by a capital reserve fund. There are no other statutory limits on the amount of notes and bonds which the Authority may issue or have outstanding.

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 the VHDA General Purpose general 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 September 30, 2011, all of such mortgagors whose mortgage loans are financed by such other bonds were current in their payments, except three mortgagors with respect to three mortgage loans having an aggregate current principal balance of approximately $773,000. As of September 30, 2011, since the inception of the program in 1974 utilizing the proceeds of such bonds, the Authority had acquired by foreclosure or deed in lieu of foreclosure and owned six developments (two of such developments were, as of September 30, 2011, financed under the Program and are also referred to in "Security – Mortgage Loans – Delinquencies and Foreclosures; Risk of Loss" above) that, as of

their foreclosure date, had an aggregate outstanding principal balance of $10.6 million. In addition, as of September 30, 2011, the Authority had foreclosed on one development that was subsequently sold by the Authority to a third party and had foreclosed on two developments that were purchased by third parties at the foreclosure sales and had 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. See "Security – Mortgage Loans – Delinquencies and Foreclosures; Risk of Loss" above for a discussion of (i) the Authority's analysis of the risk of loss on the portfolio of the multi-family mortgage loans and (ii) the calculation of the amounts included in the Authority's Allowance for Loan Loss for anticipated losses on such mortgage loans.

Single Family Program

The Authority has bonds outstanding under three general bond resolutions (the Commonwealth Mortgage Bond resolution, the Homeownership Mortgage Bond resolution and the VHDA General Purpose Bond resolution) 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, 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").

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.

Type of Single Family Mortgage Loan	Description
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 (such as net assets) to finance 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 not established any such lower percentages but can give no assurance that it will not do so in the future. 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 (such as net assets) to finance 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 and in anticipation of the eligibility of the mortgagors for the federal first-time homebuyer tax credit, 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. Because of the expiration of the federal first-time homebuyer tax credit, the Authority discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010 and, in the case of such loans to certain qualified members of the military, on January 31, 2011; however, no assurance can be given whether the Authority will recommence the financing of such Homebuyer Tax Credit Plus Mortgage Loans if a similar federal tax credit is made available to homebuyers.

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 not financed, and 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 Loan Financings Prior to April 1, 2008

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.

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 (see "Single Family Second Mortgage Loans Currently and Previously Financed" above regarding the subsequent suspension of the financing of such 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.

Lowering by Standard & Poor's of the United States Debt Rating to AA+

On August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. On August 8, 2011, Standard & Poor's informed the Authority that it had placed the Authority's Commonwealth Mortgage Bonds on CreditWatch Negative and would be reviewing its AAA rating on such Bonds. Standard & Poor's indicated that the reason for this action is that 36% of the mortgage loans securing the Commonwealth Mortgage Bonds are insured by FHA, which insurance is backed by the United States of America. The Commonwealth Mortgage Bonds continue to be rated Aaa by Moody's which has not revised its Aaa rating of the federal government. No assurance can be given as to the outcome of the above described review by Standard & Poor's or the effect, if any, on the Authority's programs or the Authority's bonds, including the Offered Bonds.

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"). As noted above, the Authority has discontinued the financing of Homebuyer Tax Credit Plus Mortgage Loans. Also, the Authority has previously financed 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 an "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 has been making restructuring offers to all mortgagors of Interest Only Mortgage Loans which are scheduled to commence principal payments in 2011, which is the first year that any Interest Only Mortgage Loans are scheduled to commence principal payments. Such restructuring offers, if accepted by the mortgagors, modify their Interest Only Mortgage Loans and result in Level Payment Mortgage Loans with new full 30 year terms. The Authority anticipates offering similar restructuring on Interest Only Mortgage Loans that are scheduled to commence principal payments after 2011. The approximate outstanding principal balance (in millions of dollars) of Interest Only Mortgage Loans scheduled to commence principal payments are shown below by calendar year in which such principal payments will commence:

Year	Outstanding Principal Balance
2011	$ 1.3
2012	191.4
2013	253.2
2014	188.7
2015	22.4
Total	$657.0

The Authority requires the applicant to pay, at the time of closing, between 0 and 3 points, with each point being equal to 1% of the principal amount of the single family mortgage loan. The number of points depends on the interest rate option selected by the applicant (the applicants have the option of paying less or more 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 Lender (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 Lender so that such Originating Lender 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.

Bond Financing of Single Family Mortgage Loans

The Authority's single family mortgage loan program has financed single family mortgage loans under multiple general bond resolutions, specifically the Homeownership Mortgage Bond resolution, the Commonwealth Mortgage Bond resolution and the VHDA General Purpose Bond resolution. The Authority's single family mortgage loans are financed principally under the Authority's Commonwealth Mortgage Bond resolution (the mortgage loans so financed under the Commonwealth Mortgage Bond resolution, inclusive of the mortgage loans pooled under Ginnie Mae securities held under such resolution, are referred to herein as the "Commonwealth Bond Mortgage Loans"). The single family mortgage loans so financed under the Homeownership Mortgage Bond resolution are referred to herein as the "Homeownership Bond Mortgage Loans." The single family mortgage loans so financed under the VHDA General Purpose Bond resolution are referred to herein as the "General Purpose Bond Mortgage Loans."

Data on Commonwealth Bond Mortgage Loans

The outstanding balance, delinquency and foreclosure statistics for single family mortgage loans financed under the Authority's single family mortgage loan program (including single family mortgage loans which have been financed under the Commonwealth Mortgage Bond resolution since July 15, 1986) have been as set forth below. Commencing in 2008 such statistics include only the Commonwealth Bond Mortgage Loans. Such statistics on the Commonwealth Bond Mortgage Loans do not include single family mortgage loans (i) financed under the Authority's Homeownership General Resolution (see "New Issue Bond Program and Homeownership Mortgage Bonds" below), (ii) financed through the issuance of Ginnie Mae securities sold by the Authority to third parties (see "Ginnie Mae Financing" below), (iii) financed under the VHDA General Purpose Bond resolution (see "VHDA General Purpose Bonds" below), or (iv) financed by the Authority's General Fund, including single family mortgage loans financed through the issuance of Ginnie Mae securities held in the General Fund (see "General Fund and Other Net Assets" below).

	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 1986	$1,195,864,387	$ 4,158,521	0.35%	$2,172,558	0.18%
June 1987	1,237,415,544	4,409,492	0.36	2,524,506	0.20
June 1988	1,537,364,756	5,412,004	0.35	3,523,664	0.23
June 1989	1,801,428,511	8,146,835	0.45	3,628,834	0.20
June 1990	1,905,581,579	10,316,930	0.54	3,527,303	0.19
June 1991	1,973,348,630	16,496,589	0.84	7,103,284	0.36
June 1992	2,029,417,516	22,755,830	1.12	7,026,107	0.35
June 1993	2,015,567,145	23,796,850	1.18	7,600,183	0.38
June 1994	1,877,929,438	20,662,329	1.10	6,385,775	0.34
June 1995	2,590,062,023	26,301,889	1.02	5,252,832	0.20
June 1996	2,926,020,625	45,838,102	1.57	10,863,571	0.37
June 1997	3,212,259,451	71,277,888	2.22	12,156,328	0.38
June 1998	3,306,246,756	72,577,895	2.20	14,094,196	0.43
June 1999	3,343,463,438	69,343,954	2.07	12,247,829	0.37
June 2000	3,467,701,927	77,752,107	2.24	11,905,551	0.34
June 2001	3,691,477,394	67,359,881	1.82	9,987,932	0.27

	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 2002	3,688,135,950	67,275,150	1.82	10,311,402	0.28
June 2003	2,895,005,283	63,273,245	2.19	8,853,846	0.31
June 2004	2,443,450,255	52,166,695	2.13	6,244,039	0.26
June 2005	2,606,208,240	44,245,729	1.70	5,234,535	0.20
June 2006	3,276,285,786	44,494,131	1.36	2,772,675	0.08
June 2007	4,183,806,161	56,623,486	1.35	6,608,655	0.16
June 2008	4,690,244,980	92,129,053	1.96	17,156,362	0.37
June 2009	4,862,285,803	223,368,854	4.59	22,419,017	0.46
June 2010	4,599,334,626	254,711,955	5.54	50,042,079	1.09
June 2011	4,156,945,300	215,229,655	5.18	56,222,630	1.35
September 2011	4,066,665,430	233,627,088	5.74	50,648,692	1.25

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

As of September 30, 2011 the Authority held title to 252 single family properties which were financed by Commonwealth Bond Mortgage Loans and had been foreclosed upon, but not yet sold. The aggregate principal balance of the mortgage loans that financed such properties was approximately $37.9 million as of their dates of foreclosure. During the preceding 12 months, the average period of time to sell such properties was approximately 215 days.

The following six charts show the distribution of Commonwealth Bond Mortgage Loans in different ways. All six charts are as of September 30, 2011, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The following chart shows the distribution of the Commonwealth Bond 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	$ 2,463	60.6%
Self-Insured Mortgage Loans*	Suspended - April 1, 2008**	1,538	37.8
Subtotal		4,001	98.4
Second Mortgage Loans (all Self-Insured)			
FHA Plus Second Mortgage Loans	Active	50	1.2
Homebuyer Tax Credit Plus Mortgage Loans	Suspended - September 30, 2010***	2	0.0
Home Stride Second Mortgage Loans	Suspended - July 1, 2008	14	0.3
Subtotal		65	1.6
Total Single Family Mortgage Loans		$ 4,067	100.0%

* 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%.

*** The Authority discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

The distribution of the outstanding balances of Commonwealth Bond 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 2004	2005	2006	2007	2008	2009	2010	YTD 2011	Total
First Mortgage Loans									
Insured Mortgage Loans	$ 445	$ 187	$ 316	$ 480	$ 559	$ 370	$ 37	$ 68	$ 2, 463
Self-Insured Mortgage Loans*	256	373	446	371	70	15	5	1	1,538
Subtotal	702	560	762	851	629	385	43	70	4,001
Second Mortgage Loans (all Self-Insured)									
FHA Plus Second Mortgage Loans	2	3	5	5	13	18	1	2	50
Homebuyer Tax Credit Plus Mortgage Loans***	0	0	0	0	0	2	**	0	2
Home Stride Second Mortgage Loans****	1	2	3	5	3	**	0	0	14
Subtotal	3	5	8	10	16	20	1	2	65
Total Single Family Mortgage Loans	$ 705	$ 565	$ 770	$ 861	$ 646	$ 405	$ 44	$ 72	$ 4,067

* 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 suspended the financing of Self-Insured Mortgage Loans, except that the Authority 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 discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

**** Suspended on July 1, 2008.

The following chart shows the distribution of Commonwealth Bond 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	$ 3,455	85.0%
Non-Level Payment Mortgage Loans +		
Step Rate Mortgage Loans	**	0.0
Interest Only Mortgage Loans	609	15.0
Homebuyer Tax Credit Plus Second Mortgage Loans	2	0.0
Home Stride Second Mortgage Loans	1	0.0
Subtotal	612	15.0
Total Single Family Mortgage Loans	$ 4,067	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 Authority has suspended the financing of Non-Level Payment Mortgage Loans.

** Less than $0.5 million.

The following chart shows the outstanding balances of Commonwealth Bond Mortgage Loans by type 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	$ 129.6	3.2%	$ 0.7	0.5%	$ 0.1	0.0%
FHA	1,436.2	35.3	127.1	8.8	33.3	2.3
VA	286.9	7.1	17.2	6.0	2.4	0.8
RD	142.1	3.5	13.1	9.2	1.2	0.8
Subtotal Government Insurance	1,994.7	49.1	158.1	7.9	37.0	1.9
MGIC Mortgage Insurance Co.	161.1	4.0	7.6	4.7	1.6	1.0
Republic Mortgage Insurance Co.	90.4	2.2	4.4	4.9	1.0	1.1
Genworth Mortgage Insurance	84.1	2.1	2.7	3.2	0.5	0.6
PMI Mortgage Insurance Co.***	60.7	1.5	1.8	3.0	0.6	1.1
AIG United Guaranty	31.3	0.8	2.4	7.8	0.3	1.0
Triad Guaranty Insurance Corp.	16.5	0.4	0.7	4.5	0.0	0.0
Radian Mortgage Insurance	24.1	0.6	0.7	3.1	0.5	2.2
Other companies	0.1	0.0	0.0	0.0	0.0	0.0
Subtotal Private Mortgage Ins.	468.4	11.5	20.5	4.4	4.5	1.0
Self-Insured**	1,603.5	39.4	55.1	3.4	9.1	0.6
Total Single Family Mortgage Loans	$ 4,066.7	100.0%	$ 233.6	5.7%	$ 50.6	1.2%

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

** The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

*** PMI Mortgage Insurance Co. ("PMI Co.") has informed all policyholders, insureds, and servicers of mortgage loans insured by PMI Co. that the Arizona Department of Insurance obtained an "Order Directing Full and Exclusive Possession and Control of Insurer" (the "Order") dated October 20, 2011 with respect to PMI Co. Under the Order, the Arizona Department of Insurance has full possession, management and control of PMI Co. Effective October 24, 2011 and pursuant to the Order, the Director of the Arizona Department of Insurance instituted a partial claim payment plan. Claim payments will be made at 50%, with the remaining amount deferred as a policyholder claim.

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. See "Lowering by Standard & Poor's of the United States Debt Rating to AA+" above for a discussion of FHA mortgage insurance and the status of the ratings of the United States by Standard & Poor's.

The following chart shows the distribution and the delinquency and foreclosure status of Commonwealth Bond 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
All Loans						
2004 and earlier	$ 704.4	17.3%	$ 37.4	5.3%	$ 7.7	1.1%
2005	564.2	13.9	26.4	4.7	6.7	1.2
2006	768.8	18.9	40.4	5.3	10.1	1.3
2007	861.8	21.2	49.5	5.7	11.8	1.4
2008	646.5	15.9	52.0	8.0	9.3	1.4

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
2009	405.2	10.0	25.5	6.3	4.8	1.2
2010	43.6	1.0	2.2	5.1	0.1	0.3
2011 through September 30	72.0	1.8	0.2	0.3	0.1	0.1
Total	$ 4,066.7	100.0%	$ 233.6	5.7%	$ 50.6	1.2%
Self-Insured** Only						
2004 and earlier	$ 259.0	16.2%	$ 8.6	3.3%	$ 1.1	0.4%
2005	377.4	23.5	12.0	3.2	3.7	1.0
2006	453.2	28.3	16.2	3.6	2.4	0.5
2007	382.0	23.8	11.4	3.0	1.8	0.5
2008	87.2	5.4	4.8	5.6	0.1	0.1
2009	35.0	2.2	1.8	5.1	0.0	0.0
2010	6.1	0.4	0.2	2.5	0.0	0.0
2011 through September 30	3.6	0.2	0.0	0.0	0.0	0.0
Total	$ 1,603.5	100.0%	$ 55.1	3.4%	$ 9.1	0.6%

* Two or more monthly payments delinquent (excluding loans in foreclosure).
** The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

The following chart shows the distribution of outstanding balances by credit score and by mortgage insurer or guarantor.

Credit Score as of March 11, 2011*	Outstanding Balance of FHA Insured Single Family Mortgage Loans	Outstanding Balance of VA Insured Single Family Mortgage Loans	Outstanding Balance of RD Insured Single Family Mortgage Loans	Outstanding Balance of PMI Insured Single Family Mortgage Loans	Outstanding Balance of Self Insured Single Family Mortgage Loans	Outstanding Balance of All Single Family Mortgage Loans
300 through 539	$ 239.9	$ 22.8	$ 19.3	$ 26.0	$ 70.0	$ 378.0
540 through 579	117.9	16.4	12.2	18.1	48.2	212.8
580 through 619	135.6	18.8	11.8	25.2	67.7	259.2
620 through 659	211.4	29.9	18.8	32.4	116.6	409.2
660 through 699	253.6	51.6	23.5	57.7	183.8	570.0
700 through 739	213.9	49.5	21.7	76.6	270.5	632.2
740 through 779	205.6	49.8	21.7	105.5	381.2	763.9
780 through 850	154.1	46.3	26.4	123.7	451.4	801.9
Not available**	16.2	3.6	2.4	3.1	14.0	39.3
Total	$1,548.1	$288.7	$157.9	$468.4	$1,603.5	$4,066.7

* Or credit score at origination for loans originated after this date.
** Current credit score not available.

New Issuance Bond Program and Homeownership Mortgage Bonds

From December 2009 through September 27, 2011, the Authority 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") accepted bonds (the "GSE Bonds") from state and local housing 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 ("Short-Term Rate") that converted or will convert no later than February 28, 2012 to rates fixed to maturity ("Permanent Rate") upon each issuance of Market Bonds (as defined below) as described below, subject to a limitation of six such conversions. Under the NIBP, the Permanent Rates upon such conversions of the Short-Term Rate on the GSE Bonds

were or will be lower than prevailing interest rates available through a public bond offering. In the case of GSE Bonds issued at the Short-Term Rate, proceeds of such GSE Bonds were held in escrow as described below prior to the applicable Release Date (as defined 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 the Short-Term Rate. All of the 2009 B Bonds are GSE Bonds. The original proceeds of the 2009 B Bonds were held in escrow by the trustee under the Homeownership General Resolution until released from escrow as described below. Under the NIBP, in connection with releases of original proceeds of the GSE Bonds, fixed rate bonds were issued in the principal amount described below and sold to the general public (the "Market Bonds"). The Market Bonds could be issued by the Authority on no more than six dates prior to December 31, 2011, and on or about the date (each a "Conversion Date") two months after each such issuance 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, was or will be converted to a Permanent Rate (as defined below). As a result, the principal amount of the 2009 B Bonds the proceeds of which had been released from escrow could not constitute more than 60% of the total aggregate principal amounts of the 2009 B Bonds and Market Bonds, and the principal amount of the Market Bonds constituted at least 40% of such total aggregate principal amounts. 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 determined would bear interest rates fixed to maturity on the applicable Conversion Date, was released from escrow and became available for the financing of single family mortgage loans described below. The aggregate principal amount of all Market Bonds did not exceed the above described 40% of the sum of the GSE Bonds and the Market Bonds.

All of the original proceeds of the 2009 B Bonds have been released from escrow. Upon conversion of the Homeownership Mortgage Bonds, 2009 Series B-Non-AMT, Subseries B-4 on November 27, 2011, all of the 2009 B Bonds will have been converted.

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.

Data on Homeownership Bond Mortgage Loans

The outstanding balance, delinquency and foreclosure statistics for Homeownership Bond Mortgage Loans have been as set forth below.

	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 2010	$236,675,101	$300,675	0.13%	$0	0.00%
June 2011	517,441,049	7,918,687	1.53	987,076	0.19
September 2011	565,117,747	13,544,659	2.40	2,051,080	0.36

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

As of September 30, 2011, the Authority did not hold title to any single family properties which were financed by Homeownership Bond Mortgage Loans and had been foreclosed upon, but not yet sold.

The following six charts show the distribution of Homeownership Bond Mortgage Loans in different ways. All six charts are as of September 30, 2011, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The Authority has not financed any Home Stride Second Mortgage Loans, Step Rate Mortgage Loans, or Interest Only Mortgage Loans under the Homeownership Mortgage Bond resolution due to the suspension by the Authority of the financing of such loans as described above; therefore, such loans are not included in any of the charts below for the Homeownership Bond Mortgage Loans.

The following chart shows the distribution of the Homeownership Bond 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	$526	93.1%
Self-Insured Mortgage Loans*	Suspended – April 1, 2008**	21	3.7
Subtotal		547	96.8
Second Mortgage Loans (all Self-Insured)			
FHA Plus Second Mortgage Loans	Active	17	3.0
Homebuyer Tax Credit Plus Mortgage Loans	Suspended – September 30, 2010***	1	0.2
Subtotal		18	3.2
Total Single FamilyMortgage Loans		$565	100.0%

* None of the Homeownership Bond Mortgage Loans refinance single family homes or finance 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%.

*** The Authority discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

The distribution of the outstanding balances of Homeownership Bond 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			
	2009	2010	YTD 2011	Total
First Mortgage Loans				
Insured Mortgage Loans	$5	$373	$148	$526
Self-Insured Mortgage Loans*	**	13	8	21
Subtotal	5	386	156	547
Second Mortgage Loans (all Self-Insured)				
FHA Plus Second Mortgage Loans	**	13	4	17
Homebuyer Tax Credit Plus Mortgage Loans***	0	1	0	1
Subtotal	**	14	4	18
Total Single Family Mortgage Loans	$5	$400	$160	$565

* None of the Homeownership Bond Mortgage Loans refinance single family homes or finance 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 suspended the financing of Self-Insured Mortgage Loans, except that the Authority 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 discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

The following chart shows the distribution of Homeownership Bond Mortgage Loans by Level Payment Mortgage Loans and Non-Level Payment Mortgage Loans.

Type of Single FamilyMortgage Loan	Outstanding Balance of Single Family Mortgage Loans	Percentage
Level Payment Mortgage Loans	$564	99.8%
Non-Level Payment Mortgage Loans +		
Homebuyer Tax Credit Plus Second Mortgage Loans	1	0.2
Subtotal	1	0.2
Total Single FamilyMortgage Loans	$565	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 Authority has suspended the financing of Non-Level-Payment Mortgage Loans.

The following chart shows the distribution of Homeownership Bond 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	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
FHA	487.0	86.2	12.4	2.5	2.1	0.4
VA	13.3	2.4	0.5	3.4	0.0	0.0
RD	20.6	3.6	0.0	0.0	0.0	0.0
Subtotal Government Insurance	520.9	92.2	12.9	2.5	2.1	0.4
MGIC Mortgage Insurance Co.	2.9	0.5	0.0	0.0	0.0	0.0
Republic Mortgage Insurance Co.	0.1	0.0	0.0	0.0	0.0	0.0
Genworth Mortgage Insurance	0.7	0.1	0.0	0.0	0.0	0.0
PMI Mortgage Insurance Co.***	0.2	0.0	0.0	0.0	0.0	0.0
AIG United Guaranty	0.8	0.1	0.0	0.0	0.0	0.0
Triad Guaranty Insurance Corp.	0.0	0.0	0.0	0.0	0.0	0.0
Radian Mortgage Insurance	0.5	0.1	0.0	0.0	0.0	0.0
Other companies	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Private Mortgage Ins.	5.2	0.9	0.0	0.0	0.0	0.0
Self-Insured**	39.0	6.9	0.7	1.7	0.0	0.0
Total Mortgage Loans	$565.1	100.0%	$13.5	2.4%	$2.1	0.4%

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

** The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

*** PMI Mortgage Insurance Co. ("PMI Co.") has informed all policyholders, insureds, and servicers of mortgage loans insured by PMI Co. that the Arizona Department of Insurance obtained an "Order Directing Full and Exclusive Possession and Control of Insurer" (the "Order") dated October 20, 2011 with respect to PMI Co. Under the Order, the Arizona Department of Insurance has full possession, management and control of PMI Co. Effective October 24, 2011 and pursuant to the Order, the Director of the Arizona Department of Insurance instituted a partial claim payment plan. Claim payments will be made at 50%, with the remaining amount deferred as a policyholder claim.

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 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. See "Lowering by Standard & Poor's of the United States Debt Rating to AA+" above for a discussion of FHA mortgage insurance and the status of the ratings of the United States by Standard & Poor's.

The following chart shows the distribution and the delinquency and foreclosure status of Homeownership Bond 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
All Loans						
2009	$5.0	0.9%	$0.2	3.2%	$0.2	3.5%
2010	399.7	70.7	12.7	3.2	1.9	0.5
2011 through September 30	160.4	28.4	0.6	0.4	0.0	0.0
Total	$565.1	100.0%	$13.5	2.4%	$2.1	0.4%
Self-Insured** Only						
2009	$0.3	0.8%	$0.0	0.0%	$0.0	0.0%
2010	26.5	67.9	0.7	2.5	0.0	0.0
2011 through September 30	12.2	31.3	0.0	0.1	0.0	0.0
Total	$39.0	100.0%	$0.7	1.7%	$0.0	0.0%

* Two or more monthly payments delinquent (excluding loans in foreclosure).
** The Authority has suspended the financing of Self-insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

The following chart shows the distribution of outstanding balances by credit score and mortgage insurer or guarantor.

Credit Score as of March 11, 2011*	Outstanding Balance of FHA Insured Single Family Mortgage Loans	Outstanding Balance of VA Insured Single Family Mortgage Loans	Outstanding Balance of RD Insured Single Family Mortgage Loans	Outstanding Balance of PMI Insured Single Family Mortgage Loans	Outstanding Balance of Self Insured Single Family Mortgage Loans	Outstanding Balance of All Single Family Mortgage Loans
300 through 539	$ 15.7	$ 0.0	$ 0.0	$ 0.0	$ 0.8	$ 16.4
540 through 579	15.3	0.2	0.0	0.0	0.7	16.2
580 through 619	33.1	1.3	0.9	0.0	1.8	37.1
620 through 659	123.9	3.8	5.3	0.1	6.3	139.4
660 through 699	128.6	3.6	4.7	0.1	7.9	144.9
700 through 739	76.7	1.5	3.2	1.6	7.3	90.4
740 through 779	53.5	1.9	3.5	1.7	6.0	66.6
780 through 850	20.5	0.5	1.5	1.2	3.1	26.8
Not available**	19.8	0.4	1.5	0.5	5.1	27.4
Total	$487.0	$13.3	$20.6	$5.2	$39.0	$565.1

* Or credit score at origination for loans originated after this date.
** Current credit score not available.

VHDA General Purpose Bonds

The outstanding balance, delinquency and foreclosure statistics for General Purpose Bond Mortgage Loans have been as set forth below. Loan balances are in millions of dollars.

	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 2007	$162.4	$0.7	0.4%	$0.0	0.0%
June 2008	140.9	2.4	1.7	0.0	0.0
June 2009	179.7	8.4	4.6	0.5	0.3
June 2010	161.2	8.0	4.9	1.1	0.7
June 2011	147.8	7.9	5.4	0.7	0.5
September 2011	164.8	7.0	4.2	2.2	1.3

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

As of September 30, 2011, the Authority held title to 13 single family properties which were financed by General Purpose Bond Mortgage Loans and had been foreclosed upon, but not yet sold. The aggregate principal balance of the mortgage loans that financed such properties was approximately $1.6 million as of their dates of foreclosure. During the preceding 12 months, the average period of time to sell such properties was approximately 260 days.

The following six charts show the distribution of General Purpose Bond Mortgage Loans in different ways. All six charts are as of September 30, 2011, and loan balances are in millions of dollars. Certain amounts may not sum to the total due to rounding.

The following chart shows the distribution of the General Purpose Bond 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	$34.7	21.0%
Self-Insured Mortgage Loans*	Suspended – April 1, 2008**	127.4	77.3
Subtotal		162.1	98.3
Second Mortgage Loans (all Self-Insured)			
FHA Plus Second Mortgage Loans	Active	2.7	1.6
Homebuyer Tax Credit Plus Mortgage Loans	Suspended – September 30, 2010***	0.0	0.0
Home Stride Second Mortgage Loans	Suspended – July 1, 2008	0.0	0.0
Subtotal		2.7	1.7
Total Single Family Mortgage Loans		$164.8	100.0%

* 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%.

*** The Authority discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

The distribution of the outstanding balances of General Purpose Bond 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 2004	2005	2006	2007	2008	2009	2010	YTD 2011	Total
First Mortgage Loans									
Insured Mortgage Loans	$ 6.7	$ 0.8	$ 1.1	$ 6.4	$0.0	$0.0	$0.0	$19.7	$ 34.7
Self-Insured Mortgage Loans*	30.9	22.2	14.9	50.6	8.7	0.1	0.1	0.0	127.4
Subtotal	37.6	23.0	16.0	57.0	8.7	0.1	0.1	19.7	162.1
Second Mortgage Loans (all Self-Insured)									
FHA Plus Second Mortgage Loans	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.8	2.7
Homebuyer Tax Credit Plus Mortgage Loans***	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Home Stride Second Mortgage Loans****	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.8	2.7
Total Single Family Mortgage Loans	$37.6	$23.0	$16.0	$57.1	$8.7	$0.1	$2.0	$20.5	$164.8

* 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 suspended the financing of Self-Insured Mortgage Loans, except that the Authority 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 discontinued originating Homebuyer Tax Credit Plus Mortgage Loans on September 30, 2010, except for such loans to certain qualified members of the military that the Authority continued to originate until January 31, 2011.

**** Suspended on July 1, 2008.

The following chart shows the distribution of General Purpose Bond Mortgage Loans 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	$116.4	70.6%
Non-Level Payment Mortgage Loans +		
Step Rate Mortgage Loans	0.0	0.0
Interest Only Mortgage Loans	48.4	29.4
Homebuyer Tax Credit Plus Second Mortgage Loans	0.0	0.0
Home Stride Second Mortgage Loans	0.0	0.0
Subtotal	48.5	29.4
Total Single Family Mortgage Loans	$164.8	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 Authority has suspended the financing of Non-Level-Payment Mortgage Loans.

The following chart shows the distribution of General Purpose Bond 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	$ 0.0	0.0%	$0.0	0.0%	$0.0	0.0%
FHA	25.7	15.6	0.6	2.4	0.3	1.2
VA	2.2	1.3	0.3	11.7	0.0	0.0
RD	1.5	0.9	0.1	4.9	0.0	0.0
Subtotal Government Insurance	29.4	17.9	0.9	3.2	0.3	1.0
MGIC Mortgage Insurance Co.	1.7	1.0	0.0	0.0	0.2	9.7
Republic Mortgage Insurance Co.	0.8	0.5	0.1	9.9	0.0	0.0
Genworth Mortgage Insurance	1.0	0.6	0.0	0.0	0.1	12.0
PMI Mortgage Insurance Co.***	0.5	0.3	0.0	0.0	0.0	0.0
AIG United Guaranty	0.5	0.3	0.1	23.8	0.0	0.0
Triad Guaranty Insurance Corp.	0.3	0.2	0.0	0.0	0.0	0.0
Radian Mortgage Insurance	0.3	0.2	0.1	44.0	0.0	0.0
Other companies	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Private Mortgage Ins.	5.1	3.1	0.3	6.0	0.3	5.7
Self-Insured**	130.3	79.0	5.7	4.4	1.6	1.2
Total Mortgage Loans	$164.8	100.0%	$7.0	4.2%	$2.2	1.3%

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

** The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial value ratio at or below 80%.

*** PMI Mortgage Insurance Co. ("PMI Co.") has informed all policyholders, insureds, and servicers of mortgage loans insured by PMI Co. that the Arizona Department of Insurance obtained an "Order Directing Full and Exclusive Possession and Control of Insurer" (the "Order") dated October 20, 2011 with respect to PMI Co. Under the Order, the Arizona Department of Insurance has full possession, management and control of PMI Co. Effective October 24, 2011 and pursuant to the Order, the Director of the Arizona Department of Insurance instituted a partial claim payment plan. Claim payments will be made at 50%, with the remaining amount deferred as a policyholder claim.

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 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. See "Lowering by Standard & Poor's of the United States Debt Rating to AA+" above for a discussion of FHA mortgage insurance and the status of the ratings of the United States by Standard & Poor's.

The following chart shows the distribution and the delinquency and foreclosure status of General Purpose Bond 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
All Loans						
2004 and earlier	$ 37.6	22.8%	$2.0	5.4%	$0.6	1.5%
2005	23.1	14.0	1.5	6.3	0.2	1.1
2006	15.8	9.6	0.9	5.4	0.2	1.5
2007	57.1	34.6	2.5	4.4	0.9	1.6
2008	8.7	5.3	0.0	0.0	0.2	2.6
2009	0.1	0.1	0.1	100.0	0.0	0.0
2010	2.0	1.2	0.0	1.3	0.0	0.0
2011 through September 30	20.5	12.4	0.0	0.0	0.0	0.0
Total	$164.8	100.0%	$7.0	4.2%	$2.2	1.3%
Self-Insured** Only						
2004 and earlier	$31.0	23.8%	$1.5	4.7%	$0.4	1.2%
2005	22.3	17.1	1.4	6.2	0.2	1.1
2006	14.8	11.4	0.9	5.8	0.2	1.6
2007	50.7	38.9	1.9	3.8	0.5	1.1
2008	8.7	6.7	0.0	0.0	0.2	2.6
2009	0.1	0.1	0.1	100.0	0.0	0.0
2010	2.0	1.5	0.0	1.3	0.0	0.0
2011 through September 30	0.8	0.6	0.0	0.5	0.0	0.0
Total	$130.3	100.0%	$5.7	4.4%	$1.6	1.2%

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

** The Authority has suspended the financing of Self-Insured Mortgage Loans, except that the Authority continues to finance Self-Insured Mortgage Loans having an initial loan to value ratio at or below 80%.

The following chart shows the distribution of outstanding balances by credit score and mortgage insurer or guarantor.

Credit Score as of March 11, 2011*	Outstanding Balance of FHA Insured Single Family Mortgage Loans	Outstanding Balance of VA Insured Single Family Mortgage Loans	Outstanding Balance of RD Insured Single Family Mortgage Loans	Outstanding Balance of PMI Insured Single Family Mortgage Loans	Outstanding Balance of Self Insured Single Family Mortgage Loans	Outstanding Balance of All Single Family Mortgage Loans
300 through 539	$ 1.3	$0.4	0.2	$0.9	$ 7.7	$ 10.5
540 through 579	0.5	0.1	0.2	0.0	6.6	7.5
580 through 619	0.8	0.1	0.0	0.3	6.3	7.5
620 through 659	8.0	0.2	0.1	0.2	11.0	19.5
660 through 699	7.0	0.3	0.2	0.7	14.8	23.0
700 through 739	2.9	0.2	0.3	1.0	20.5	24.9
740 through 779	1.9	0.7	0.3	1.1	28.3	32.3
780 through 850	1.7	0.3	0.1	0.9	32.2	35.2
Not available**	1.7	0.0	0.0	0.0	2.8	4.6
Total	$25.7	$2.2	$1.5	$5.1	$130.3	$164.8

* Or credit score at origination for loans originated after this date.

** Current credit score not available.

Ginnie Mae Financing

In 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 or guaranteed by FHA, VA or RD. Such securities are held under the Authority's existing single family bond resolutions and/or in the Authority's General Fund or are 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 are pledged as security under such bond resolution.

The single family mortgage loans financed by the Ginnie Mae securities are not assets of the Authority. The Authority guarantees the timely payment of principal and interest on the mortgage loans so financed. The Authority expects to retain the servicing rights on all such mortgage loans. All of the total outstanding principal balance of such loans are insured or guaranteed by federal government entities such as FHA, VA, and RD, as defined above.

As of September 30, 2011, approximately $220.7 million aggregate principal amount of single family mortgage loans financed by Ginnie Mae securities sold to third parties and not held by the Authority was outstanding, of which approximately $12.1 million aggregate principal balance was more than two months delinquent in monthly payments, and approximately $2.2 million aggregate principal balance was in foreclosure, representing 5.5% and 1.0%, respectively, of the aggregate principal balance of such mortgage loans.

As of September 30, 2011, the Authority has also financed single family mortgage loans in the approximate outstanding principal amount of $129.6 million through the issuance of Ginnie Mae securities held by the Authority and not sold to third parties. For information concerning single family mortgage loans financed by Ginnie Mae securities held by the Authority under the Commonwealth Mortgage Bond resolution, see "Data on Commonwealth Bond Mortgage Loans" above. For information concerning single family mortgage loans financed by Ginnie Mae securities held by the Authority in the General Fund, see "General Fund and Other Net Assets" below.

No assurance can be given as to whether the Authority will continue the financing of single family mortgage loans through the issuance of Ginnie Mae securities or, if continued, as to the amount of such financings.

Future Funding of Single Family Programs

The Authority is considering a number of alternative means of funding its single family programs upon the termination of the NIBP at the end of calendar year 2011. If conditions in the tax exempt bond market and mortgage market will then permit the financing of single family mortgage loans at interest rates and on other terms superior to or competitive with mortgage loans offered by other lenders, the Authority would expect to finance its single family programs through the sale and issuance of tax exempt bonds, as the Authority had done prior to the commencement of the NIBP. If such conditions do not exist, the Authority is considering the financing of single family mortgage loans insured or guaranteed by FHA, VA and RD through the issuance of Ginnie Mae securities as described above and is also considering the financing by the sale to Fannie Mae, or the securitization through the issuance of Fannie Mae securities, of single family mortgage loans which are not so insured or guaranteed by federal governmental agencies but for which VHDA would provide either financial recourse for mortgage loan defaults or, if hereafter authorized by amendments to the Act, mortgage insurance by a company or fund created by the Authority. The Authority is also considering the issuance of federal Mortgage Credit Certificates ("MCCs") authorized by the Code. As required by the Code, such MCCs would use a portion of the Authority's Tax Exempt Bond issuance allocation, thereby reducing the allocation available to issue Tax Exempt Bonds. MCCs provide recipients with a credit against federal income tax liability for a portion of their home mortgage interest and would be available to individuals meeting the eligibility requirements for mortgage loans financed by Tax Exempt Bonds, whether or not their loan was financed by the Authority; however, MCCs may not be issued to borrowers if their mortgage loans are financed with proceeds of Tax Exempt Bonds. Because of future uncertainties about the foregoing financing methods, the Authority can give no assurance as to whether or not, upon termination of NIBP, any of such financing methods will be available to the Authority or will enable the Authority to finance the single family programs or as to the amount of funding that such financing method will provide.

General Description of Single Family Program

The Authority makes and purchases 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. Single family mortgage loans will be originated and purchased 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 have been and are expected to be, except as noted below, originated for the Authority 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 lenders ("Originating Lenders"). Prior to March 7, 2011, the Originating Lenders and mortgage brokers acted as the agents of the Authority in originating the single family mortgage loans and closed the single family mortgage loans in the name of the Authority and with funds of the Authority. Since March 7, 2011, the Originating Lenders have originated and closed the single family mortgage loans in their own names and with their own funds, and pursuant to purchase agreements ("Purchase Agreements") the Authority has purchased such single family mortgage loans upon compliance with the terms and conditions of the Purchase Agreements. Since March 7, 2011, mortgage brokers no longer originate the Authority's single family mortgage loans. The Authority also utilizes 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 (such loans are referred to herein as "Direct Origination Loans"). In the case of Direct Origination Loans, the Authority processes and originates the single family mortgage loans and retains all fees which would otherwise be available to Originating Lenders with respect to such mortgage loans. Direct Origination Loans are committed and closed in the name of the Authority and funded by the Authority at loan closing upon compliance with all terms and conditions of the Authority's mortgage loan commitment.

All of the single family mortgage loans are currently serviced by the Authority.

Single Family Mortgage Loan Origination Procedures and Underwriting Criteria

The procedures and underwriting criteria that have been in effect since March 7, 2011 for the origination of single family mortgage loans to be purchased by the Authority from Originating Lenders are substantially the same as the procedures and underwriting criteria that were in effect prior to March 7, 2011 for the origination of single family mortgage loans by the Originating Lenders acting as the Authority's originating agents. Therefore, the following discussion of the procedures and underwriting criteria that have been in effect since March 7, 2011 is applicable also to the procedures and underwriting criteria that were in effect prior to that date.

Under the origination system, a prospective mortgagor submits his single family mortgage loan application to an Originating Lender 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 Lender 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.

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 currently range from $231,700 to $450,000, and the maximum annual gross incomes for eligibility for single family mortgage loans currently range from $72,000 to $140,000. In certain Targeted Areas, the Authority has established maximum sales prices that range from $275,200 to $498,800 and maximum annual gross incomes that range from $86,400 to $140,000. All of the Authority's current maximum sales prices and maximum annual gross incomes applicable to single family mortgage loans comply with the limits currently established by the Internal Revenue Service pursuant to the Code for single family mortgage loans financed by Tax Exempt Bonds. The maximum sales price limits so established by the Internal Revenue Service are currently calculated based on the maximum principal amounts of mortgage loans that FHA will insure. Prior to October 1, 2011, such maximum principal amounts ranged from $271,050 to $729,750 in Virginia but declined on October 1, 2011 to a range of $271,050 to $625,500, and will not be increased to the prior limits unless federal legislation is enacted to extend the current limits. Any such declines are expected to result in declines in the maximum sales prices established by the Internal Revenue Service pursuant to the Code; however, the current limits remain in effect until such time as the Internal Revenue Service updates its Revenue Procedure regarding such limits. In response to any such declines, the Authority expects to reduce its maximum sales prices in three geographic areas by amounts ranging from $78,300 to $93,300; however, such reductions in maximum sales prices are not anticipated to have a material adverse impact on the Authority's single family programs. 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'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, subject to compliance with the limits, if applicable, established by the Internal Revenue Service pursuant to the Code.

All Originating Lenders are required to enter into Purchase Agreements setting forth the conditions and requirements for origination and purchase of single family mortgage loans. The Originating Lenders must process, settle and disburse the single family mortgage loans in accordance with the underwriting standards and administrative procedures in such Purchase Agreements. For each such single family mortgage loan, the Originating Lender receives an origination fee of 1% of the principal amount of the mortgage loan and a service release fee of 1% of the principal amount of the mortgage loan. In the case of Direct Origination Loans, the Authority charges and retains any origination fee and discount points paid by the mortgagor, and the service release fee is not applicable.

The Authority has delegated to certain of its Originating Lenders the loan underwriting functions described below. Loans underwritten by the Originating Lenders pursuant to such delegation are referred to herein as "Delegated Loans." Currently approximately 90% of the single family loans being originated are Delegated Loans. In the case of Delegated Loans, 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 Code and, on a test basis, with the Authority's underwriting requirements and criteria. The Authority may require the Originating Lender 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 Lender. For loans other than Delegated Loans, applications for single family mortgage loans are submitted to the Authority for review and approval prior to loan commitment.

The single family mortgage loans are underwritten 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. The Authority requires the applicants to provide usual and customary documentation in support of their applications. The Originating Lender and, in the case of loans other than Delegated Loans, the Authority's staff review the loan application, credit report, verifications of employment, bank deposits, the appraisal and other characteristics of the individual dwelling unit proposed to be financed as security for such loan. 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 credit and property standards of the FHA, VA or Rural Development. FHA Plus Second Mortgage Loans are (and Homebuyer Tax Credit Plus Mortgage Loans as described above were prior to the suspension thereof) processed and underwritten in conjunction with the related FHA insured First Mortgage Loan and in accordance with applicable FHA credit and property standards. Single family mortgage loans to be insured by private mortgage insurance are underwritten to comply with the standards of the private mortgage insurance companies.

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 required that 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 be used 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 required the underwriting of the proposed mortgagor on the basis of his ability to make the interest only payments. For Home Stride Second Mortgage Loans, the Authority required the underwriting of 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.

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 of such loans.

The maximum ratios of debt to income vary depending on whether the single family mortgage loan is insured and depending upon the requirements of the mortgage insurer, if any. The ratios are of two types. The first type is the ratio of the total monthly payment on the single family mortgage loan to the monthly income of the applicant (this ratio is referred to as the "front end ratio"). The total monthly payment on the single family mortgage loan includes principal, interest, homeowner's association dues, if applicable, and escrows for real estate taxes, hazard insurance, mortgage insurance, if applicable, and flood insurance, if applicable. The second type is the ratio of all monthly debt payments (including such total monthly payment on the single family mortgage loan) to monthly income (this ratio is referred to as the "back end ratio"). The VA loans have only a back end ratio. The current maximum front end ratio, if

applicable, and back end ratio are as follows, respectively: FHA- 31% and 43%; VA- 41%; RD- 31% and 43%; private mortgage insurance- 32% and 40%. The Authority may permit higher front end and back end ratios in the event the application receives approval through an automated underwriting system (e.g., Fannie Mae's Desktop Underwriter system).

When an application is approved, a mortgage loan commitment is issued to the applicant. Upon compliance with the terms and conditions of the mortgage loan commitment, the proceeds of the single family mortgage loan are disbursed. In the case of single family mortgage loans closed prior to March 7, 2011, the Authority disbursed the proceeds of the single family mortgage loan at the closing. In the case of single family mortgage loans closed on and after March 7, 2011, the Originating Lender disburses the proceeds of the single family mortgage loan at closing, and upon compliance by the Originating Lender with the terms and conditions of the Purchase Agreement, the Authority purchases the single family mortgage loan from the Originating Lender.

Servicing of Single Family Mortgage Loans

Each single family mortgage loan is serviced by the Authority. The Authority collects monthly payments of principal and interest and escrows. All such funds 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 (in whole effective January 1, 2011), by the Federal Deposit Insurance Corporation. From the funds so deposited the Authority pays to the proper parties, when and if due, mortgage insurance premiums, real estate taxes and special assessments and hazard insurance premiums. The Authority remits the balance to the bond trustee. The hazard and casualty insurance policies which are required by the Authority to be maintained on the mortgaged premises insure the Authority as mortgagee to the full extent of its interest in the mortgaged premises.

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 Authority takes all actions necessary to obtain the full benefits of any mortgage insurance or guarantee. 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.

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 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 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 mortgagors with Self Insured Mortgage Loans that are First Mortgage Loans are eligible to participate in the BAP. To be eligible, the mortgagor must be occupying the property as his principal residence and complete a 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 (1) 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 an alternative to the deferral of interest, the Authority may defer principal 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. As of September 30, 2011, under the BAP the Authority had modified approximately 56 single family mortgage loans with an aggregate outstanding principal balance of approximately $11.4 million.

Declining Markets; Risk of Loss

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 15.8% between their peak in the second quarter of 2007 and the second quarter of 2011; 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 conducts quarterly analyses of the risk of loan 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 under the single family programs of the Authority. As of September 30, 2011, the amount included in the Allowance for Loan Loss for the single family mortgage loans that are insured by private mortgage insurance companies was $4.79 million, which is equal to 1.0 % of the principal balances of such single family mortgage loans. As of September 30, 2011, the amount included in the Allowance for Loan Loss for the single family mortgage loans that are self-insured was $67.01 million, which is equal to 3.75% of the principal balances of such single family mortgage loans. The Authority does not include any amounts for single family mortgage loans that are insured or guaranteed by agencies of the federal government, except that as of June 30, 2011 the Authority included in the Allowance for Loan Loss $0.93 million which is equal to 0.25% of the principal balances of the single family mortgage loans financed through the issuance of Ginnie Mae securities. The total of all of the foregoing amounts that were included in the Authority's Allowance for Loan Loss as of September 30, 2011 is $72.73 million (the Authority's total Allowance for Loan Loss which includes such total amount and amounts for possible losses on multi-family mortgage loans financed by the Authority was $134.39 million as of September 30, 2011).

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 Commonwealth Bond Mortgage Loans (in millions of dollars) as of September 30, 2011.

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	$ 32.1	$ 1.3	4.1%	$ 0.3	1.1%
Bluefield	5.4	0.2	3.9	0.0	0.0
Charlottesville	71.0	2.4	3.4	0.8	1.2
Culpeper	13.3	1.0	7.8	0.0	0.0
Danville	54.2	2.7	5.1	0.6	1.2
Harrisonburg	76.0	4.7	6.2	0.5	0.7
Kingsport-Bristol-Bristol	6.5	0.6	8.5	0.1	1.3
Lynchburg	134.0	7.3	5.4	1.4	1.0
Martinsville	34.8	1.7	4.8	0.4	1.2
Richmond	976.3	62.7	6.4	16.2	1.7
Roanoke	149.3	10.6	7.1	1.3	0.9
Staunton-Waynesboro	93.2	6.4	6.8	1.3	1.4
Virginia Beach-Norfolk-Newport News	1,333.1	81.9	6.1	18.0	1.4
Washington-Arlington-Alexandria	907.1	38.9	4.3	7.6	0.8
Winchester	21.8	1.1	5.2	0.0	0.0
Balance of State	158.6	10.1	6.4	1.9	1.2
Total	$ 4,066.7	$ 233.6	5.7%	$ 50.6	1.2%

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

The following chart shows, for each Metropolitan Statistical Area ("MSA") of the Commonwealth, the outstanding balances and delinquency and foreclosure status of Homeownership Bond Mortgage Loans (in millions of dollars) as of September 30, 2011.

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	$ 3.1	$ 0.0	0.0%	$ 0.0	0.0%
Bluefield	0.3	0.0	0.0	0.0	0.0
Charlottesville	7.0	**	0.2	0.0	0.0
Culpeper	3.2	0.0	0.0	0.0	0.0
Danville	3.7	0.0	0.0	0.0	0.0
Harrisonburg	5.5	0.0	0.0	0.0	0.0
Kingsport-Bristol-Bristol	1.8	0.0	0.0	0.0	0.0
Lynchburg	9.9	0.1	1.5	0.0	0.0
Martinsville	0.8	0.0	0.0	0.0	0.0
Richmond	135.5	3.8	2.8	0.6	0.4
Roanoke	24.6	0.9	3.8	0.0	0.0
Staunton-Waynesboro	7.8	**	0.1	0.0	0.0
Virginia Beach-Norfolk-Newport News	181.2	6.0	3.3	1.1	0.6

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
Washington-Arlington-Alexandria	160.1	2.3	1.5	0.3	0.2
Winchester	2.4	0.1	5.8	0.0	0.0
Balance of State	18.5	0.1	0.8	0.0	0.0
Total	$ 565.1	$ 13.5	2.4%	$ 2.1	0.4%

* Two or more monthly payments delinquent (excluding loans in foreclosure).
** Less than $0.05 million

The following chart shows, for each Metropolitan Statistical Area ("MSA") of the Commonwealth, the outstanding balances and delinquency and foreclosure status of General Purpose Bond Mortgage Loans (in millions of dollars) as of September 30, 2011.

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	$ 1.4	$0.0	2.7%	$0.0	0.0%
Bluefield	0.3	0.0	0.0	0.0	0.0
Charlottesville	4.3	0.2	4.6	0.3	6.0
Culpeper	0.7	0.1	12.9	0.0	0.0
Danville	2.5	0.3	13.5	0.0	1.7
Harrisonburg	1.4	0.2	11.9	0.0	0.0
Kingsport-Bristol-Bristol	0.3	0.0	1.2	0.0	0.0
Lynchburg	5.7	0.1	2.2	0.1	2.2
Martinsville	1.9	0.1	4.0	0.1	2.8
Richmond	37.6	2.2	5.8	0.4	1.1
Roanoke	6.7	0.5	7.4	0.1	1.0
Staunton-Waynesboro	2.9	0.0	0.0	0.1	3.7
Virginia Beach-Norfolk-Newport News	55.2	1.8	3.2	0.5	0.9
Washington-Arlington-Alexandria	35.3	0.9	2.5	0.4	1.1
Winchester	1.1	0.0	0.0	0.0	0.0
Balance of State	7.7	0.6	8.3	0.3	3.4
Total	$164.8	$7.0	4.2%	$2.2	1.3%

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 2007 through 2011. 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)				
	2007	2008	2009	2010	2011
	(Not included in independent accountants' report)				
Memorandum Only – Combined totals					
Revenues:					
Interest on mortgage loans	$436	$487	$519	$513	$505
Investment income	52	(17)	2	18	15
Pass-through grants received	72	72	69	128	158
Housing Choice Voucher program	64	63	61	69	72
Other	22	20	23	32	27
Total revenues	646	625	674	760	777
Expenses:					
Interest	287	335	355	336	321
Pass-through grants disbursed	72	72	69	128	158
Housing Choice Voucher program	61	65	71	70	69
Total administrative expenses, etc	71	81	102	124	133
Total expenses	491	553	597	658	681
Excess of revenues over expenses	155	72	77	102	96
Net Assets at beginning of period	1,815	1,970	2,042	2,119	2,221
Net Assets at end of period	$1,970	$2,042	$2,119	$2,221	$2,317
Net Assets of the General Fund at end of period	$230	$199	$154	$167	$154

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)				
	2007	2008	2009	2010	2011
	(Not included in independent accountants' report)				
Memorandum Only – Combined totals					
Excess of revenues over expenses excluding GASB 31 adjustments	$155	$131	$79	$61	$85
Net Assets at end of period excluding GASB 31 adjustments	$1,968	$2,099	$2,178	$2,239	$2,324
Net Assets of the General Fund at end of period excluding GASB 31 adjustments	$228	$220	$184	$183	$166

The GASB 31 adjustments in fiscal year 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 mortgage backed securities. The GASB 31 adjustments in fiscal years 2010 and 2011 were primarily due to unrealized gains on investments.

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 Lenders.

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 (the "Dodd-Frank Act"), which contains consumer protection provisions affecting the Authority's single family program, was signed into law. Included in the Dodd-Frank Act are provisions that: (i) establish the Consumer Financial Protection Bureau (the "CFPB") within the Federal Reserve with broad authority to protect consumers from unfair or deceptive financial products, acts or practices and reassign to the CFPB responsibility for enforcement of the major federal consumer protection laws; (ii) require entities that securitize mortgage loans to retain at least 5% of the credit risk in the assets that they securitize, except for certain "qualified residential mortgages" to be defined by regulations to be promulgated under the Dodd-Frank Act and except for mortgage loans insured or guaranteed by the federal government; (iii) prohibit compensation to loan originators based on the terms of the loan, including the interest rate but excluding the principal amount of the loan, and prohibit compensation to loan originators from any person other than the consumer, subject to certain exceptions; (iv) prohibit a creditor from making a mortgage loan unless the creditor makes a good faith determination, based on verified and documented information, that the applicant has a reasonable ability to repay the loan, provided that the creditor is entitled to a rebuttable presumption to have met this requirement if the loan is a "qualified mortgage" that satisfies certain requirements (including regular periodic payments on the loan without any increase in principal or a balloon payment not greater than twice the average of earlier scheduled payments, verification and documentation of income and financial resources, underwriting based on a fully amortizing loan at a fixed interest rate or an adjustable rate at the maximum rate during the first five years, compliance with debt-to-income ratios or alternative measures of ability to pay expenses after payment of debt service on the loan to be specified in regulations to be promulgated under the Dodd-Frank Act, total points and fees not in excess of 3% of the loan amount, and a loan term not in excess of 30 years); (v) prohibit steering of loan applicants to loans that the applicants lack a reasonable ability to repay or that have predatory characteristics or effects and prohibit steering from a "qualified mortgages" for which the applicant is qualified to a loan that is not a "qualified mortgage;" (vi) prohibit acts or practices that violate appraiser independence; (vii) establish new requirements for prepayment penalties, forced placed insurance that is obtained by the loan servicer upon termination of hazard insurance, and time requirements for pay-off statements and crediting of loan payments; and (viii) authorize various damages for violations by loan originators and creditors of the Dodd-Frank Act. With regard to the requirement for retention of 5% of the credit risk described in (ii) above, the Dodd-Frank Act authorizes a total or partial exemption by regulation for asset-backed securities issued by public instrumentalities of states that are exempt under Section 3(a)(2) of the Securities Act of 1933, and the federal regulatory agencies responsible for issuance of regulations under the Dodd-Frank Act have, pursuant to such authorization, issued proposed regulations that provide a total exemption for asset-backed securities that are issued or guaranteed by any state or any political subdivision or instrumentality of a state. Under such proposed regulations, the bonds issued by the Authority to finance single family and multi-family housing would be exempt from the risk

retention requirement described in (ii) above. In addition, the proposed regulations would exempt from such risk retention requirement securities (a) that are secured by mortgage loans insured or guaranteed by FHA, VA or RD or are secured by "Qualified Residential Mortgages" (defined as mortgage loans that finance one-to-four family property at least one of which is the principal residence of the borrower and that satisfy certain requirements at to loan terms and underwriting, including a minimum 20% down payment) or (b) that are guaranteed by Fannie Mae, Freddie Mac while in conservatorship. No assurance can be given that the enactment of such Act and any final regulations to be promulgated thereunder or the consideration or enactment of any other such legislation will not have an adverse effect on the Authority's single family programs, its financial condition, the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks to the Owners.

In recent 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 June 30, 2011, the Authority had approximately $7.0 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
Note to Federal Home Loan Bank – Atlanta	$20,000,000	July 11, 2011
Note to Federal Home Loan Bank – Atlanta	$7,800,000	August 30, 2011
Note to Federal Home Loan Bank – Atlanta	$111,970,000	Sept. 22, 2011
Homeownership Mortgage Bonds, 2011 Series B-Non-AMT	$74,650,000	Sept. 27, 2011
Homeownership Mortgage Bonds, 2009 Series B-Non-AMT, Subseries B-4*	$111,970,000	Sept. 27, 2011
Rental Housing Bonds, 2011 Series B-Non-AMT	$17,480,000	Sept. 27, 2011
Rental Housing Bonds, 2011 Series D-Taxable	$155,800,000**	December 8, 2011**

* Not a new issue, conversion of previously issued bonds
** Expected

The notes issued to the Federal Home Loan Bank are described below under "General Fund and Other Net Assets".

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 footnote 5 of the Authority's financial statements attached hereto as 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.

Footnote 5(b) of the Authority's financial statements sets forth a combined statement of the credit risk of the Authority's investments in the General Fund and under its bond resolutions, which overall is concentrated in the categories of Money Market Securities and Other Interest Bearing Instruments. As of September 30, 2011, the Authority's counterparties in the Money Market Securities category are as follows:

Counterparty	CUSIP	Principal Amount
US BANK COMMERCIAL PAPER FUND	02961021	$ 541,555,228
TOYOTA MOTOR CREDIT CP	89233HYA	59,982,667
BANK OF NOVA SCOTIA NY CP	06416KY7	74,981,500
TOYOTA MOTOR CREDIT CP	89233HZ7	49,975,806
RABOBANK NEDERLAND YK CD	74977MZN	50,000,000
TOTAL		$ 776,495,201

The Other Interest Bearing Instruments category is comprised of funds on deposit with the Federal Home Loan Bank of Atlanta.

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. Each mortgage loan financed by the General Fund is herein referred to as a "General Fund Mortgage Loan."

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 to be made available for fiscal year 2012 programs is $17.3 million (including $3.7 million of unused allocations from prior years) which is equal to 15% of the average unadjusted excess revenues for fiscal years 2006 through 2010. 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 the Authority 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 2012 is $130.3 million.

As of September 30, 2011, approximately $76 million aggregate principal balance of multi-family mortgage loans financed by General Fund net assets was outstanding, and all of such multi-family mortgage loans were current in their payments, except six mortgage loans having an aggregate principal balance of approximately $2.7 million that were delinquent. As of September 30, 2011, the Authority had acquired by foreclosure twelve multi-family developments that were financed by General Fund net assets, owned four of such developments and had 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 September 30, 2011, approximately $34 million aggregate principal balance of single family mortgage loans financed by General Fund net assets (including approximately $21 million of such loans financed through the issuance of Ginnie Mae securities held in the General Fund) was outstanding; and 2.1% of such single family mortgage loans having an aggregate principal balance of approximately $0.7 million were two or more months delinquent in monthly payments, and 0.4% of such single family mortgage loans having an aggregate principal balance of approximately $0.1 million 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) any default by the Authority under any mortgage, indenture, contract, agreement, undertaking or instrument evidencing debt of the Authority that is not remedied within 30 days' notice by the Authority to the Bank of America and that could reasonably be expected to have a material adverse effect on the Authority or the ability of the Authority to perform its obligations under the Bank of America Agreement; (4) the bankruptcy of the Authority, certain acts of insolvency by the Authority, or the rendering of any final judgment against the Authority that remains unsatisfied for 60 days; (5) the assignment to the Authority of a rating by Moody's or Standard & Poor's below Baa or BBB, respectively, or a withdrawal by Moody's or Standard & Poor's of their applicable rating of the Authority; (6) failure by the Authority to comply with certain of its covenants in the Bank of America Agreement requiring the Authority (a) not to invest its own funds in a manner which could reasonably be expected to result in a material adverse effect on the Authority or the ability of the Authority to perform its obligations under the Bank of America Agreement, (b) to submit financial records and information, including our official statements, to the Bank of America, (c) 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, (d) 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, (e) to maintain adequate and proper books and records, (f) 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 (g) to comply with laws and regulations of the Commonwealth of Virginia and the United States; and (7) 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. In the event of any default by the Authority under the Bank of America Agreement, the Bank of America may terminate such Agreement and may demand immediate payment of any and all amounts drawn and outstanding thereunder. Any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent Assets and income therefrom are not sufficient to pay such Bond Amounts. Unless extended by the Bank of America and the Authority, the Bank of America Agreement will terminate on December 1, 2011, subject to any notice of termination by Bank of America due to default or by the Authority. All outstanding amounts are due and payable on the termination date. Currently, $70 million is 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, except that the Bank of Nova Scotia Agreement contains the following additional events of default: (1) any material and adverse deviation from the investment policies described in the first paragraph of "Investments" above, unless the Authority gives the Bank of Nova Scotia 30 days prior written notice of such deviation, and (2) any failure to pay an amount in excess of $2 million under any debt of the Authority beyond any applicable grace period, unless contested by the Authority in appropriate legal proceedings. In the event of any default by the Authority under the Bank of Nova Scotia Agreement, the Bank of Nova Scotia may terminate such Agreement and may demand immediate payment of any and all amounts drawn and outstanding thereunder. Any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent Assets and income therefrom are not sufficient to pay such Bond Amounts. Unless extended by the Bank of Nova Scotia and the Authority, 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") under an Advances, Specific Collateral Pledge and Security Agreement for Nonmember Mortgagees dated September 27, 1995 (the "FHLB Agreement"). The proceeds of the notes issued to the FHLB or other qualifying assets are deposited with the FHLB and serve as collateral for the notes. Any such other collateral is periodically marked to market, and the Authority may be required to post additional collateral if the market value falls below thresholds specified in the FHLB Agreement. Each note may be redeemed at par at any time. The notes generally refund tax-exempt bonds, and, in such an event, the Authority expects to refund the notes in the future with tax-exempt bonds. The Authority has also previously issued, and may from time to time hereafter issue, notes to the FHLB and utilize the proceeds thereof for any valid corporate purpose. Events of default under the FHLB Agreement include (1) any failure to pay when due the amounts owed under the notes or to perform any other obligation of the Authority under the FHLB Agreement; (2) any failure to maintain adequate qualifying collateral free of encumbrances; (3) bankruptcy and certain other acts of insolvency by the Authority; and (4) any material adverse change in the Authority's financial condition. In the event of any default by the Authority under the FHLB Agreement, the FHLB may demand immediate payment of any and all amounts outstanding under the notes and may take possession of and sell the collateral. If the collateral shall be insufficient to repay all amounts due under the FHLB Agreement, any such demand may adversely affect the financial condition of the Authority, including its ability to use General Fund and other net assets to pay Bond Amounts, to the extent that Assets and income therefrom are not sufficient to pay such Bond Amounts.

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 as described in "Description of the Offered Bonds" above. 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 (8) 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 or 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, 2011 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.

Any statements in the 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 a source of federal housing assistance for developments of the type which the Authority financed under the Program.

HUD issued special regulations for state housing finance and development agencies ("HFAs") such as the Authority. With respect to Developments permanently financed by the Authority without federal mortgage insurance, the Section 8 regulations gave 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. The description of the Section 8 program below in general relates to the long-term subsidy contracts originally entered into in connection with these Developments. See "Renewal Contracts" below for a discussion of certain differences applicable to more recent Section 8 subsidy contracts.

Subsidy Contracts

Under Section 8, three principal contracts were executed. First, the HFA entered into an "Agreement to Enter Into Housing Assistance Payments Contract" with the Mortgagor of the Development to be constructed. This agreement ("Agreement to Enter") was approved by HUD and, subject to certain conditions, committed 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 was executed, the HFA and HUD executed 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 have original terms of 30 or 40 years. The subsidy contracts for FHA Mortgage Loans have original terms of 15, 20 or 30 years. See "Security — Mortgage Loans — Federal Programs and Requirements" for certain information regarding the expiration of such subsidy contracts.

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 was initially based on the "fair market rent" for the dwelling unit, which is determined by HUD periodically with respect to each locality. Contract Rent was permitted to be initially established at an amount up to 120% of the fair market rent. Contract Rent over 100% of the fair market rent required 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.

The maximum amount of money available annually for subsidy payments under an ACC was established at an amount equal to the annual initial Contract Rents for assisted units in the Development. If the amount actually disbursed under the ACC in any given year was less than the total available amount, the excess (initially an amount approximately equal to the portion of the contract rents payable by the tenants) was set aside by HUD in an account for the particular Development so as to 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.

Eighty percent 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 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. 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, 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 resulting from the adjustment in the Contract Rents described above are 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 are 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) (currently designated subdivision (c)(5)) of Section 8 (quoted below) to obtain funds to bring the amount in the account to the 40 percent level. Such subdivision 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.

Renewal Contracts

In certain cases, upon expiration of the long-term Payments Contract originally entered into with respect to a Development, the Mortgagor of the Development and a Section 8 contract administrator designated by HUD has entered into, or may enter into, a new Payments Contract for an additional term, pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997, Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1998, Pub. L 105-65, as amended (a "Renewal Contract"). (See "Security — Mortgage Loans — Federal Programs and Requirements" for certain information regarding the expiration of the original Payments Contracts.)

Although Renewal Contracts may have contract terms that are relatively long, upon initial execution of Renewal Contracts and each year thereafter Congress has appropriated, and HUD has obligated, generally only an amount estimated to be sufficient to fund one year (or less) of the contract term, and HUD's obligation with respect to the remainder of the term is subject to Congressional appropriations. Absent such appropriations, there is no assurance that funds will be available under these contracts. The provisions described above under "Funding of Increases in Subsidy" do not apply to Renewal Contracts.

Renewal Contracts do not provide for adjustment of contract rents based on Annual Adjustments as described under "Adjustments of Contract Rents" above. Renewal Contracts with terms longer than one year provide for annual adjustment of contract rents based on an Operating Cost Adjustment Factor (or with respect to certain Renewal Contracts, if requested by the owner and agreed to by HUD or its designated contract administrator, based on the Development's budget). The Operating Cost Adjustment Factor is intended to reflect increases in the cost of operating comparable rental properties, which may or may not correspond to circumstances affecting a particular Development. No assurance can be given that HUD or its designated contract administrator will approve a request for a budget-based adjustment of contract rents.

Certain Renewal Contracts with terms longer than five years provide that HUD's designated contract administrator shall, at the expiration of each five-year portion of the contract term, adjust contract rents so as to equal comparable market rents determined on the basis of a market study prepared in accordance with HUD requirements. Certain of such Renewal Contracts also provide that HUD may, at its discretion, require or permit its designated contract administrator to make such market comparability adjustments one additional time within each such five-year period. Such market comparability adjustments may raise or lower contract rents. Certain Renewal Contracts for Developments that received initial contract rents calculated on the basis of an operating budget provide that HUD may adjust contract rents downward, subject to certain limits calculated on the basis of market rents, in the event that the Development during the term of the contract receives additional government assistance that was not anticipated when initial contract rents were determined. The statutory provision prohibiting adjustments that would lower contract rents, explained above, does not apply to Renewal Contracts.

The Authority does not act as HUD's designated contract administrator for Renewal Contracts and, with respect to such contracts, does not receive and disburse subsidy payments as described in the second paragraph under "Payment of Subsidy" above. Instead, HUD's designated contract administrator disburses the subsidy payment to the Mortgagor, who is responsible for remitting loan payments and escrow deposits.

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 Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act, Title V of Pub. L. 106-74, enacted October 20, 1999 (the "1999 Act"), the rent chargeable to the tenant is also limited by the rent for a comparable unassisted unit in the market area. The Balanced Budget Downpayment Act, II, Pub. L. 104-134, enacted April 26, 1996, 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 1999 Act provides that mortgagors may retain some or all of such Excess Income Payments if authorized by HUD. 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.

Certain Developments which are subject to Section 236 interest reduction payments are 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.

The 1999 Act authorized a program (referred to as the Section 236 "decoupling" program) pursuant to which mortgagors of developments subject to Section 236 interest reduction payments with FHA-insured mortgage loans may refinance such loans, if the loans are otherwise eligible for prepayment, with new mortgage loans (such as Authority mortgage loans) while retaining the interest reduction payments. In order to participate in the decoupling program, the mortgagor must agree to enforce the income and rent restrictions applicable to the development for a period extending five years beyond the term of assistance under the new agreement for interest reduction payments.

See "Security — Mortgage Loans — Federal Programs and Requirements" for certain information regarding the expiration of Developments' agreements for interest reduction payments.

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

Information as of June 30, 2011

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	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	82	100
Aden Park	Virginia Beach	3,610,000	Tax Credit	General	125	99	100
Afton Gardens	Roanoke	2,250,000	Tax Credit, Section 8	General	108	100	100
Alexco A (3)	Norfolk	685,000	Conventional	General	20	80	100
Alexandria Station Apartments	Alexandria	28,200,000	Tax Credit	General	290	99	100
Amelia Village	Amelia County	575,000	Conventional	General	12	n/a	100
Amherst Acres I	Amherst County	525,000	Conventional	General	8	88	100
Amherst Acres II	Amherst County	300,000	Tax Credit	General	5	100	100
Amherst Acres III	Amherst County	415,000	Tax Credit	General	10	100	100
Amhurst Apartments	Virginia Beach	2,200,000	Conventional	General	88	100	100
Ansell Gardens (3)	Portsmouth	1,150,000	Tax Credit	General	78	99	100
Apartment Heights	Montgomery County	4,800,000	Conventional	General	133	93	100
Arbor Brook	Portsmouth	1,000,000	Conventional	General	28	93	100
Arbor Glen	Chesapake	13,645,000	Tax Credit	General	240	92	100
Arboretum Place	Newport News	6,700,000	Tax Credit	General	184	99	100
Arbors (The)	Richmond	4,566,000	Tax Credit	Elderly	85	100	100
Arbour Reach	Portsmouth	2,700,000	Tax Credit	General	92	100	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	100	100
Ashburn Meadows II	Loudoun County	10,525,000	Tax Credit	General	136	99	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Ashland Town Square	Hanover County	10,650,000	Conventional	General	218	90	100
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	93	100
Ashley Oaks	Richmond	1,550,000	Tax Credit, Sec. 236	General	250	73	100
Ashley Oaks	Richmond	950,000	Tax Credit, Sec. 236	General	250	73	100
Ashley Oaks (3) (9)	Richmond	1,100,000	Section 236	General	250	73	100
Ashley Trace	Norfolk	3,100,000	Conventional	General	132	81	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	93	100
Aspen Club	Fauquier County	6,100,000	Tax Credit	General	108	99	100
Aspen South	Fauquier County	7,875,897	Conventional	General	100	99	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	99	100
Atlantic Charter Colony	Chesterfield County	7,100,000	Tax Credit	Elderly	113	100	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	85	100
Autumn Wind	Frederick County	3,333,000	Tax Credit	General	104	98	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	100	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	75	100
Baugh Lane	Washington County	365,000	Conventional	General	7	100	100
Bayberry Homes I	Virginia Beach	950,000	Conventional	General	14	93	100
Bayberry Homes II	Virginia Beach	1,090,000	Conventional	General	14	93	100
Bayberry Homes III	Virginia Beach	881,000	Conventional	General	10	100	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
Beach Park West	Virginia Beach	1,250,000	Conventional	Disabled	18	89	100
Beachcomber I (3)	Norfolk	291,683	Conventional	General	32	69	100
Beaufont Oaks II	Richmond	3,420,000	Conventional	General	128	100	100
Beaverdam Creek (3)	Hanover County	3,620,000	Tax Credit	General	120	97	100
Belle Hall	Portsmouth	4,720,000	Tax Credit	General	120	98	100
Belle Meadows	Bristol	780,000	Conventional	General	26	44	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Belleville Harbour	Suffolk	4,700,000	Tax Credit	General	120	100	100
Ben Bolt Apartments	Tazewell	590,000	Conventional	General	21	100	100
Ben Franklin House	Springfield	700,000	Conventional	Disabled	6	83	100
Bentley Apartments	Portsmouth	2,533,000	Conventional	General	76	80	100
Berkshire	Virginia Beach	2,900,000	Conventional	General	106	90	100
Berkshire Place	Lynchburg	68,000	Conventional	Disabled	2	100	100
Bettie S. Davis Village	Suffolk	1,753,046	Section 8	Elderly	60	98	100
Beverly Park Apartments	Alexandria	3,505,000	Tax Credit	General	33	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, Section 8	General	182	97	100
Booker T. Washington Plaza	Richmond	1,940,000	Tax Credit	Elderly	28	86	100
Bradford Mews I (3)	Isle of Wight County	850,000	Tax Credit	General	84	96	100
Bradford Mews II	Isle of Wight	990,000	Tax Credit	General	36	97	100
Brain Foundation #2	Fairfax County	415,000	Conventional	Disabled	4	n/a	100
Brandywine	Roanoke	2,000,000	Conventional	General	148	98	100
Brandywine (3)	Virginia Beach	4,161,273	Conventional	General	172	94	100
Breezy Point I & II	Norfolk	9,700,000	Conventional	General	316	94	100
Breezy Point III	Norfolk	5,300,000	Conventional	General	180	96	100
Breezy Point IV	Norfolk	4,930,000	Conventional	General	144	97	100
Breezy Point V (9)	Norfolk	3,550,000	Conventional	General	0	n/a	100
Breezy Point VI (9)	Norfolk	4,200,000	Conventional	General	0	n/a	100
Breezy Point VII (9)	Norfolk	13,400,000	Conventional	General	0	n/a	100
Brentwood Forest	Norfolk	2,392,000	Conventional	General	107	90	100
Bridgeport	Hampton	5,960,000	Tax Credit	General	180	100	100
Brightwood Forest	Prince William County	3,115,000	Conventional	General	90	100	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	90	100
Brook Ridge I (3)	Greensville County	1,450,000	Tax Credit	General	84	87	100
Brook Ridge II	Greensville County	1,150,000	Tax Credit	General	40	90	100
Brook Run (3)	Richmond	2,035,000	Tax Credit	General	132	64	100
Brookfield	Virginia Beach	23,900,000	Conventional	General	352	99	100
Burnt Ordinary	James City County	1,250,000	Tax Credit	General	80	96	100
Burton Creek (3)	Lynchburg	300,000	Section 8	General	85	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	98	100
Cameron Commons	Arlington	1,500,000	Conventional	General	16	100	100
Campostella Commons (3)	Chesapeake	2,200,000	Tax Credit	General	132	99	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Cananche Creek	Wise County	570,000	Tax Credit	General	36	97	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	88	100
Caroline Manor II	Bowling Green	135,000	Tax Credit	General	17	100	100
Carousel Court	Falls Church	8,680,000	Tax Credit	General	90	98	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	96	100
Carter Woods II	Henrico County	2,250,000	Tax Credit	Elderly	71	96	100
Carybrook Townhomes	Hampton	7,600,000	Conventional	General	182	92	100
Cedar Creek	Portsmouth	5,000,000	Conventional	General	104	91	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	96	100
Cedar Crest III (3)	Montgomery County	105,000	Tax Credit	General	28	100	100
Cedar Street	Richmond	5,200,000	Tax Credit	General	58	91	100
Century Plaza	Hampton	3,575,000	Sec. 8, Tax Credit	General	120	99	100
Chandler's Wharf	Hampton	2,400,000	Conventional	General	66	74	100
Chantilly Crossings	Fairfax County	26,000,000	Tax Credit	General	360	99	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	98	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	100	100
Chesterbrook Residences	Fairfax County	11,000,000	Conventional	Elderly	97	93	100
Chesterfield MR	Chesterfield	95,810	Sec. 8	Disabled	5	n/a	100
Chestnut Ridge	Harrisonburg	2,985,000	Tax Credit	General	100	94	100
Chestnut Ridge II	Harrisonburg	1,540,000	Tax Credit	General	48	98	100
Chestnut Square	Newport News	1,250,000	Tax Credit	General	40	90	100
Chicago Manor	Richmond	1,800,000	Tax Credit	General	74	92	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	98	100
Church Street (7)	Spotsylvania County	249,500	Conventional	General	8	100	100
Clarendon Court	Arlington County	3,400,000	Tax Credit	General	103	99	100
Clearfield (3)	Colonial Heights	4,200,000	Tax Credit	General	144	97	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Club Hill Apartments	Louisa	1,350,000	Conventional	General	29	90	100
Cole Harbor	Nottoway County	600,000	Tax Credit	General	36	100	100
College Green	Warsaw	330,000	Tax Credit	General	32	100	100
College Square	Suffolk	3,500,000	Conventional	General	91	91	100
College Square Collins	Suffolk	950,000	Conventional	General	20	80	100
College Square Investments	Suffolk	2,150,000	Conventional	General	40	90	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	82	100
Columbia Grove	Arlington County	14,755,000	Tax Credit	General	208	100	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	91	100
Congress Street	Shenandoah Co	750,000	Tax Credit	General	38	79	100
Coppermine Place	Fairfax County	2,500,000	Tax Credit	Elderly	66	100	100
Coralain Gardens	Fairfax County	7,550,000	Tax Credit	General	106	96	100
Cornerstone	Lynchburg	175,000	Conventional	General	11	n/a	100
Cottages at Great Bridge I	Chesapeake	3,300,000	Tax Credit	Elderly	96	100	100
Cottages at Great Bridge II	Chesapeake	1,300,000	Tax Credit	Elderly	32	100	100
Cotton Mill Lofts	Roanoke	8,200,000	Conventional	General	108	73	100
Country Club	Richmond	2,850,000	Tax Credit	General	97	95	100
Countryside (3)	Richmond	1,375,000	Tax Credit	General	60	97	100
Courthouse Commons I (3)	Warsaw	250,000	Conventional	General	12	83	100
Courthouse Crossings	Arlington County	8,600,000	Tax Credit	General	112	98	100
Courthouse Lane I (3)	Caroline County	950,000	Tax Credit	Elderly	32	100	100
Crater Woods I	Petersburg	7,931,800	Conventional	General	120	99	100
Crater Woods II	Petersburg	7,670,000	Conventional	General	120	95	100
Creekpointe	Chesterfield County	11,770,000	Tax Credit	General	214	90	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	84	100
Crescent Place	Portsmouth	7,300,000	Tax Credit	General	156	97	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Crest at Longwood (7)	Salem	3,225,000	Conventional	General	108	91	100
Crestview Apartments	Fredericksburg	8,960,774	Tax Credit	General	180	98	100
Crispus Attucks	Northhampton County	750,000	Tax Credit	General	22	100	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	100	100
Crossroads Townhomes (3)	Chesapeake	3,433,000	Conventional	General	92	82	100
Crosswinds Place	Chesapeake	4,350,000	Tax Credit	General	109	98	100
Crown Square	Henrico County	3,823,500	Conventional	General	92	86	100
Culpeper Commons	Culpeper	4,238,000	Tax Credit	General	142	96	100
Culpeper Shelter	Culpeper	200,000	Conventional	General	15	n/a	100
Cynthianna	Charlottesville	345,000	Conventional	General	6	100	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	99	100
Dan River Crossing	Danville	1,870,000	Tax Credit	Elderly	74	99	100
Dante's Crossing	Russell County	273,000	Tax Credit	General	12	83	100
Darby House	Henrico County	2,975,000	Tax Credit	Elderly	108	91	100
Deep Creek Crossing	Chesapeake	2,285,000	Conventional	General	102	78	100
Deep Run Lodge	Fauquier County	546,700	Conventional	Disabled	8	0	100
Delmont Plaza	Henrico County	450,000	Sec. 8, Tax Credit	General	41	98	100
Delmont Village	Henrico County	3,150,000	Tax Credit	General	94	84	100
Devon at South Riding II	Loudoun County	10,575,000	Conventional	General	120	100	100
Dibbrell	Richmond	800,000	Conventional	General	12	n/a	100
Dogwood Terrace (3)	Wise County	920,000	Sec. 8, Tax Credit	General	97	97	100
Dominion Pines	Chesapeake	5,750,000	Tax Credit	General	118	97	100
Dominion Place	Richmond	6,770,000	Tax Credit, Section 8	Elderly	249	100	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	99	100
Dunlop Farms	Colonial Heights	3,305,000	Tax Credit	Elderly	88	95	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	19	100
East Falls Apartments (9)	Fairfax County	4,025,000	Tax Credit	General	0	97	100
East Falls Apartments	Fairfax County	27,000,000	Tax Credit	General	305	n/a	100
Ebbetts Plaza	Virginia Beach	3,066,000	Tax Credit	General	90	93	100
Echo Mountain I	Shenandoah Co	710,000	Tax Credit	General	24	96	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Echo Mountain II	Shenandoah Co	790,000	Tax Credit	General	26	96	100
Effingham (3)	Portsmouth	1,461,000	Tax Credit, Section 8	Elderly	178	98	100
Elderspirit Community	Abingdon	850,000	Conventional	Elderly	16	100	100
Elite Apts	Norfolk	1,912,000	Conventional	General	50	100	100
Elkhart (3)	Chesapeake	761,000	Conventional	General	34	88	100
England Run North	Stafford	10,200,000	Tax Credit	General	204	98	100
Englewood	Chesterfield County	270,000	Conventional	Disabled	5	n/a	100
English Oaks	Stafford County	9,410,000	Tax Credit	Elderly	119	91	100
Enoch George Manor	Spotsylvania County	4,200,000	Tax Credit	Elderly	60	87	100
Euclid Avenue	Winchester	227,000	Conventional	Disabled	4	n/a	100
Evergreen House (3)	Fairfax County	11,178,834	Section 8	Elderly	246	96	100
Fall Hill I	Fredericksburg	1,900,000	Tax Credit	General	96	97	100
Fall Hill II	Fredericksburg	8,425,000	Tax Credit	General	150	99	100
Falls I	Essex County	1,150,000	Conventional	General	16	100	100
Falls II	Tappahanock	1,225,000	Conventional	General	16	94	100
Falls III	Tappahanock	950,000	Conventional	General	12	83	100
Fieldcrest Apartments	Henrico County	1,019,000	Tax Credit	General	29	97	100
Fields at Cascades	Loudoun County	23,000,000	Tax Credit	General	320	99	100
Fields at Lorton Station	Fairfax County	16,400,000	Tax Credit	General	248	98	100
Fields at Merrifield	Fairfax	8,550,000	Tax Credit	General	124	98	100
Fields of Arlington (3)	Arlington County	12,800,000	Tax Credit	General	199	100	100
Fields of Ashburn	Loudoun County	8,240,000	Tax Credit	General	174	99	100
Fields of Falls Church (3)	Falls Church	4,300,000	Tax Credit	General	96	97	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	96	100
Fields of Leesburg	Leesburg	6,500,000	Tax Credit	General	156	99	100
Fields of Leesburg (Mayfair) (9) (11)	Leesburg	12,500,000	Tax Credit	General	0	96	100
Fields of Manassas (3)	Prince William County	7,000,000	Tax Credit	General	180	99	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	98	100
Fish Heads	Norfolk	900,000	Conventional	General	14	79	100
Fisher House	Arlington	2,729,912	Tax Credit	General	33	100	100
Floyd Village Square	Floyd County	870,000	Mixed Use	General	19	n/a	100
Forest Cove I	Chesapeake	3,555,000	Tax Credit	General	101	97	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	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Forest Glen at Sully Station I	Fairfax County	6,580,000	Tax Credit	Elderly	83	87	100
Forest Glen at Sully Station II	Fairfax County	6,860,000	Tax Credit	Elderly	119	87	100
Forest Pine III	Franklin	1,360,000	Conventional	General	40	95	100
Forest Pine IV	Franklin	1,468,800	Conventional	General	40	93	100
Forrest Pines	Newport News	5,353,000	Conventional	General	110	60	100
Fort Myer II	Arlington	1,115,500	Conventional	Disabled	11	100	100
Fox Run (7)	Prince William County	11,737,000	Conventional	General	274	96	100
Foxchase (3)	Essex County	2,250,000	Tax Credit	General	60	95	100
Foxcroft	Hampton	5,000,000	Conventional	General	120	99	100
Foxfield Drive	Chesapeake	329,900	Conventional	Disabled	1	100	100
Franciscan Brethren of St Philip	Quinton	725,000	Conventional	Disabled	11	n/a	100
Franklin South	Franklin	152,000	Tax Credit	General	32	100	100
Frederick at Courthouse	Arlington	9,500,000	Tax Credit	Mixed Use	110	99	100
Frontier Ridge	Staunton	3,300,000	Tax Credit	General	100	90	100
Gardens at Stafford	Stafford County	14,200,000	Tax Credit	Elderly	150	73	100
Gardenside Village	Lebanaon	950,000	Conventional	General	6	67	100
Gates of Ballston	Arlington County	21,000,000	Tax Credit	General	464	99	100
Gateway Village	Giles County	663,649	Tax Credit	General	42	98	100
Genito Glen	Chesterfield	3,285,000	Tax Credit	General	102	98	100
Georgian Way	Annandale	450,000	Conventional	Disabled	6	n/a	100
Germanna Heights	Orange County	1,850,000	Tax Credit	Elderly	50	88	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	91	100
Glendale-Biscayne	Fairfax County	750,000	Conventional	General	5	20	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	85	100
Granby House (3)	Norfolk	4,466,068	Section 8	Elderly	154	97	100
Grand Oaks	Chesterfield County	14,000,000	Tax Credit	General	184	95	100
Grand Oaks Seniors	Chesterfield County	2,570,000	Tax Credit	Elderly	32	100	100
Gray Avenue (7)	Winchester	450,000	Conventional	Disabled	6	n/a	100
Great Oak (3)	Newport News	950,000	Tax Credit, Sec. 8	Elderly	143	93	100
Green Meadows	Virginia Beach	569,200	Conventional	General	8	100	100
Greenbrier Woods I (3)	Chesapeake	2,431,175	Conventional	General	152	98	100
Greenbrier Woods II (3)	Chesapeake	1,918,825	Conventional	General	120	95	100
Greens at Northridge	Culpeper County	6,550,000	Tax Credit	General	108	95	100
Greens at Virginia Ctr	Henrico	9,257,000	Tax Credit	General	180	93	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	82	100
Grottoes III	Rockingham County	750,000	Tax Credit	General	26	88	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Grove at Flynn's Crossing	Loudoun	9,674,445	Tax Credit	General	168	99	100
Gum Springs Glen	Fairfax County	1,500,000	Tax Credit	Elderly	60	93	100
Hamilton Place Apartments	Portsmouth	4,375,000	Tax Credit	General	84	100	100
Hancock Building	Roanoke	5,400,000	Conventional	General	58	24	100
Hansco Scattered Sites II	Richmond	365,000	Conventional	General	5	60	100
Harbor Inn	Virginia Beach	3,600,000	Conventional	General	138	85	100
Harbor Square	Hampton	14,500,000	Conventional	General	368	79	100
Harbours	Newport News	25,464,000	Conventional	General	396	87	100
Harrison School	Roanoke	770,583	Section 8	Elderly	28	100	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	95	100
Heatherwood	Fairfax County	7,465,000	Conventional	Elderly	112	97	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	100	100
Heritage Commons (7)	Williamsburg	15,500,000	Conventional	Elderly	97	6	100
Hickory Point	Newport News	7,595,000	Conventional	General	175	97	100
Hidenbrooke	Fairfax County	285,000	Conventional	General	6	100	100
Highland Commons (3)	Fauquier County	3,400,000	Tax Credit	General	96	99	100
Highlands	Henrico County	2,190,000	Conventional	General	42	100	100
Highlands II	Rockingham County	650,000	Tax Credit	General	24	100	100
Hilltop South	Virginia Beach	1,940,000	Tax Credit	General	85	89	100
Hirst Drive 4024	Annandale	780,000	Conventional	Disabled	8	n/a	100
Historic Manor	Richmond	610,000	Conventional	General	16	69	100
Holland House	Virginia Beach	3,025,800	Tax Credit	Elderly	112	100	100
Honeybrook	Richmond	4,685,145	Conventional	General	128	95	100
Huckleberry Court	Montgomery County	2,800,000	Tax Credit	General	50	100	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	96	100
Hunt Ridge II	Rockbridge County	680,000	Tax Credit	General	24	88	100
Hunters Point I (3)	Chesapeake	3,210,876	Tax Credit	General	125	96	100
Hunters Point II (3)	Chesapeake	647,706	Sec. 236, Tax Credit	General	32	97	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	Tax Credit	General	40	100	100
Independence Square	Portsmouth	7,350,000	Tax Credit	General	152	98	100
Indian River	Hampton	640,000	Conventional	Disabled	13	n/a	100
Ivy Farms	Newport News	4,865,000	Tax Credit	General	168	96	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
James Crossing	Lynchburg	5,650,000	Sec. 8, Tax Credit	General	288	99	100
Jamestown Commons II	Virginia Beach	3,600,000	Tax Credit	Elderly	132	96	100
Jefferson House	Lynchburg	3,170,000	Sec. 236, Tax Credit	Elderly	101	96	100
Jefferson Ridge	Albermarle County	24,200,000	Conventional	General	234	100	100
Jefferson School Lofts	Suffolk	2,700,000	Conventional	Mixed Use	16	63	100
Jefferson South	Petersburg	5,290,000	Tax Credit	General	200	88	100
Jefferson Townhouses	Richmond	8,420,000	Tax Credit	General	218	94	100
Jersey Park	Isle of Wight County	2,950,000	Tax Credit	General	80	99	100
Jesse Lee	Petersburg	5,050,000	Tax Credit	General	108	94	100
John Early	Bedford	1,780,000	Tax Credit	Elderly	78	91	100
Junior League House	Fairfax County	500,000	Conventional	Disabled	4	n/a	100
Kendrick Court	Fairfax County	7,700,000	Tax Credit	Elderly	139	93	100
Kensington Street	Arlington County	710,000	Conventional	Disabled	9	100	100
Keysville Manor	Keysville	350,000	Tax Credit	General	24	100	100
King Street Commons	Hampton	5,050,000	Tax Credit	General	184	96	100
King William Village	West Point	390,000	Tax Credit	General	32	100	100
Kings Ridge	Newport News	9,450,000	Tax Credit	General	182	100	100
Kings Grant	Richmond	3,700,000	Tax Credit	Elderly	90	100	100
Kingsbridge North	Chesapeake	4,520,000	Conventional	General	102	95	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	850,000	Conventional	General	12	100	100
L&Z Historic Apartments	Richmond	100,000	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	94	100
Lafayette Gardens	Richmond	2,907,000	Sec. 236, Tax Credit	General	102	100	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	91	100
Lakefield Mews II	Henrico County	5,063,000	Conventional	General	177	99	100
Lakes of Greenbrier I	Chesapeake	10,146,241	Conventional	General	156	95	100
Lakes of Greenbrier I & II (9)	Chesapeake	1,727,059	Conventional	General	0	n/a	100
Lakes of Greenbrier II	Chesapeake	1,552,400	Conventional	General	48	98	100
Lakeshore I	Hampton	9,550,000	Conventional	General	176	99	100
Lakeview West	Colonial Heights	650,000	Conventional	General	30	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Lancaster Mill Apartments	Prince William County	8,150,000	Conventional	General	138	99	100
Landings at Markham's Grant	Prince William	3,337,500	Tax Credit	General	72	100	100
Landings at Markham's Grant II	Prince William County	6,900,000	Tax Credit	General	132	100	100
Landings at Markham's Grant III	Prince William County	11,000,000	Tax Credit	General	162	100	100
Landmark Apartments	Chesapeake	3,650,000	Tax Credit	General	120	95	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	56	100
Laurel Court	Virginia Beach	2,775,000	Conventional	General	80	95	100
Laurel Pines	Richmond	4,300,000	Conventional	General	120	97	100
Laurel Ridge (3)	Carroll County	265,000	Section 8	General	56	100	100
Laurel Woods	Ashland	500,000	Tax Credit	General	40	95	100
Lawson Building	Roanoke	2,000,000	Conventional	General	25	29	100
Lebanon Village I	Surry County	250,000	Tax Credit	Elderly	24	96	100
Leckey Gardens (3)	Arlington	750,000	Tax Credit	General	40	98	100
Lee Overlook	Fairfax County	11,562,600	Tax Credit	General	195	99	100
Lexington Park (3)	Norfolk	6,665,000	Sec. 236, Tax Credit	General	180	99	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	Tax Credit	General	133	89	100
Lincoln Mews II	Richmond	3,544,000	Tax Credit	General	168	95	100
Lincoln Mews II	Richmond	419,000	Tax Credit	General	130	95	100
Linden Park	Prince William County	6,630,000	Conventional	General	198	73	100
Longhill Grove	James City County	9,850,000	Tax Credit	General	170	98	100
Lori Way (7)	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	89	100
Lynnhaven Landing (3)	Virginia Beach	2,200,000	Conventional	General	252	97	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	96	100
Madison Ridge	Fairfax County	11,750,000	Conventional	General	98	99	100
Madonna House	Fredericksburg	4,875,000	Tax Credit	Elderly	130	100	100
Main Street Commons	Loudoun County	4,900,000	Tax Credit	General	90	100	100
Majestic Lane	Fairfax County	340,000	Conventional	Disabled	2	n/a	100
Mallard Cove	Chesterfield	6,250,000	Tax Credit	General	144	85	100
Manchester Lake	Fairfax County	8,600,000	Tax Credit	Elderly	136	95	100
Manchester Lakes II	Fairfax County	6,315,000	Tax Credit	Elderly	116	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Mangrove One	Norfolk	625,000	Conventional	General	14	86	100
Mangrove Three (3)	Norfolk	300,000	Conventional	General	19	89	100
Mangrove Two	Norfolk	697,000	Conventional	General	14	100	100
Manor View	Portsmouth	2,818,000	Conventional	General	128	93	100
Maple Avenue (3)	Loudoun County	3,925,000	Tax Credit	General	60	98	100
Maple Ridge (7)	Lynchburg	2,600,000	Conventional	General	152	93	100
Maplewood Park	Prince William Co	6,200,000	Conventional	General	144	93	100
Marbella	Arlington County	10,080,000	Tax Credit	General	134	97	100
Mariner's Landing	Newport News	7,290,000	Tax Credit	General	274	100	100
Market Slip (3)	Richmond	1,250,000	Tax Credit	Mixed Use	30	93	100
Market Square I	Chesterfield County	885,000	Tax Credit	Elderly	29	87	100
Market Square II (3)	Chesterfield County	125,000	Tax Credit	Elderly	40	100	100
Market Square III	Chesterfield County	1,870,000	Tax Credit	Elderly	69	99	100
Martha's Place	Williamsburg	340,000	Conventional	Disabled	5	n/a	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	100	100
McCulloch Road	Hampton	317,000	Conventional	Disabled	8	n/a	100
McGuire Park (3)	Richmond	850,000	Tax Credit	General	80	95	100
Meadow Run	Martinsville	1,150,000	Conventional	General	32	3	100
Meadowbrook Heights	Culpeper County	825,000	Tax Credit	General	42	95	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	69	100
Meadows	Prince Edward County	185,000	Tax Credit	General	40	80	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	92	100
Meridian Parkside	Newport News	36,230,000	Conventional	General	308	14	100
Midtown at Cityview	Virginia Beach	28,520,500	Conventional	General	196	84	100
Mill Creek	Chesapeake	4,050,000	Tax Credit	General	120	100	100
Mill Creek Arts Building	Galax	300,000	Conventional	General	6	80	100
Mill Park Terrace (3)	Fredericksburg	1,706,000	Sec. 8, Tax Credit	Elderly	129	96	100
Mill Trace I	Hanover Co	11,900,000	Conventional	General	144	98	100
Mill Trace II	Hanover County	7,400,000	Conventional	General	96	100	100
Millsap Lane	Washington County	445,000	Conventional	General	8	n/a	100
Moffett Manor	Warrenton	5,000,000	Tax Credit	General	98	99	100
Monmouth Woods I	King George County	3,765,000	Tax Credit	General	120	88	100
Monmouth Woods II	King George County	1,090,000	Tax Credit	General	32	81	100
Monterey Apts (3)	Arlington County	1,500,000	Tax Credit	General	109	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Montgomery Square I	Portsmouth	3,600,000	Conventional	General	40	97	100
Montgomery Square I	Portsmouth	4,200,000	Conventional	General	29	93	100
Montgomery Square II	Portsmouth	5,450,000	Conventional	General	41	83	100
Monticello Vista	Charlottesville	1,825,000	Tax Credit	Disabled	50	92	100
Morningside	Richmond	12,150,000	Tax Credit	General	392	93	100
Mosby Heights	Harrisonburg	1,950,000	Sec. 8, Tax Credit	General	112	69	100
Mount Vernon Gardens	Fairfax County	1,262,000	Conventional	General	34	92	100
Mount Vernon House	Fairfax	4,923,406	Section 8	Elderly	130	100	100
Mount Vernon Village	Fairfax	341,100	Conventional	General	3	100	100
Mountain Crest	Bath County	830,000	Tax Credit	Elderly	28	89	100
Mountain Oaks	Front Royal	3,538,000	Conventional	General	80	89	100
Mountainside Senior Living	Albemarle County	700,000	Conventional	Elderly	110	n/a	100
Neddleton Avenue MD	Dale City	129,200	Conventional	Disabled	4	n/a	100
New Manchester Flats I	Richmond	5,360,000	Conventional	General	57	72	100
New Manchester Flats IX	Richmond	1,300,000	Tax Credit	Disabled	41	88	100
Newport Commons	Newport News	8,865,000	Conventional	General	272	94	100
Noah 3	Virginia Beach	1,105,000	Conventional	General	9	100	100
Noah IV	Virginia Beach	885,000	Conventional	Disabled	7	100	100
Norcroft (3)	Richmond	2,275,000	Tax Credit	General	109	95	100
North County	Herndon	255,000	Conventional	General	4	100	100
North 22nd Street	Richmond	496,000	Conventional	General	4	100	100
North Pointe (3)	Danville	3,500,000	Tax Credit	General	168	98	100
North Shore Gardens	Norfolk	4,490,000	Conventional	General	212	98	100
Northampton Village II	Hampton	10,024,500	Conventional	General	146	99	100
Northampton Village III	Hampton	7,006,500	Conventional	General	120	100	100
Northview	Salem	3,565,000	Conventional	General	131	98	100
Northway	Galax	1,675,000	Sec. 236,Tax Credit	General	72	96	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	100	100
Oak Park (3)	Chesapeake	840,000	Tax Credit, Section 8	General	40	100	100
Oakdale Square	Chesapeake	710,000	Tax Credit	General	40	100	100
Oakland Village (3)	Henrico County	1,223,780	Sec. 236, Tax Credit	General	100	95	100
Oaks	Prince William County	2,600,000	Tax Credit	Elderly	58	100	100
Oaks of Dunlop	Colonial Heights	8,100,000	Tax Credit	General	144	100	100
Oaks of Wellington	Manassas	11,598,192	Tax Credit	Elderly	130	98	100
Oaks of Woodlawn	Fairfax	9,946,900	Conventional	General	175	98	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
Odyssey Apartments	Arlington	1,600,000	Conventional	General	21	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Old Bridge	Henrico County	8,700,000	Conventional	General	222	99	100
Old Manchester I	Richmond	2,520,000	Tax Credit	General	46	89	100
Old Manchester II	Richmond	950,000	Conventional	General	4	100	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	92	100
Olde Towne West III	Alexandria	4,695,161	Section 8	General	75	100	100
Omni Park Place	Hanover County	2,800,000	Tax Credit	Elderly	60	100	100
Orchard Grove	Giles County	360,000	Tax Credit	General	30	100	100
Orchard Mills	Prince William County	23,000,000	Tax Credit	General	280	99	100
Orchards	Suffolk	6,400,000	Tax Credit	Elderly	136	100	100
Orrington Court	Fairfax County	550,000	Conventional	General	25	96	100
Overlook at Brook Run I	Henrico County	7,900,000	Tax Credit	General	156	94	100
Overlook at Brook Run II	Henrico County	6,700,000	Tax Credit	General	126	94	100
Overlook Apartments	Montgomery County	1,780,000	Conventional	General	60	97	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	84	100
Parc Rosslyn	Arlington County	46,250,000	Tax Credit	General	238	97	100
Parc View	Alexandria	15,250,000	Tax Credit	General	149	100	100
Parham Park Place	Richmond	3,844,000	Tax Credit	Elderly	86	95	100
Parham Park Place II	Henrico County	2,700,000	Tax Credit	Elderly	50	98	100
Park at Ridgedale	Chesterfield	6,700,000	Tax Credit	Elderly	120	96	100
Park Ridge I	Stafford	6,150,000	Tax Credit	General	94	99	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	100	100
Parkwood	Fairfax County	10,300,000	Tax Credit	General	221	99	100
Parkwood Manor	Norfolk	2,197,000	Tax Credit	General	100	97	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	100	100
Penderbrook	Fairfax	770,000	Conventional	General	48	94	100
Peppertree I	Winchester	3,200,000	Conventional	General	100	97	100
Peppertree II	Winchester	2,114,000	Conventional	General	60	97	100
Peppertree III	Winchester	1,350,000	Conventional	General	34	97	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Perry Shores	Virginia Beach	889,295	Conventional	General	32	100	100
Peter's Creek I	Roanoke County	3,140,000	Tax Credit	General	120	95	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
Pilot House (3)	Newport News	900,000	Tax Credit	General	132	98	100
Pine Wood Forest	Mecklenburg County	1,200,000	Tax Credit	General	48	100	100
Pinedale Manor	Newport News	6,364,000	Tax Credit	General	296	90	100
Pinetree	Petersburg	4,100,000	Tax Credit	General	144	81	100
Pinewood Gardens	Norfolk	17,960,000	Conventional	General	761	98	100
Pipers Landing	Virginia Beach	7,258,000	Conventional	General	153	91	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	100	100
Poplar Forest II	Prince Edward County	650,000	Conventional	General	22	91	100
Poplar Forest III (3)	Prince Edward County	200,000	Conventional	General	22	68	100
Poplar Forest IV	Farmville	1,375,000	Conventional	General	22	77	100
Portner(8919)	Manassas	100,000	Conventional	General	1	100	100
Potomac Station	Loudoun County	10,300,000	Tax Credit	General	150	100	100
Powell Valley Village Apartments	Jonesville	700,000	Tax Credit	General	34	97	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	99	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	98	100
Progress Street Center	Fredericksburg	735,000	Conventional	Disabled	6	n/a	100
Pulaski Village	Pulaski County	710,000	Tax Credit	General	44	100	100
Quarry Station (3)	Manassas	2,025,000	Tax Credit	Elderly	79	97	100
Quarter Mill	Henrico County	14,700,000	Tax Credit	General	266	92	100
Quebec Apts	Arlington County	12,800,000	Tax Credit	General	172	100	100
Queens Terrace	Hampton	7,775,000	Conventional	General	262	93	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	98	100
Reflections Senior Living	Henrico County	2,825,000	Tax Credit	Elderly	104	100	100
Regency at Longhill I	James City County	6,500,000	Conventional	General	124	94	100
Regency at Longhill II	James City County	6,500,000	Conventional	General	100	95	100
Renaissance (3)	Richmond	3,679,000	Sec. 8/Tax Credit	Elderly	240	98	100
Reserve at Deer Run	Newport News	7,335,000	Conventional	General	232	85	100
Richmond Dairy Bldg	Richmond	4,400,000	Tax Credit	General	113	96	100
Ridge II	Shenandoah County	950,000	Tax Credit	General	38	100	100
Ridge III (3)	Shenandoah County	115,000	Tax Credit	General	24	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Ridge View	Martinsville	1,095,000	Tax Credit	General	48	98	100
Ridgecrest Town Apartments	Bristol	2,550,000	Tax Credit	General	72	96	100
Ridgewood Club	Virginia Beach	12,000,000	Conventional	General	192	88	100
Rio Hill (3)	Charlottesville	3,650,000	Tax Credit	General	139	89	100
Rivanna Terrace	Charlottesville	1,550,000	Conventional	General	48	96	100
River Mews II	Newsport News	7,695,000	Conventional	General	290	98	100
River Run I	Prince William	11,500,000	Tax Credit	Elderly	200	97	100
River Run II	Prince William	6,308,000	Tax Credit	Elderly	100	92	100
River Towers	Richmond	12,750,000	Conventional	General	219	92	100
River Woods of Fredericksburg	Fredericksburg	7,410,000	Conventional	General	187	98	100
River Wynd	Mecklenburg County	875,000	Tax Credit	General	40	93	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	98	100
Riverside Park	Hopewell	3,515,000	Conventional	General	120	97	100
Riverview	Colonial Heights	4,575,000	Tax Credit	General	88	97	100
Riverwoods (3) (9)	Woodbridge	5,400,000	Tax Credit	General	156	97	100
Rockwood Park	Chesterfield	8,668,166	Conventional	General	132	93	100
Rolling Meadows I (3)	James City County	3,050,000	Tax Credit	General	144	90	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	100	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	97	100
Royal Oaks	Norfolk	3,900,000	Conventional	General	114	76	100
Rutledge Hills	Amherst	540,000	Tax Credit	General	48	100	100
RMF Supportive Housing (7)	Winchester	644,000	Conventional	Disabled	13	100	100
Sacramento Square	Fairfax County	17,400,000	Conventional	General	216	99	100
Salem Commons	Salem	3,500,000	Tax Credit	General	98	97	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	99	100
Salem Run II	Spotsylvania	4,010,000	Tax Credit	General	108	92	100
Sanger Place	Fairfax County	14,195,000	Tax Credit	General	182	99	100
Scottesville School	Scottsville	1,050,000	Section 8	Elderly	34	91	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	97	100
Shenandoah Commons	Front Royal	3,900,000	Tax Credit	General	119	100	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Shenandoah Station	Prince William County	6,675,000	Tax Credit	General	172	100	100
Shockoe Hill I (3)	Richmond	3,460,180	Section 8, Tax Credit	Elderly	113	96	100
Signal Hill	Manassas	2,175,000	Tax Credit	General	36	92	100
Silver Hill Arboretum	Newport News	3,873,000	Tax Credit	Elderly	153	96	100
Sky Terrace	Stafford County	14,000,000	Tax Credit	General	187	98	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	97	100
Somerset Pointe I	Prince William County	10,800,000	Tax Credit	General	172	100	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	75	100
South Gate	Richmond	3,455,000	Tax Credit	General	112	94	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	Tax Credit	General	40	93	100
Spinnaker Cove	Hampton	10,578,929	Conventional	General	210	75	100
Spring Creek	Norfolk	1,850,000	Conventional	General	62	98	100
Spring Hill I	Richmond	286,000	Conventional	General	13	100	100
Springfield East	Henrico County	5,380,000	Conventional	General	112	94	100
Squire Hill II	Chesterfield County	5,850,000	Conventional	General	120	92	100
St. Regis / Elaine Court	Newport News	950,000	Conventional	General	30	100	100
St. Croix	Virginia Beach	6,000,000	Conventional	General	160	39	100
St. Croix	Virginia Beach	6,980,000	Conventional	General	160	39	100
Stafford Lakes (3)	Fredericksburg	4,850,000	Tax Credit	General	150	97	100
Station at Norge	James City County	4,100,000	Tax Credit	General	104	96	100
Station at Potomac Yard	Alexandria	8,350,000	Tax Credit	General	65	100	100
Stephens Village	Stephens City	715,000	Tax Credit	General	46	89	100
Stepping Stone Apts	Roanoke	500,000	Tax Credit	General	30	90	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	87	100
Strawbridge Square	Alexandria	10,500,000	Tax Credit	General	128	99	100
Summerdale (3)	Henrico County	1,650,000	Tax Credit	General	124	88	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	53	100
Sussex Trace (3)	Sussex	1,465,835	Sec. 8	General	50	88	100
Swansboro	Richmond	1,600,000	Tax Credit	General	62	98	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Sweetbriar	Abingdon	517,045	Tax Credit	General	20	100	100
Tall Pines	Newport News	5,517,684	Conventional	General	104	92	100
Tarrytown	Newport News	2,500,000	Conventional	General	104	93	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
Terrace South	Roanke City	2,735,000	Tax Credit	General	109	98	100
Terrace View	Colonial Heights	2,520,000	Tax Credit	General	62	94	100
Thalia Landing	Virginia Beach	5,100,000	Tax Credit	General	154	99	100
The Independence (7)	Albemarle County	17,912,000	Conventional	Elderly	92	13	100
Timber Ridge	Spotsylvania	8,000,000	Tax Credit	General	147	97	100
Timbers Townhouses	Norfolk	5,500,000	Conventional	General	104	91	100
Tobacco Landing (3)	Richmond	1,000,000	Tax Credit	General	60	100	100
Tomcliff I	Richmond	940,000	Conventional	General	8	88	100
Tomcliff III	Richmond	925,000	Conventional	General	5	100	100
Tomcliff IV	Richmond	945,000	Conventional	General	6	100	100
Tomcliff V	Richmond	950,000	Conventional	General	6	100	100
Tomcliff VI	Richmond	1,220,000	Conventional	General	7	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	99	100
Townhomes of Oakley	Henrico County	6,660,000	Tax Credit	General	160	92	100
Treemont Village	Buena Vista	1,526,564	Tax Credit	General	60	100	100
Treemont Village	Buena Vista	85,000	Tax Credit	General	60	100	100
Trevillian Square (7)	Louisa	1,680,000	Conventional	General	28	75	100
Tysons Landing	Fairfax County	1,500,000	Sec. 8, Tax Credit	General	40	100	100
University Heights	Albemarle County	25,700,000	Conventional	General	426	100	100
University Suites at Port Warwick	Newport News	11,500,000	Conventional	General	100	39	100
Unlimited Miracles	Chesapeake	220,000	Conventional	Disabled	4	n/a	100
Valley View Seniors	Staunton	1,865,000	Tax Credit	Elderly	71	92	100
Valley View/Creekside	Lynchburg	6,376,700	Conventional	Elderly	109	93	100
Vibrant Life Ministeries (6)	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	88	100
Vine Place III	Stafford	2,250,000	Tax Credit	General	42	95	100
Waddell Estates	Smythe County	605,000	Conventional	General	16	94	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Warrenton Manor	Warrenton	1,997,975	Sec. 8	Elderly	68	96	100
Washington Square	Emporia	201,300	Tax Credit	General	24	96	100
Waterside Drive	Chesapeake	470,000	Conventional	Disabled	2	100	100
Waverton Chesapeake(3)	Chesapeake	11,456,150	Tax Credit	General	304	98	100
Waverton Place at Ashton Green	Newport News	9,540,000	Tax Credit	General	228	97	100
Waverton Place I	Newport News	10,475,000	Conventional	General	180	74	100
Waverton Place II	Newport News	5,240,000	Conventional	General	102	92	100
Waverton Place III	Newport News	10,000,000	Conventional	General	132	87	100
Wellington Place	Henrico County	5,400,000	Conventional	General	200	98	100
Wesley Apartments	Lynchburg	4,100,000	Tax Credit	General	150	95	100
Wesleyan Place	Lynchburg	3,700,000	Tax Credit	Elderly	91	99	100
West Creek (7)	Roanoke	3,369,000	Conventional	General	200	73	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	100	100
Westminster Oaks	Springfield	5,500,000	Section 8, Tax Credit	General	50	100	100
Westover Commons	Petersburg	2,495,000	Tax Credit	General	84	96	100
Westwinds I & II	Portsmouth	14,850,000	Conventional	General	328	95	100
Westwinds III	Portsmouth	3,815,000	Conventional	General	80	95	100
Wexford Manor	Falls Church	3,300,000	Tax Credit	General	74	97	100
Whispering Oaks	Portsmouth	6,400,000	Tax Credit	General	180	99	100
William Byrd (3)	Richmond	2,982,000	Tax Credit	Elderly	107	98	100
Wilton Farm	Albemarle County	5,266,000	Tax Credit	General	144	99	100
Windham Hills	Petersburg	2,010,000	Tax Credit	General	72	94	100
Windsor Court	Isle of Wight	387,000	Tax Credit	General	40	98	100
Windsor Crossing	Newport News	4,716,000	Conventional	General	156	98	100
Wingler House	Loudoun County	5,521,000	Tax Credit	Elderly	132	96	100
Wingler House West	Loudoun County	7,900,000	Tax Credit	Elderly	132	96	100
Wolfe Street	Fredericksburg	110,000	Conventional	Disabled	8	n/a	100
Woodberry Forest	Virginia Beach	3,500,000	Conventional	General	91	97	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	50	100
Woodburn Village I	Prince William	6,660,780	Tax Credit	General	144	100	100
Woodburn Village II	Prince William	5,560,000	Tax Credit	General	108	100	100
Woodland Crossing (3)	Richmond	3,600,000	Tax Credit	General	132	92	100
Woodland Hill (3)	Arlington County	4,258,800	Section 8	Elderly	235	97	100
Woodridge (3)	Roanoke	456,000	Tax Credit	General	96	95	100
Woods at Victoria Park	Prince William County	2,450,000	Tax Credit	Elderly	48	98	100
Woods at Yorktown	York County	1,450,000	Tax Credit	General	118	94	100

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Woods of Jefferson	Newport News	3,330,000	Conventional	General	108	92	100
Woodview (3)	Newport News	13,465,000	Tax Credit	General	240	98	100
Wyndham Pointe	Prince William County	18,464,000	Tax Credit	General	194	100	100
Yorktown Square I	York County	1,901,000	Tax Credit	General	56	98	100
Subtotals		3,174,533,443			69,525		
Developments that are financed by construction loans							
Ashton Ridge	Prince William	10,275,000	Conventional	General	124	n/a	99
Buckingham Village	Arlington County	6,800,000	Tax Credit	General	100	n/a	45
Chesapeake Apartments (4)	Dumfries	18,150,000	Tax Credit	General	184	n/a	100
Colonnade at Rocktown I	Harrisonburg	3,373,000	Conventional	General	7	n/a	99
Colonnade at Rocktown II	Harrisonburg	2,675,000	Tax Credit	General	60	n/a	99
Derby Run II (4)	Hampton	8,190,000	Tax Credit	General	144	n/a	91
East Broad 2001	Richmond	8,150,000	Mixed Use	General	75	n/a	89
Fields of Alexandria (4)	Alexandria	29,500,000	Conventional	General	306	n/a	79
Fields of Old Town (4)	Alexandria	9,500,000	Tax Credit	General	98	n/a	100
Friendship Village	Virginia Beach	5,405,000	Tax Credit	General	110	n/a	81
Jackson Commons (4)	Richmond	3,250,000	Conventional	General	41	n/a	42
Macdeonia Apartments (4)	Arlington County	3,910,000	Tax Credit	General	36	n/a	100
Macedonia Apartments (9)	Arlington County	2,350,000	Tax Credit	General	0	n/a	100
Maplewood & Sherbrooke	Chesapeake	20,205,333	Conventional	General	320	n/a	38
Meadowood	Norfolk	19,700,000	Conventional	General	180	n/a	0
Meridian Watermark (4)	Chesterfield	22,750,000	Conventional	General	300	n/a	81
New Manchester Flats I I I	Richmond	1,250,000	Mixed Use	General	69	n/a	100
New Manchester Flats IV	Richmond	6,500,000	Mixed Use	General	71	n/a	100
Old Stone Row	Richmond	9,000,000	Conventional	General	96	n/a	39
Perry Street	Petersburg	11,970,000	Conventional	General	146	n/a	72
Quarterpath Place Apartments (4)	Williamsburg	3,617,500	Conventional	General	54	n/a	74
Twin Canal Village (3) (4) (9)	Virginia Beach	1,900,000	Section 8, Tax Credit	General	0	n/a	94
Twin Canal Village (3) (4)	Virginia Beach	2,650,000	Section 8, Tax Credit	General	300	n/a	95
Views at Clarendon	Arlington	14,500,000	Conventional	General	116	n/a	78
Wilsondale I	Hampton	6,610,000	Conventional	General	60	n/a	100
Wilsondale II	Hampton	7,050,151	Tax Credit	General	150	n/a	100
Subtotals		239,230,984			3,147		

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Developments that have been committed but not initially closed							
Aden Park I & II, Glenway Green (4) (9)	Richmond	3,425,000	Conventional	General	0	85	100 %
Autumnwood Heights (5)	Keysville	1,400,000	Tax Credit	Elderly	40	n/a	n/a
Brunswick Commons (5)	Lawrenceville	905,000	Tax Credit	Elderly	24	n/a	n/a
Carriage Run (5)	Emporia	1,420,000	Tax Credit	Elderly	40	n/a	n/a
Cotton Mill Lofts (9)	Roanoke	190,000	Conventional	General	0	73	100
Lebanon Village II (5)	Spring Grove	965,000	Tax Credit	Elderly	24	n/a	n/a
Manchester Place (5)	Richmond	18,250,000	Conventional	General	187	n/a	n/a
North Oak	Richmond	5,000,000	Tax Credit	General	143	n/a	n/a
Nottoway River Commons (5)	Jarratt	1,805,000	Tax Credit	General	44	n/a	n/a
Patrick Henry Lofts (4)	Roanoke	9,500,000	Conventional	General	133	n/a	n/a
909 Perry Street	Richmond	4,000,000	Conventional	General	44	n/a	n/a
Riverwoods (5) (9)	Woodbridge	11,700,000	Tax Credit	General	0	97	100
Stevens Woods (5)	Courtland	1,985,000	Tax Credit	General	60	n/a	n/a
Treesdale Park	Albermarle	3,620,000	Tax Credit	General	88	n/a	n/a
Subtotals		64,165,000			827		

Development	Location	Original Mortgage Loan Amount (1)	Program	Type of Occupancy	Number of Units	Percentage of Occupancy Rate (8)	Percentage of Construction Complete (2)
Developments Expected to be Financed by the Offered Bonds							
Developments that have been committed but not closed							
Fields of Leesburg (10)	Leesburg	19,500,000	Conventional	General	248	96	100
Subtotals		$19,500,000			248		
Totals for the Offered Bonds		$19,500,000			248		
Grand Totals for All Developments and Owned Properties		$3,497,429,426.78			73,747		

(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 June 30,2011.
(5) Development has had initial closing since June 30,2011.
(6) Development has been sold since June 30,2011.
(7) The Authority has acquired the Development by foreclosure or deed in lieu of foreclosure.
(8) 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.
(9) In addition to Loan amount shown here, additional Mortgage Loan amounts are pledged to the owners of Rental Housing Bonds. The number of units is disclosed here or elsewhere in this Appendix.
(10) There currently is another Mortgage Loan for this Development that is pledged to the owners of Rental Housing Bonds. Such other Mortgage Loan will be paid off with the proceeds of the Offered Bonds.
(11) Loan will be paid off with the proceeds of the Offered Bonds.

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, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Management's Discussion and Analysis	1
Independent Auditors' Report	10
Basic Financial Statements:	
Statements of Net Assets – June 30, 2011 and 2010	12
Statements of Revenues, Expenses, and Changes in Net Assets – Years Ended June 30, 2011 and 2010	13
Statements of Cash Flows – Years Ended June 30, 2011 and 2010	14
Notes to Basic Financial Statements	16
Required Supplementary Information	
1 Virginia Housing Development Authority Retiree Healthcare Plan – Schedule of Funding Progress by Plan Valuation Date	45
Other Supplementary Information	
2 Combining Schedule of Net Assets – June 30, 2011	46
3 Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Year Ended June 30, 2011	48
4 Combining Schedule of Net Assets – June 30, 2010	49
5 Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Year Ended June 30, 2010	51
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*	52

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

Management's Discussion and Analysis

June 30, 2011 and 2010

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, 2011 and 2010. 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, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, for the preceding three fiscal years or, commencing with fiscal year 2011, the preceding five 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 the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes.

The *Statements 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 *Statements 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 *Statements 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 the 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 improved its financial position despite another year of challenges in the housing industry and broader economy. Programs and services have been primarily aimed toward loan loss mitigation while continuing to provide loan availability and down-payment assistance for qualified first time homebuyers through the securitization of federally insured and guaranteed loans using Ginnie Mae (GNMA) securities and the U.S. Treasury New Issue Bond Program (NIB) as funding sources, and continual review of bond market opportunities. Amid this period of significant transition, economic uncertainty, and major housing finance and policy shift at the national level, the Authority has successfully sustained its services despite limited financing options, rising delinquencies and foreclosures, nominal investment earnings, and further property devaluations.

The Authority has reviewed its core programs and services with renewed effort to better access cost-effective capital to support its lending programs and assess underwriting risks resulting from market challenges associated with its lending programs. Under the NIB 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, held in escrow until converted no later than December 31, 2011 upon the issuance of the remaining 40% to the general public. Capital funds raised from this program have helped to sustain the Authority's tax-exempt homeownership mortgage loan production this year and into the next fiscal year.

Since the Authority services all of its single family loans, efforts aimed at working with troubled borrowers and mitigating potential foreclosure losses have been paramount. The Authority has continued to explore avenues to prevent foreclosure for otherwise responsible borrowers encountering financial hardships beyond their control, including loan modifications. As long as employment levels remain weak in the broader economy, challenges for borrowers will continue. In response to higher loan losses, higher reserve requirements have been established. Additionally, the Authority has provided substantial support to state-wide foreclosure prevention awareness and housing policy initiatives, and its homeownership education, underwriting and loss mitigation practices continue to help restrain delinquency and foreclosure rates below those for Virginia and the nation.

Net assets have increased by more than 4% for two consecutive years, bringing total net assets as of June 30, 2011 to $2,318.2 million, or almost one-quarter of the total assets held by the Authority. Cited for key indicators consisting of its strong financial position, sound financial practices and experienced managers, both Standard & Poor's (S&P) and Moody's rating services re-affirmed in May 2011 the Authority's AA+ issuer credit rating and Aa1 general obligation credit rating, respectively.

Year Ended June 30, 2011

Homeownership loan originations totaled 2,604 in FY 2011 compared to 4,191 for the same period last year. Mortgage loan production dropped year over year as a prolonged consequence of economic recession and conservation of available tax-exempt bond resources.

As of June 30, 2011, the Authority serviced 54,549 first and second homeownership mortgage loans with outstanding balances totaling $5.2 billion. The number of loans serviced, net of prepayments, increased 1,303 or 2.45% since June 30, 2010 while outstanding loan balances decreased $38.5 million or 0.74% as of the same date.

In FY 2011, there were 739 foreclosures valued at $96.6 million or 1.89% of the homeownership loan portfolio, compared to a year ago with 790 foreclosures valued at $86.5 million or 1.27% of loan amounts. Recovery rates averaging 65% and higher significantly mitigated the impact of loan losses. Delinquency rates on the portfolio loan count of first mortgage loans averaged 10.29% for FY 2011, compared to 9.52% a year ago. Delinquency rates based on outstanding loan balances averaged 5.72% and 5.34% in FY 2011 and FY 2010, respectively.

Financing commitments for 4,876 rental housing units were made during the year, totaling $277.5 million, compared to 4,911 units totaling $311.9 million for the prior year. Rental housing development and rehabilitation, driven by a strong demand for tax credit, tax-exempt and taxable loans, created the second-highest production for the Authority since 2005.

As of June 30, 2011 the Authority serviced 1,504 rental mortgage loans with outstanding balances totaling $3.4 billion. Compared to June 30, 2010, the number of loans in the portfolio increased by 3 while loan balances increased $42.5 million or 1.28%. Delinquency rates based on portfolio loan count averaged 1.85% and 1.34% in FY 2011 and FY 2010, respectively. The average delinquency rates based on outstanding loan balances were 0.80% or $26.5 million in FY 2011 compared to 0.61% or $19.7 million in FY 2010.

Year Ended June 30, 2010

Homeownership loan originations totaled 4,191 in FY 2010 compared to 4,259 for the same period last year. Mortgage loan production was favorably impacted by the federal Homebuyer Tax Credit program, yet remained flat year over year as a prolonged consequence of market aversion to taxable bond resources and conservation of available tax-exempt bond resources.

As of June 30, 2010, the Authority serviced 53,246 first and second homeownership mortgage loans with outstanding balances totaling $5.2 billion. The number of loans serviced, net of prepayments, increased 3,427 or 6.88% since June 30, 2009 while outstanding loan balances increased $119.8 million or 2.35% as of the same date. Delinquency rates based on the portfolio loan count of first mortgage loans averaged 9.52% for FY 2010, compared to 7.31% a year ago. Delinquency rates based on outstanding loan balances averaged 5.34% and 3.33%

in FY 2010 and FY 2009, respectively. In FY 2010, there were 648 foreclosures valued at $86.5 million or 1.66% of the homeownership loan portfolio, compared to a year ago with 341 foreclosures valued at $44.8 million or 0.89% of loan assets. Recovery rates by the Authority averaged 70% and significantly mitigated the impact of loan losses.

Financing commitments for 4,911 rental housing units were made during the year, totaling $311.9 million, compared to 3,577 units totaling $207.1 million for the prior year. Rental housing development and rehabilitation, driven by a strong demand for tax credit, tax-exempt and taxable loans, created the highest production for the Authority since 2005.

As of June 30, 2010 the Authority serviced 1,501 rental mortgage loans with outstanding balances totaling $3.3 billion. Compared to June 30, 2009, the number of loans in the portfolio increased 51 or 3.52% and the loan balances increased $71.9 million or 2.22%. Delinquency rates based on portfolio loan count averaged 1.34% and 1.08% in FY 2010 and FY 2009, respectively. The average delinquency rates based on outstanding loan balances for FY 2010 were 0.61% or $19.7 million compared to 0.18% or $5.7 million in FY 2009. In FY 2010, foreclosed rental properties valued at $19.7 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 S&P 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 assets. 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 its long-term rating of Aa1 from Moody's Investors Services for its general credit rating as well as all bond indentures other than the Commonwealth Mortgage Bonds indenture, which is rated Aaa. S&P Rating Services has a rating a of AA+ for the Authority's general credit as well as all bond indentures other than the Commonwealth Mortgage Bonds indenture. The Commonwealth Mortgage Bonds are rated AAA, subject to a negative credit watch and review announced by S&P on August 8, 2011 following the downgrading of the federal government credit rating the prior week (see Note 15). Net assets are comprised of capital assets, net of

related debt, 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 Statements of Net Assets

(In millions)

	June 30		
	2011	**2010**	**2009**
Cash and cash equivalents	$ 1,391.1	1,218.9	978.5
Investments	164.2	202.2	96.8
Mortgage loans held for sale	—	—	1.7
Mortgage and other loans receivable, net	7,901.3	8,076.2	8,141.5
Other assets	187.4	163.9	148.8
Total assets	9,644.0	9,661.2	9,367.3
Notes and bonds payable, net	6,972.4	7,067.6	6,877.0
Other liabilities	353.4	371.8	370.9
Total liabilities	7,325.8	7,439.4	7,247.9
Invested in capital assets, net of related debt	19.7	(5.7)	2.1
Restricted by bond indentures	2,154.1	2,069.2	1,970.7
Unrestricted	144.4	158.3	146.6
Net assets	$ 2,318.2	2,221.8	2,119.4

June 30, 2011 Compared to June 30, 2010

Total assets decreased $17.2 million, or 0.2% from the prior year. Cash and cash equivalents, and investments, combined, increased $134.2 million, or 9.4% from the prior year. Mortgage and other loans receivables decreased by $174.9 million, or 2.2%, as a result of declining homeownership mortgage loan production and securitization of loans through GNMA.

Total liabilities decreased $113.6 million, or 1.5% from the prior year. Notes and bonds payable decreased $95.2 million or 1.3%. For the year, the Authority issued $350 million in single-family homeownership bonds and $114.6 million in rental housing bonds, and drew a net additional $206.2 million on notes and lines of credit. Bond principal paydowns and calls totaled $771.6 million. Proceeds from bond issues in the homeownership bond group and GNMA mortgage loan securitizations were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2,318.2 million, representing an increase in net assets of $96.4 million, or 4.3% from the prior year. As of June 30, 2011, net assets invested in capital assets, net of related debt, were $19.7 million. Net assets restricted by bondholders totaled $2,154.1 million, an increase of $84.9 million, or 4.10% from the prior year. Unrestricted net assets totaled $144.4 million, a decrease of $13.9 million, or 8.8%.

June 30, 2010 Compared to June 30, 2009

Total assets increased $293.9 million, or 3.1% from the prior year. Cash and cash equivalents, and investments, combined, increased $345.8 million, or 32.2% from the prior year. Mortgage and other loans receivables decreased by $65.3 million, or 0.8%, largely as a result of new homeownership mortgage loans securitized through GNMA.

Total liabilities increased $191.5 million, or 2.6% from the prior year. Notes and bonds payable increased $190.6 million. For the year, the Authority issued $590.3 million in single-family homeownership mortgage bonds and $145.3 million in rental housing bonds, and drew a net additional $205.4 million on lines of credit. Proceeds from bond issues in the homeownership mortgage bond group and GNMA mortgage loan securitizations were the principal source of funding for mortgage loan originations.

Total assets exceeded total liabilities by $2,221.8 million, representing an increase in net assets of $102.4 million, or 4.8% from the prior year. As of June 30, 2010, net assets invested in capital assets, net of related debt, consisted of $46.3 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 $75.5 million. Net assets restricted by bondholders totaled $2,069.2 million, an increase of $98.5 million, or 5.0% from the prior year. Unrestricted net assets totaled $158.3 million, an increase of $11.7 million, or 8.0% from the prior year.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

(In millions)

	Year ended June 30		
	2011	**2010**	**2009**
Operating revenues:			
Interest on mortgage and other loans	$ 505.1	512.8	518.5
Pass-through grants received	157.8	128.3	69.6
Housing Choice Voucher program income	72.7	69.3	61.1
Other operating revenues	26.7	31.8	23.6
Total operating revenues	762.3	742.2	672.8
Operating expenses:			
Interest on notes and bonds payable	321.3	337.4	355.2
Pass-through grants disbursed	157.8	128.3	69.6
Housing Choice Voucher program expense	70.9	69.7	70.6
Other operating expenses	131.3	122.5	101.4
Total operating expenses	681.3	657.9	596.8
Net operating income	81.0	84.3	76.0
Nonoperating revenues:			
Investment income	15.3	18.0	1.5
Other nonoperating revenues	0.1	0.1	0.1
Total nonoperating revenues	15.4	18.1	1.6
Change in net assets	$ 96.4	102.4	77.6

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 income as well as realized and unrealized gains or losses on investments.

Included in investment income are $11.3 million and $41.6 million of unrealized gains for the years ended June 30, 2011 and 2010, respectively. The Authority generally holds these investments to maturity.

Fiscal Year 2011

Operating revenues increased $20.1 million or 2.7% from the prior year. The increase was primarily attributable to pass-through grants received, which increased $29.5 million, or 23.0%. The most significant increase was related to tax credit programs included in the American Recovery and Reinvestment Act of 2009 that the Authority began participating in near the end of FY 2010. Interest on mortgage and other loans decreased $7.7 million or 1.50% due to lower mortgage loan production. Single family mortgage loan rates averaged 5.77% compared to 5.90% the previous year.

Operating expenses increased $23.4 million or 3.6% from the prior year due primarily to pass through grant disbursements increase of $29.5 million. Interest expense on notes and bonds payable decreased $16.1 million or 4.8% from the prior year, due to a lower average interest rate on the notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased $8.8 million or 7.2% above last year. Loan loss provision and expenses accounted for $5.1 million of this increase.

Nonoperating revenues decreased $2.7 million from the prior year, due to lower unrealized investment gains of $30.3 million and offsetting lower realized investment losses of $25.4 million.

Fiscal Year 2010

Operating revenues increased $69.4 million or 10.3% from the prior year. The increase was primarily attributable to pass-through grants received, which increased $58.7 million, or 84.3%. Mortgage loan production grew at a slower pace compared to the previous year while loan payoffs increased. Mortgage rates averaged 5.13% compared to 5.67% the previous year.

Operating expenses increased $61.1 million or 10.2% from the prior year due primarily to pass through grant disbursements increase of $58.7 million. Interest expense on notes and bonds payable decreased $17.8 million or 5.0% from the prior year, due to a lower average interest rate on the notes and bonds outstanding. Other operating expenses consisting primarily of administrative costs increased $21.1 million or 20.8% above last year. Loan loss provision and expenses accounted for $19.9 million of this increase.

Nonoperating revenues increased $16.5 million from the prior year, due to unrealized investment gains of $41.6 million less offsetting realized investment losses of $28.0 million.

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 0.04% in June 2011, and 0.55% in June 2010.

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 was 6.0% and 6.9% in June 2011 and 2010, respectively.

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.

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

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, 2011 and 2010, 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 audits 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, 2011 and 2010, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011 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.

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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 is 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 20, 2011

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

Statements of Net Assets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents (note 5)	$ 1,391,109,912	1,218,877,026
Investments (note 5)	4,523,890	55,328,415
Interest receivable – investments	765,474	752,356
Mortgage and other loans receivable, net (note 4)	167,200,962	160,484,496
Interest receivable – mortgage and other loans	38,390,684	38,357,956
Other real estate owned	45,872,213	34,442,929
Other assets	10,284,872	11,821,260
Total current assets	1,658,148,007	1,520,064,438
Noncurrent assets:		
Investments (note 5)	159,697,319	146,898,208
Mortgage and other loans receivable (note 4)	7,885,905,382	8,049,634,116
Less allowance for loan loss	127,527,948	106,489,448
Less net deferred loan fees	24,281,056	27,394,912
Mortgage and other loans receivable, net	7,734,096,378	7,915,749,756
Investment in rental property, net	58,338,543	46,307,536
Property, furniture, and equipment, less accumulated depreciation and amortization of $23,438,363 and $27,402,289, respectively (note 6)	24,999,940	24,499,823
Unamortized bond issuance expenses	5,364,196	6,748,748
Other assets	3,352,291	950,994
Total noncurrent assets	7,985,848,667	8,141,155,065
Total assets	$ 9,643,996,674	9,661,219,503
Liabilities and Net Assets		
Current liabilities:		
Notes and bonds payable (note 7)	$ 822,573,653	584,041,478
Accrued interest payable on notes and bonds	98,798,460	105,980,049
Housing Choice Voucher contributions payable (note 1)	212,905	7,552
Escrows (note 8)	44,752,270	43,051,071
Accounts payable and other liabilities (notes 5 and 9)	14,225,984	19,253,196
Total current liabilities	980,563,272	752,333,346
Noncurrent liabilities:		
Bonds payable, net (note 7)	6,149,797,167	6,483,551,357
Project reserves (notes 8 and 13)	166,442,678	174,820,180
Other liabilities (notes 5, 9, 11, and 13)	29,010,473	28,701,565
Total noncurrent liabilities	6,345,250,318	6,687,073,102
Total liabilities	7,325,813,590	7,439,406,448
Net assets (note 10):		
Invested in capital assets, net of related debt	19,680,976	(5,749,288)
Restricted by bond indentures	2,154,044,354	2,069,280,597
Unrestricted	144,457,754	158,281,746
Total net assets	2,318,183,084	2,221,813,055
Total liabilities and net assets	$ 9,643,996,674	9,661,219,503

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, 2011 and 2010

	2011	2010
Operating revenues:		
Interest on mortgage and other loans	$ 505,126,656	512,809,147
Pass-through grants income	157,788,891	128,264,102
Housing Choice Voucher program income (note 1)	72,812,764	69,320,793
Investment in rental property income	13,199,682	13,497,393
Gains and recoveries on sale of other real estate owned	1,665,081	4,929,255
Other	11,756,579	13,371,681
Total operating revenues	762,349,653	742,192,371
Operating expenses:		
Interest on notes and bonds	321,288,073	337,386,090
Salaries and related employee benefits (note 11)	33,211,365	31,804,552
General operating expenses	18,696,125	16,904,641
Note and bond expenses	546,921	558,425
Amortization of bond issuance expenses	709,989	942,292
Pass-through grants expenses	157,788,891	128,264,102
Housing Choice Voucher program expenses (note 1)	70,943,848	69,780,762
External mortgage servicing expenses	859,849	1,350,200
Investment in rental property expenses	14,090,333	12,837,356
Losses and expenses on other real estate owned	42,148,234	32,750,041
Provision for loan losses (note 1)	21,038,500	25,331,242
Total operating expenses	681,322,128	657,909,703
Operating income, net	81,027,525	84,282,668
Nonoperating revenues:		
Investment income (note 9)	15,287,467	18,045,467
Other, net	55,037	70,938
Total nonoperating revenues	15,342,504	18,116,405
Change in net assets	96,370,029	102,399,073
Total net assets, beginning of year	2,221,813,055	2,119,413,982
Total net assets, end of year	$ 2,318,183,084	2,221,813,055

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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash payments for mortgage and other loans	$ (647,914,371)	(843,683,349)
Principal repayments on mortgage and other loans	626,057,420	612,613,776
Sale of mortgage loans	113,206,616	235,661,425
Interest received on mortgage and other loans	499,985,667	510,869,466
Pass-through grants received	157,788,891	128,264,102
Pass-through grants disbursed	(157,788,891)	(128,264,102)
Housing Choice Voucher payments received	73,027,772	69,599,827
Housing Choice Voucher payments disbursed	(71,859,956)	(69,846,249)
Escrow and project reserve payments received	341,527,474	368,316,882
Escrow and project reserve payments disbursed	(347,998,382)	(356,111,645)
Other operating revenues	14,821,137	23,112,446
Cash received for loan origination fees	2,087,071	8,676,794
Cash paid for loan origination fees	(5,078,803)	(6,720,324)
Cash payments for salaries and related benefits	(33,004,969)	(32,727,131)
Cash payments for general operating expenses	(31,707,397)	(26,878,733)
Cash payments for mortgage servicing expenses	(2,516,194)	(1,209,897)
Proceeds from sale of other real estate owned	28,560,897	19,447,848
Investment in rental property	(13,271,658)	(24,507,411)
Net cash provided by operating activities	545,922,324	486,613,725
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes and bonds	791,508,000	1,357,638,000
Principal payments on notes and bonds	(892,336,552)	(1,169,041,166)
Interest payments on notes and bonds	(319,076,252)	(339,843,392)
Cash payments for bond issuance expenses	(3,112,310)	(4,178,951)
Net cash used in noncapital financing activities	(423,017,114)	(155,425,509)
Cash flows from capital and related financing activities:		
Purchases of property, furniture, and equipment	(3,330,627)	(2,879,190)
Net cash used in capital and related financing activities	(3,330,627)	(2,879,190)
Cash flows from investing activities:		
Purchases of investments	(69,437,001)	(487,244,937)
Proceeds from sales or maturities of investments	115,752,081	394,628,125
Interest received on investments	6,343,223	4,653,044
Net cash provided by (used in) investing activities	52,658,303	(87,963,768)
Net increase in cash and cash equivalents	172,232,886	240,345,258
Cash and cash equivalents, at beginning of year	1,218,877,026	978,531,768
Cash and cash equivalents, at June 30	$ 1,391,109,912	1,218,877,026

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	81,027,525	84,282,668
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation of property, furniture, and equipment		2,787,299	2,832,579
Other depreciation and amortization		709,990	3,074,002
Interest on notes and bonds		321,288,072	337,386,090
(Increase) in investment in rental property, net		(12,031,007)	(27,309,557)
Decrease in mortgage and other loans receivable		157,012,267	40,164,423
Increase in allowance for loan loss		21,038,500	25,331,242
(Decrease) increase in net deferred loan fees		(3,113,856)	1,421,242
(Increase) decrease in interest receivable – mortgage and other loans		(32,728)	1,082,480
(Increase) decrease in other real estate owned		(11,429,284)	2,321,843
Decrease in Housing Choice Voucher contributions receivable		205,353	279,034
(Increase) decrease in other assets		(766,660)	5,509,710
(Decrease) in accounts payable and other liabilities		(4,302,239)	(1,967,268)
(Decrease) increase in escrows and project reserves		(6,470,908)	12,205,237
Net cash provided by operating activities	$	545,922,324	486,613,725
Supplemental disclosure of noncash investing activity:			
Increase in other real estate owned as a result of loan foreclosures	$	82,738,794	61,002,685

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 GAAP, 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 $14,236,447 as of June 30, 2011 and $11,645,313 as of June 30, 2010. 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.

The Authority is an Issuer in the Government National Mortgage Association (Ginnie Mae) Mortgage-Backed Securities (MBS) Programs. Through the Ginnie Mae MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans originated by the Authority. These mortgage loan securitizations are treated as sales for accounting and reporting purposes. Accordingly, the Authority no longer recognizes the sold mortgage loans receivable in the Statements of Net Assets.

(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 approximated $21,038,000 and $25,331,000 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010.

Effective July 1, 2009, the Authority implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which resulted in the capitalization of certain costs associated with internally generated computer software. The capitalization threshold for internally generated computer software is $1,000,000. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life of 3 to 5 years.

(i) Bond Issuance Expense

Costs related to issuing bonds are capitalized in the related bond group and are amortized on the straight-line basis, which approximates the effective interest method, 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 are 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.

In accordance with GAAP, 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.

(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's administrator for the U.S. 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 $73,281,181 and $72,052,133 during the years ended June 30, 2011 and 2010, respectively.

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

The Authority serves as an administrator for thirty 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 $133,608 and $198,121 during fiscal year 2011 and 2010, respectively.

NeighborWorks America

The Authority is an administrator for NeighborWorks America, a national nonprofit organization created by the U.S. 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 $180,917 during fiscal year 2011 and $211,461 during fiscal year 2010, the year of the Authority's start-up with the program.

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 $62,727,617 of assistance during fiscal year 2011 and $35,156,800 during fiscal year 2010.

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 $21,465,568 of assistance during fiscal year 2011 and $20,645,587 during fiscal year 2010.

(o) Housing Choice Voucher Program

As the Commonwealth's 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 $5,299,533 and $893,204, respectively, as of June 30, 2011 and $3,041,461 and $1,282,360, respectively, as of June 30, 2010. 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 Fund. The balances associated with the Commonwealth Priority Housing Fund are recorded in assets and liabilities in the amounts of $8,120,327 and $8,215,179 as of June 30, 2011 and 2010, 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) Statements of Net Assets

The assets presented in the Statements 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, 2010 basic financial statements to conform to the June 30, 2011 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) Rental Housing Bond Groups

The proceeds of the 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.

(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

The Homeownership Mortgage 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 in acquiring 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 June 30, 2011 and 2010 were as follows:

	June 30	
	2011	2010
Current assets:		
Cash and cash equivalents	$ 1,381,441,924	1,196,256,185
Investments	—	55,328,415
Interest receivable – investments	447,139	361,062
Mortgage and other loans receivable	164,681,060	158,423,921
Interest receivable – mortgage and other loans	37,213,059	37,352,857
Other real estate owned	45,339,820	33,997,068
Other assets	5,974,514	6,557,958
Total current assets	1,635,097,516	1,488,277,466
Noncurrent assets:		
Investments	106,991,478	101,221,076
Mortgage and other loans receivable	7,803,700,151	7,993,603,454
Less allowance for loan loss	119,132,375	103,215,124
Less net deferred loan fees	23,719,341	26,990,387
Mortgage and other loans receivable, net	7,660,848,435	7,863,397,943
Investment in rental property, net	58,338,543	45,555,554
Property, furniture, and equipment, less accumulated depreciation and amortization of $14,695,173 and $14,238,464, respectively	15,460,494	15,840,952
Unamortized bond issuance expenses	5,001,446	6,362,903
Other assets	—	190,716
Total noncurrent assets	7,846,640,396	8,032,569,144
Total restricted assets	$ 9,481,737,912	9,520,846,610

(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 10.38%	Thirty years
Homeownership Mortgage Bond Group	2.88% to 5.88%	Thirty years

Commitments to fund new loans and monies available to provide future loans were as follows at June 30, 2011:

	Committed	Uncommitted
General Operating Loan Programs	$ 39,138,429	—
VHDA General Purpose Bond Group	4,818,288	9,612,163
Rental Housing Bond Group	84,704,481	—
Commonwealth Mortgage Bond Group	77,595,065	100,079,391
Homeownership Bond Group	—	195,360,614
Total	$ 206,256,263	305,052,168

Uncommitted funds represent the excess of net current funds over existing loan commitments.

(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, 2011 and 2010, the carrying amount of the Authority's deposits was $169,508,196 and $43,317,762 respectively, and checks drawn in excess of bank balances, included in accounts payable and other liabilities were zero and $5,336,544, respectively. The associated bank balance of the Authority's deposits was $172,003,480 and $47,121,109 at June 30, 2011 and 2010, 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, 2011 and 2010, total cash equivalents were $1,221,601,716 and $1,175,559,264, respectively.

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

	June 30 2011	June 30 2010
Current investments	$ 4,523,890	55,328,415
Noncurrent investments	159,697,319	146,898,208
Total investments	$ 164,221,209	202,226,623

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, 2011, 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	$ —	900,281	—	—	900,281
Municipal securities	10,123,945	3,483,677	—	—	13,607,622
Asset-backed securities	—	—	—	33,972,505	33,972,505
Agency-mortgage backed securities	—	—	—	116,410,801	116,410,801
Money market securities	726,732,148	—	—	—	726,732,148
Other interest-bearing securities	494,199,568	—	—	—	494,199,568
Total investments	$ 1,231,055,661	4,383,958	—	150,383,306	1,385,822,925

As of June 30, 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	$ —	921,861	—	—	921,861
Municipal securities	7,365,287	13,329,766	—	—	20,695,053
Asset-backed securities	—	—	—	40,201,724	40,201,724
Agency-mortgage backed securities	—	—	—	92,444,857	92,444,857
Money market securities	895,228,347	—	—	—	895,228,347
Other interest-bearing securities	328,294,045	—	—	—	328,294,045
Total investments	$ 1,230,887,679	14,251,627	—	132,646,581	1,377,785,887

(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, 2011:

Investment type	Amount	S & P/ Moody's rating	Percentage of total investments
Money market securities	$ 726,732,148	P-1	52.443
Other interest bearing instruments	494,199,568	Aaa	35.659
Agency mortgage backed securities	116,410,801	Aaa	8.400
Asset backed securities	18,298,642	Caa1	1.320
Asset backed securities	5,010,185	Caa2	0.362
Municipal securities	4,765,469	Aaa	0.344
Municipal securities	2,705,718	Aa1	0.195
Asset backed securities	2,514,494	Ba2	0.181
Asset backed securities	2,469,193	Ba1	0.178
Municipal securities	2,183,088	Aa2	0.158
Municipal securities	2,020,000	A2	0.146
Asset backed securities	1,703,077	Caa3	0.123
Asset backed securities	1,387,598	Ca	0.100
Asset backed securities	1,122,947	Aa3	0.081
Municipal securities	1,011,690	BBB	0.073
Asset backed securities	957,072	A2	0.069
Corporate notes	900,281	A2	0.065
Municipal securities	670,000	NR	0.048
Asset backed securities	509,290	Baa2	0.037
Municipal securities	251,658	Aa3	0.018
Asset backed securities	6	C	—
Total investments	$ 1,385,822,925		100.000

(6) Property, Furniture, and Equipment

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Land	$ 2,935,815	—	—	—	2,935,815
Building	30,681,045	426,511	—	—	31,107,556
Furniture and equipment	16,873,307	998,314	(6,794,436)	1,965,091	13,042,276
Motor vehicles	421,688	—	—	—	421,688
Construction in progress	990,257	1,905,802	—	(1,965,091)	930,968
	$ 51,902,112	3,330,627	(6,794,436)	—	48,438,303

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Building	$ (13,615,443)	(804,920)	—	(14,420,363)
Furniture and equipment	(13,503,934)	(1,932,801)	6,751,225	(8,685,510)
Motor vehicles	(282,912)	(49,578)	—	(332,490)
	$ (27,402,289)	(2,787,299)	6,751,225	(23,438,363)

Activity in the property, furniture, and equipment accounts for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Disposals	Transfers	Balance June 30, 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	1,560,879	(621,964)	—	16,873,307
Motor vehicles	392,118	29,570	—	—	421,688
Construction in progress	1,648,560	1,240,494	—	(1,898,797)	990,257
	$ 49,644,886	2,879,190	(621,964)	—	51,902,112

Activity in the related accumulated depreciation and amortization accounts during the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Building	$ (12,873,086)	(742,357)	—	(13,615,443)
Furniture and equipment	(12,078,808)	(2,045,573)	620,447	(13,503,934)
Motor vehicles	(238,263)	(44,649)	—	(282,912)
	$ (25,190,157)	(2,832,579)	620,447	(27,402,289)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2011 and June 30, 2010 and changes for the year were as follows:

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
General operating accounts:				
Revolving line of credit:				
Bank of America floating daily rate (rate of 1.135% at June 30, 2011) termination date of December 1, 2011	$ —	40,000	—	40,000
Federal Home Loan Bank floating daily rate (rate of 0.08% at June 30, 2011) no fixed maturity	327,990	286,913	120,732	494,171
Total general operating accounts	327,990	326,913	120,732	534,171
Rental housing bond group:				
2000 Series A/B, dated May 10, 2000, 5.98% effective interest rate, final due date August 1, 2024	50,910	—	50,910	—
2000 Series C, dated August 3, 2000, 8.18% effective interest rate, final due date April 1, 2024	13,655	—	13,655	—
2000 Series D/E, dated August 3, 2000, 5.98% effective interest rate, final due date April 1, 2024	34,965	—	34,965	—
2000 Series F/G/H, dated October 12, 2000, 6.90% effective interest rate, final due date October 1, 2024	51,895	—	51,895	—
2001 Series A/B, dated January 9, 2001, 5.80% effective interest rate, final due date March 1, 2025	50,685	—	37,715	12,970
2001 Series C/D, dated March 22, 2001, 5.25% effective interest rate, final due date June 1, 2024	11,090	—	4,300	6,790

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2001 Series E/F/G, dated April 26, 2001, 5.32% effective interest rate, final due date June 1, 2025	$ 16,010	—	5,730	10,280
2001 Series H/I, dated July 31, 2001, 6.56% effective interest rate, final due date July 1, 2025	40,855	—	1,605	39,250
2001 Series J/K/L, dated October 23, 2001, 6.06% effective interest rate, final due date December 1, 2025	51,640	—	2,180	49,460
2001 Series M, dated December 18, 2001, 6.78% effective interest rate, final due date January 1, 2027	36,340	—	1,235	35,105
2001 Series N/O, dated December 18, 2001, 5.40% effective interest rate, final due date January 1, 2027	30,860	—	1,200	29,660
2002 Series A, dated April 11, 2002, 6.70% effective interest rate, final due date April 1, 2027	20,155	—	795	19,360
2002 Series B, dated April 11, 2002, 5.30% effective interest rate, final due date April 1, 2027	36,650	—	1,445	35,205
2002 Series C/D, dated June 27, 2002, 6.45% effective interest rate, final due date September 1, 2027	55,665	—	1,750	53,915
2002 Series E/F/G, dated December 19, 2002, 5.45% effective interest rate, final due date January 1, 2028	66,000	—	2,250	63,750
2003 Series A/B, dated April 24, 2003, 5.04% effective interest rate, final due date June 1, 2028	46,980	—	2,020	44,960
2003 Series C/D, dated August 5, 2003, 3.87% effective interest rate, final due date November 1, 2028	49,330	—	2,875	46,455

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth of Virginia)
Notes to Basic Financial Statements
June 30, 2011 and 2010

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2003 Series E, dated August 5, 2003, 4.84% effective interest rate, final due date November 1, 2028	$ 67,650	—	3,140	64,510
2003 Series F/G, dated December 23, 2003, 5.42% effective interest rate, final due date April 1, 2030	45,625	—	1,400	44,225
2004 Series A/B, dated March 17, 2003, 5.25% effective interest rate, final due date March 1, 2030	15,380	—	460	14,920
2004 Series C, dated April 29, 2004, 5.53% effective interest rate, final due date May 1, 2029	65,520	—	2,090	63,430
2004 Series D/E, dated April 29, 2004, 4.72% effective interest rate, final due date May 1, 2029	46,575	—	1,635	44,940
2004 Series F/G, dated September 2, 2004, 5.78% effective interest rate, final due date September 1, 2030	51,955	—	1,385	50,570
2004 Series H/I/J, dated December 16, 2004, 5.10% effective interest rate, final due date December 1, 2029	35,600	—	1,035	34,565
2005 Series A, dated April 26, 2005, 5.37% effective interest rate, final due date May 1, 2030	36,540	—	1,305	35,235
2005 Series B/C, dated April 26, 2005, 4.58% effective interest rate, final due date May 1, 2031	56,490	—	2,400	54,090
2005 Series D, dated June 14, 2005, 5.52% effective interest rate, final due date September 1, 2033	39,545	—	910	38,635
2005 Series E/F, dated June 14, 2005, 4.60% effective interest rate, final due date September 1, 2039	43,395	—	760	42,635

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2005 Series G, dated October 20, 2005, 5.30% effective interest rate, final due date December 1, 2030	$ 85,875	—	2,490	83,385
2005 Series H/I, dated October 20, 2005, 4.45% effective interest rate, final due date December 1, 2030	36,755	—	1,225	35,530
2005 Series J/K, dated December 14, 2005, 5.30% effective interest rate, final due date February 1, 2035	38,070	—	930	37,140
2006 Series A, dated May 23, 2006, 4.89% effective interest rate, final due date April 1, 2033	8,295	—	210	8,085
2006 Series B, dated October 31, 2006, 4.68% effective interest rate, final due date November 1, 2038	23,000	—	405	22,595
2006 Series C, dated December 12, 2006, 5.95% effective interest rate, final due date January 1, 2039	44,250	—	575	43,675
2006 Series D/E/F, dated December 12, 2006, 4.52% effective interest rate, final due date January 1, 2039	80,550	—	1,490	79,060
2007 Series A, dated June 12, 2007, 6.03% effective interest rate, final due date July 1, 2039	118,710	—	1,315	117,395
2007 Series B/C, dated September 20, 2007, 6.16% effective interest rate, final due date November 1, 2038	23,310	—	375	22,935
2008 Series A, dated March 27, 2008, 5.63% effective interest rate, final due date October 1, 2038	197,260	—	2,900	194,360

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2009 Series A, dated February 26, 2009, 6.86% effective interest rate, final due date March 1, 2039	$ 72,915	—	1,050	71,865
2009 Series B, dated March 26, 2009, 5.53% effective interest rate, final due date June 1, 2043	29,050	—	395	28,655
2009 Series C/D, dated March 30, 2009, 5.81% effective interest rate, final due date February 1, 2021	348,000	—	13,510	334,490
2009 Series E, dated September 24, 2009, 4.71% 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
2010 Series B, dated April 27, 2010, 4.74% effective interest rate, final due date June 1, 2045	22,750	—	—	22,750
2010 Series C, dated July 28, 2010, 4.62% effective interest rate, final due date August 1, 2045	—	11,790	—	11,790
2010 Series D, dated August 26, 2010, 4.30% effective interest rate, final due date September 1, 2040	—	33,000	—	33,000
2010 Series E, dated October 7, 2010, 4.177% effective interest rate, final due date October 1, 2045	—	38,405	—	38,405
2010 Series F, dated December 2, 2010, 4.85% effective interest rate, final due date January 1, 2041	—	19,700	—	19,700

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2011 Series A, dated May 24, 2011 4.93% effective interest rate, final due date May 1, 2041	$ —	11,700		11,700
	2,419,310	114,595	259,915	2,273,990
Unamortized premium	4,003	—	—	6,328
Total rental housing bonds	2,423,313			2,280,318
General purpose bonds group:				
2002 Series W, dated October 31, 2002, 5.91% effective interest rate, final due date January 1, 2028	65,260	—	4,210	61,050
2002 Series X/Y/Z, dated October 31, 2002, 4.85% effective interest rate, final due date January 1, 2043	207,440	—	28,240	179,200
2003 Series Q, dated October 30, 2003, 5.65% effective interest rate, final due date October 1, 2028	25,615	—	815	24,800
2003 Series R/S/T/U, dated October 30, 2003 4.68% effective interest rate, final due date October 1, 2038	71,195	—	10,335	60,860
2003 Series V, dated June 26, 2003 4.32% effective interest rate, final due date October 1, 2029	29,760	—	1,985	27,775
	399,270	—	45,585	353,685
Unamortized premium	1,829			1,938
Total VHDA general purpose bonds	401,099			355,623
Commonwealth mortgage bonds group:				
2001 Series A, dated January 30, 2001, 6.63% effective interest rate, final due date February 25, 2030	2,128	—	1,113	1,015

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
2001 Series H, dated October 18, 2001, 5.37% effective interest rate, final due date July 1, 2036	$ 205,000	—	22,000	183,000
2002 Series A, dated January 14, 2002, 6.60% effective interest rate, final due date February 25, 2032	6,043	—	766	5,277
2002 Series B, dated March 20, 2002, 6.16% effective interest rate, final due date August 25, 2030	25,222	—	3,234	21,988
2002 Series C/D, dated June 27, 2002, 6.03% effective interest rate, final due date June 25, 2032	6,560	—	6,560	—
2002 Series E/F/G, dated December 17, 2002, 5.14% effective interest rate, final due date December 25, 2032	23,058	—	3,323	19,735
2003 Series C, dated October 1, 2003, 5.09% effective interest rate, final due date August 25, 2033	1,603	—	33	1,570
2004 Series A, dated March 18, 2004, 4.30% effective interest rate, final due date October 1, 2029	122,620	—	11,740	110,880
2004 Series B, dated June 10, 2004, 5.62% effective interest rate, final due date June 25, 2034	6,021	—	1,124	4,897
2004 Series C, dated November 2, 2004, 4.21% effective interest rate, final due date January 1, 2031	128,920	—	12,310	116,610
2005 Series A, dated April 21, 2005, 4.31% effective interest rate, final due date October 1, 2031	338,910	—	35,900	303,010

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(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	366,270	—	29,600	336,670
2006 Series A/B, dated April 27, 2006, 5.87% effective interest rate, final due date March 25, 2036	8,620	—	1,357	7,263
2006 Series C, dated June 8, 2006, 6.14% effective interest rate, final due date June 25, 2034	42,889	—	6,954	35,935
2006 Series D/E/F, dated July 13, 2006 4.59% effective interest rate, final due date January 1, 2033	514,205	—	32,000	482,205
2007 Series A/B/C/D, dated May 18, 2007 4.80% effective interest rate, final due date January 1, 2036	973,095	—	36,470	936,625
2008 Series A, dated March 25, 2008, 6.06% effective interest rate, final due March 25, 2038	78,814	—	12,487	66,327
2008 Series B, dated April 10, 2008, 6.09% effective interest rate, final due date March 25, 2038	117,731	—	18,835	98,896
2008 Series C, dated November 18, 2008, 6.38% effective interest rate, final due date June 25, 2038	45,035	—	6,373	38,662
2008 Series D/E, dated December 16, 2008, 6.10% effective interest rate, final due date January 1, 2036	196,135	—	8,225	187,910

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(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
	3,306,749	—	250,404	3,056,345
Unamortized premium	18,604			21,998
Total commonwealth mortgage bonds group	3,325,353			3,078,343
Homeownership mortgage bonds group:				
2009 Series B, dated December 23, 2009, 0.184% effective interest rate, final due date November 1, 2041	321,970	—	210,000	111,970
2009 Series B-1, dated February 10, 2010, 4.42% effective interest rate, final due date November 1, 2041	160,990	—	—	160,990
2010 Series A, dated February 10, 2010, 3.38% effective interest rate, final due date September 1, 2021	107,330	—	3,200	104,130
2009 Series B-2, dated October 29, 2010, 3.16% effective interest rate, final due date November 1, 2041	—	105,000		105,000
2010 Series B, dated October 29, 2010, 2.948% effective interest rate, final due date March 1, 2022	—	70,000	2,500	67,500
2011 Series B-3, dated June 14, 2011 3.71% effective interest rate, final due date November 1, 2041	—	105,000		105,000
2011 Series A, dated June 14, 2011 3.27% effective interest rate, final due date March 1, 2024	—	70,000		70,000
	590,290	350,000	215,700	724,590

Description	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011
		(Amounts shown in thousands)		
Unamortized discount	$ (452)			(675)
Total homeownership mortgage bonds group	589,838			723,915
Total	$ 7,067,593			6,972,370

Notes and bonds payable at June 30, 2010 and June 30, 2009 and changes for the year were as follows (amounts in thousands):

	June 30, 2009	Issued	Retired	Change in unamortized premium and compound interest payable	June 30, 2010
General operating accounts	$ 122,605	409,298	203,913		327,990
Rental housing bond group	2,468,110	145,310	190,820	713	2,423,313
Homeownership mortgage bond group	—	751,280	160,990	(452)	589,838
VHDA General purpose bond group	466,289		65,310	120	401,099
Commonwealth mortgage bond group	3,819,985	51,750	548,009	1,626	3,325,352
Total	$ 6,876,989	1,357,638	1,169,042	2,007	7,067,592

Current and noncurrent amounts of notes and bonds payable at June 30, 2011 and 2010 were as follows:

	June 30 2011	June 30 2010
	(Amount in thousands)	
Notes and bonds payable – current	$ 822,573	584,041
Bonds payable – noncurrent	6,149,797	6,483,551
Total	$ 6,972,370	7,067,592

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 zero and $51,750,000 of refundings for the years ended June 30, 2011 and 2010, 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, 2011 and thereafter are as follows:

Period ending June 30	Original principal	Current interest	Total debt service
2012	$ 822,573,653	303,815,284	1,126,388,937
2013	279,490,000	292,668,198	572,158,198
2014	272,905,000	281,510,511	554,415,511
2015	269,910,000	270,100,156	540,010,156
2016	269,485,000	258,326,977	527,811,977
2017 – 2021	1,315,120,000	1,105,039,220	2,420,159,220
2022 – 2026	1,048,040,000	805,325,914	1,853,365,914
2027 – 2031	1,062,977,038	532,929,728	1,595,906,766
2032 – 2036	834,726,165	286,479,250	1,121,205,415
2037 – 2041	578,038,398	85,477,606	663,516,004
2042 – 2046	189,515,000	7,138,955	196,653,955
Total	$ 6,942,780,254	4,228,811,799	11,171,592,053

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, 2011 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 June 30, 2011 and 2010, there were $40 million and zero amounts outstanding, respectively.

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 28, 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 June 30, 2011 and 2010, 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 June 30, 2011 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, 2011, $494.17 million was outstanding and $327.99 million was outstanding at June 30, 2010.

(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, 2011 and 2010, these escrows and project reserves were presented in the Authority's Statements of Net Assets as follows:

	June 30	
	2011	2010
Escrows – current	$ 44,752,270	43,051,071
Project reserves – noncurrent	166,442,678	174,820,180
Total	$ 211,194,948	217,871,251

(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, 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 $389,133 and zero for the years ended June 30, 2011 and 2010, respectively. Remaining liability balances were $2,025,383 and $2,441,444 at June 30, 2011 and 2010, respectively.

(10) Net Assets

Invested in 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, 2011 and 2010, 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, 2011 and 2010 was $2,584,237 and $2,462,741 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, 2011 and 2010, included in other liabilities, is an employee compensated absences accrual of $4,050,459 and $3,763,412, 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, 2011, there were approximately 52 participating retirees and spouses and 306 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, 2011 of $980,913 was approximately 4.3% of covered payroll.

The actuarially determined values for disclosure in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	ARC	Interest on OPEB liability	ARC adjustment	Amortization factor	Annual OPEB cost
June 30, 2009	$ (29,738)	895,410	(2,082)	2,316	12.84	$ 895,644
June 30, 2010	(106,007)	964,000	(6,625)	5,038	21.04	962,413
June 30, 2011	(39,238)	980,913	(2,452)	1,865	21.04	980,325

The OPEB cost to the Authority and its contributions and changes in the RHC plan for fiscal years 2009 through 2011 are as follows:

Fiscal year-end	Beginning net OPEB obligation (asset)	Annual OPEB cost	Contribution	Change in net OPEB obligation	Net OPEB obligation (asset) balance
June 30, 2009	$ (29,738)	895,644	(971,913)	(76,269)	(106,007)
June 30, 2010	(106,007)	962,413	(895,644)	66,769	(39,238)
June 30, 2011	(39,238)	980,325	(950,000)	30,325	(8,913)

For the year ended June 30, 2011, the Authority's Annual OPEB cost was $980,325; the percentage of Annual OPEB Cost Contribution was 96.9%; and the ending net OPEB asset was $8,913. For the year ended June 30, 2010, the Authority's Annual OPEB cost was $962,413; the percentage of Annual OPEB Cost Contribution was 93.0%; and the ending net OPEB asset was $39,238.

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, 2010, the unfunded actuarial accrued liability (UAAL) for benefits was $5,460,241. The covered payroll (annual payroll of active employees covered by the RHC) was $22,973,051 and the ratio of the UAAL to the covered payroll was 23.8%. As of December 31, 2010, the actuarial value of net assets held by the RHC Trust was $12,337,427, the actuarial accrued liability was $17,797,668, and the funded ratio was 69.3%. As of June 30, 2011, the RHC Trust had $12,710,211 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 entry age-cost method was used. The actuarial assumptions include a 6.25% long term investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate, 2.5% real rate of return, 4.5% salary scale and a 3.5% salary growth). The projected healthcare cost trend is 10.0% initially, reduced by decrements to an ultimate rate of 5.5% after 9 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The UAAL was amortized over 30 years in calculating the fiscal year 2011 ARC.

(13) Other Long-Term Liabilities

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Decreases	Balance at June 30, 2011
Project reserves	$ 174,820,180	77,858,603	86,236,105	166,442,678
Commonwealth Priority Housing Fund liability	8,098,766	104,967	198,405	8,005,328
Other liabilities	16,839,387	3,756,706	3,641,407	16,954,686
Compensated absences payable	3,763,412	1,921,427	1,634,380	4,050,459
Total	$ 203,521,745	83,641,703	91,710,297	195,453,151

Activity in the Authority's noncurrent liability accounts, other than bonds payable, for the year ended June 30, 2010 was as follows:

	Balance at June 30, 2009	Additions	Decreases	Balance at June 30, 2010
Project reserves	$ 168,015,080	62,043,547	55,238,447	174,820,180
Commonwealth Priority Housing Fund liability	8,197,185	1,038,788	1,137,207	8,098,766
Other liabilities	16,195,980	3,616,789	2,973,382	16,839,387
Compensated absences payable	3,551,919	1,668,342	1,456,849	3,763,412
Total	$ 195,960,164	68,367,466	60,805,885	203,521,745

(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 are the HUD loan guarantee 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 (repayments) subsequent to June 30, 2011 as follows:

	Borrowing date	Amount
FHLBank Atlanta	July 11, 2011	20,000,000
Bank of America, N.A., Revolving Credit Agreement	July 11, 2011	(20,000,000)

On August 8, 2011, S&P notified the Authority that VHDA's Commonwealth Mortgage Bond resolution was placed on CreditWatch Negative. S&P will be reviewing the AAA rating on this bond resolution because a portion of the mortgage loans securing the resolution are federally insured or guaranteed including 36% of the loans that are insured by the Federal Housing Administration (FHA), whose credit is ultimately derived from the U.S. government. On August 5, 2011 S&P lowered from AAA to AA+ its long term debt rating for the U.S. S&P did not take any action with respect to VHDA's other bond resolutions, all of which are rated AA+. An estimate of the financial effect, if any, on the Authority cannot be made.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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
December 31, 2009	10,333,985	16,280,849	5,946,864	63.5	22,527,041	26.4
December 31, 2010	12,337,427	17,797,668	5,460,241	69.3	22,973,051	23.8

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, 2010, the UAAL for benefits was $5,460,241. The covered payroll (annual payroll of active employees covered by the RHC) was $22,973,051 and the ratio of the UAAL to the covered payroll was 23.8%. The Authority established the RHC Trust fund in November 2006 and as of the actuarial valuation date of December 31, 2010, the actuarial value of net assets held by the RHC Trust was $12,337,427, the actuarial accrued liability was $17,797,668 and the funded ratio was 69.3%. As of June 30, 2011, the RHC Trust had $12,710,211 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 are revised estimates are made about the future. In the actuarial valuation, the entry age-cost method was used. The actuarial assumptions include a 6.25% long term investment rate of return per annum (compounded annually, that includes a 4.5% inflation rate, 2.5% real rate of return, 4.5% salary scale and a 3.5% salary growth). The projected healthcare cost trend is 10.0% initially, reduced by decrements to an ultimate rate of 5.5% after 9 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The UAAL was amortized over 30 years in calculating the 2010-11 fiscal year ARC.

Schedule 2

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

Combining Schedule of Net Assets

June 30, 2011

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	$ 720,135,777	99,810,827	32,690,582	322,392,703	216,080,023	1,391,109,912
Investments	4,523,890	—	—	—	—	4,523,890
Interest receivable – investments	319,830	21,737	13,235	397,480	13,192	765,474
Mortgage and other loans receivable	2,519,901	58,740,577	22,441,074	72,850,013	10,649,397	167,200,962
Interest receivable – mortgage and other loans	1,213,703	16,550,757	2,523,371	16,448,953	1,653,900	38,390,684
Other real estate owned	532,393	5,237,444	3,895,488	36,206,888	—	45,872,213
Other assets	6,599,367	808,616	497,976	2,378,913	—	10,284,872
Total current assets	735,844,861	181,169,958	62,061,726	450,674,950	228,396,512	1,658,148,007
Noncurrent assets:						
Investments	65,492,285	6	900,281	93,304,747	—	159,697,319
Mortgage and other loans receivable	96,156,239	2,821,374,836	464,928,000	3,996,654,654	506,791,653	7,885,905,382
Less allowance for loan loss	8,395,573	49,575,274	10,132,537	58,241,481	1,183,083	127,527,948
Less net deferred loan fees	565,049	40,371,008	3,465,760	(16,162,790)	(3,957,971)	24,281,056
Mortgage and other loans receivable, net	87,195,617	2,731,428,554	451,329,703	3,954,575,963	509,566,541	7,734,096,378
Investment in rental property, net	—	50,919,031	7,419,512	—	—	58,338,543
Property, furniture, and equipment, less accumulated depreciation and amortization of $23,438,363	9,543,542	7,029,786	8,426,612	—	—	24,999,940
Unamortized bond issuance expenses	362,750	1,549,919	1,215,872	1,187,017	1,048,638	5,364,196
Other assets	3,352,291	—	—	—	—	3,352,291
Total noncurrent assets	165,946,485	2,790,927,296	469,291,980	4,049,067,727	510,615,179	7,985,848,667
Total assets	$ 901,791,346	2,972,097,254	531,353,706	4,499,742,677	739,011,691	9,643,996,674

Schedule 2

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

Combining Schedule of Net Assets

June 30, 2011

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	$ 534,170,752	81,390,000	11,575,000	177,437,901	18,000,000	822,573,653
Accrued interest payable on notes and bonds	28,822	34,181,206	7,442,780	54,426,243	2,719,409	98,798,460
Housing Choice Voucher contributions payable	212,905	—	—	—	—	212,905
Escrows	44,752,270	—	—	—	—	44,752,270
Accounts payable and other liabilities	7,517,855	406,648	142,632	6,158,849	—	14,225,984
Total current liabilities	586,682,604	115,977,854	19,160,412	238,022,993	20,719,409	980,563,272
Noncurrent liabilities:						
Bonds payable, net	—	2,198,928,491	344,048,132	2,900,905,091	705,915,453	6,149,797,167
Project reserves	166,442,678	—	—	—	—	166,442,678
Other liabilities	(5,247,719)	29,190,715	4,499,851	567,626	—	29,010,473
Total noncurrent liabilities	161,194,959	2,228,119,206	348,547,983	2,901,472,717	705,915,453	6,345,250,318
Total liabilities	747,877,563	2,344,097,060	367,708,395	3,139,495,710	726,634,862	7,325,813,590
Net assets:						
Invested in capital assets, net of related debt	9,456,029	14,878,932	(4,653,985)	—	—	19,680,976
Restricted by bond indentures	—	613,121,262	168,299,296	1,360,246,967	12,376,829	2,154,044,354
Unrestricted	144,457,754	—	—	—	—	144,457,754
Total net assets	153,913,783	628,000,194	163,645,311	1,360,246,967	12,376,829	2,318,183,084
Total liabilities and net assets	$ 901,791,346	2,972,097,254	531,353,706	4,499,742,677	739,011,691	9,643,996,674

See accompanying independent auditors' report.

Schedule 3

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, 2011

	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	$ 3,037,691	203,403,230	34,252,525	247,993,953	16,439,257	505,126,656
Pass-through grants income	157,788,891	—	—	—	—	157,788,891
Housing Choice Voucher program income	72,812,764	—	—	—	—	72,812,764
Investment in rental property income	—	10,142,060	3,057,622	—	—	13,199,682
Gains and recoveries on sale of other real estate owned	—	594,434	43,617	1,026,930	100	1,665,081
Other	8,594,723	1,503,303	921,843	736,710	—	11,756,579
Total operating revenues	242,234,069	215,643,027	38,275,607	249,757,593	16,439,357	762,349,653
Operating expenses:						
Interest on notes and bonds	886,418	131,091,633	19,191,839	155,739,916	14,378,267	321,288,073
Salaries and related employee benefits	33,211,365	—	—	—	—	33,211,365
General operating expenses	18,146,259	201,978	347,888	—	—	18,696,125
Note and bond expenses	546,921	—	—	—	—	546,921
Amortization of bond issuance expenses	32,542	353,861	205,551	88,705	29,330	709,989
Pass-through grants expenses	157,788,891	—	—	—	—	157,788,891
Housing Choice Voucher program expenses	70,943,848	—	—	—	—	70,943,848
External mortgage servicing expenses	480,790	—	4,419	374,640	—	859,849
Investment in rental property expenses	—	11,085,739	3,004,594	—	—	14,090,333
Losses and expenses on other real estate owned	472,410	6,928,129	4,915,778	29,805,149	26,768	42,148,234
Provision for loan losses	5,121,249	4,387,847	(1,911,348)	12,563,573	877,179	21,038,500
Total operating expenses	287,630,693	154,049,187	25,758,721	198,571,983	15,311,544	681,322,128
Operating income (expense)	(45,396,624)	61,593,840	12,516,886	51,185,610	1,127,813	81,027,525
Nonoperating revenues:						
Investment income	3,597,854	5,036,770	142,381	5,955,988	554,474	15,287,467
Other, net	55,037	—	—	—	—	55,037
Total nonoperating revenues	3,652,891	5,036,770	142,381	5,955,988	554,474	15,342,504
Income (loss) before transfers	(41,743,733)	66,630,610	12,659,267	57,141,598	1,682,287	96,370,029
Transfers between funds	28,682,016	87,530,547	5,968,445	(130,391,656)	8,210,648	—
Change in net assets	(13,061,717)	154,161,157	18,627,712	(73,250,058)	9,892,935	96,370,029
Total net assets, beginning of year	166,975,500	473,839,037	145,017,599	1,433,497,025	2,483,894	2,221,813,055
Total net assets, end of year	$ 153,913,783	628,000,194	163,645,311	1,360,246,967	12,376,829	2,318,183,084

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, 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	$ 512,447,173	113,175,904	30,426,058	207,993,917	354,833,974	1,218,877,026
Investments	55,328,415	—	—	—	—	55,328,415
Interest receivable – investments	392,527	44,660	12,330	289,154	13,685	752,356
Mortgage and other loans receivable	2,060,575	56,170,108	23,285,291	75,229,786	3,738,736	160,484,496
Interest receivable – mortgage and other loans	1,043,092	16,022,553	2,733,368	18,042,701	516,242	38,357,956
Other real estate owned	445,861	6,600,465	1,532,855	25,863,748	—	34,442,929
Other assets	5,932,673	253,125	3,001,328	1,690,732	943,402	11,821,260
Total current assets	577,650,316	192,266,815	60,991,230	329,110,038	360,046,039	1,520,064,438
Noncurrent assets:						
Investments	59,006,899	20,703,034	921,861	66,266,414	—	146,898,208
Mortgage and other loans receivable	71,285,992	2,786,815,496	497,604,294	4,460,991,969	232,936,365	8,049,634,116
Less allowance for loan loss	3,274,324	45,187,427	12,043,885	45,677,908	305,904	106,489,448
Less net deferred loan fees	422,858	40,918,893	3,650,882	(16,801,773)	(795,948)	27,394,912
Mortgage and other loans receivable, net	67,588,810	2,700,709,176	481,909,527	4,432,115,834	233,426,409	7,915,749,756
Investment in rental property, net	751,982	41,560,192	3,995,362	—	—	46,307,536
Property, furniture, and equipment, less accumulated depreciation and amortization of $27,402,289	8,932,029	6,793,295	8,774,499	—	—	24,499,823
Unamortized bond issuance expenses	385,844	2,880,442	1,421,423	1,272,955	788,084	6,748,748
Other assets	581,346	—	8,008	361,640	—	950,994
Total noncurrent assets	137,246,910	2,772,646,139	497,030,680	4,500,016,843	234,214,493	8,141,155,065
Total assets	$ 714,897,226	2,964,912,954	558,021,910	4,829,126,881	594,260,532	9,661,219,503

Schedule 4

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

Combining Schedule of Net Assets

June 30, 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	$ 327,990,000	70,825,000	11,220,000	170,806,478	3,200,000	584,041,478
Accrued interest payable on notes and bonds	48,374	37,649,230	8,339,175	58,004,985	1,938,285	105,980,049
Housing Choice Voucher contributions payable	7,552	—	—	—	—	7,552
Escrows	43,051,071	—	—	—	—	43,051,071
Accounts payable and other liabilities	8,625,208	398,303	111,251	10,118,434	—	19,253,196
Total current liabilities	379,722,205	108,872,533	19,670,426	238,929,897	5,138,285	752,333,346
Noncurrent liabilities:						
Bonds payable, net	—	2,352,487,988	389,879,120	3,154,545,896	586,638,353	6,483,551,357
Project reserves	174,820,180	—	—	—	—	174,820,180
Other liabilities	(6,620,659)	29,713,396	3,454,765	2,154,063	—	28,701,565
Total noncurrent liabilities	168,199,521	2,382,201,384	393,333,885	3,156,699,959	586,638,353	6,687,073,102
Total liabilities	547,921,726	2,491,073,917	413,004,311	3,395,629,856	591,776,638	7,439,406,448
Net assets:						
Invested in capital assets, net of related debt	8,693,754	(5,741,825)	(8,701,217)	—	—	(5,749,288)
Restricted by bond indentures	—	479,580,862	153,718,816	1,433,497,025	2,483,894	2,069,280,597
Unrestricted	158,281,746	—	—	—	—	158,281,746
Total net assets	166,975,500	473,839,037	145,017,599	1,433,497,025	2,483,894	2,221,813,055
Total liabilities and net assets	$ 714,897,226	2,964,912,954	558,021,910	4,829,126,881	594,260,532	9,661,219,503

See accompanying independent auditors' report.

Schedule 5

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, 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	$ 2,778,267	196,887,734	37,524,516	273,393,771	2,224,859	512,809,147
Pass-through grants income	128,264,102	—	—	—	—	128,264,102
Housing Choice Voucher program income	69,320,793	—	—	—	—	69,320,793
Investment in rental property income	—	10,828,279	2,669,114	—	—	13,497,393
Gains and recoveries on sale of other real estate owned	(1)	4,402,096	25,454	501,706	—	4,929,255
Other	8,688,430	361,782	1,085,193	3,236,276	—	13,371,681
Total operating revenues	209,051,591	212,479,891	41,304,277	277,131,753	2,224,859	742,192,371
Operating expenses:						
Interest on notes and bonds	384,406	139,309,952	21,961,654	172,304,251	3,425,827	337,386,090
Salaries and related employee benefits	31,804,552	—	—	—	—	31,804,552
General operating expenses	16,223,567	217,220	463,854	—	—	16,904,641
Note and bond expenses	558,425	—	—	—	—	558,425
Amortization of bond issuance expenses	52,125	344,997	289,696	241,436	14,038	942,292
Pass-through grants expenses	128,264,102	—	—	—	—	128,264,102
Housing Choice Voucher program expenses	69,780,762	—	—	—	—	69,780,762
External mortgage servicing expenses	85,296	—	12,448	1,252,456	—	1,350,200
Investment in rental property expenses	20,362	10,034,053	2,782,941	—	—	12,837,356
Losses and expenses on other real estate owned	701,249	8,939,193	2,365,795	20,743,804	—	32,750,041
Provision for loan losses	(592,672)	15,838,237	4,975,404	4,804,369	305,904	25,331,242
Total operating expenses	247,282,174	174,683,652	32,851,792	199,346,316	3,745,769	657,909,703
Operating income (expense)	(38,230,583)	37,796,239	8,452,485	77,785,437	(1,520,910)	84,282,668
Nonoperating revenues:						
Investment income	5,742,503	7,554,421	222,242	4,125,413	400,888	18,045,467
Other, net	70,938	—	—	—	—	70,938
Total nonoperating revenues	5,813,441	7,554,421	222,242	4,125,413	400,888	18,116,405
Income (loss) before transfers	(32,417,142)	45,350,660	8,674,727	81,910,850	(1,120,022)	102,399,073
Transfers between funds	45,408,438	(4,240,369)	5,840,375	(50,612,360)	3,603,916	—
Change in net assets	12,991,296	41,110,291	14,515,102	31,298,490	2,483,894	102,399,073
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 year	$ 166,975,500	473,839,037	145,017,599	1,433,497,025	2,483,894	2,221,813,055

See accompanying independent auditors' report.

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

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, 2011, and have issued our report thereon dated September 20, 2011. 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*.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

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 20, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

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") applicable to the Offered Bonds 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. This summary does not apply to Subject Bonds issued prior to December 1, 2010.

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.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Obligated Person" means any person, including the Authority, who is either generally or through an enterprise, fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on any Subject Bonds to be sold in an offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The term "Obligated Person" shall not include the mortgagor of any Mortgage Loan.

"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;

(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;

(i) the following financial information about the Authority excluding the effects of GASB 31 adjustments (if applicable)

Excess of revenues over expenses

Fund balances at end of period

Fund balance of the General Fund at end of period;

(j) principal amount of the Authority's bonds (if any) which are multi-modal and subject to periodic remarketings; and

(k) amount of any credit agreements (if any) under which the Authority may borrow funds, and the outstanding principal amount that has been borrowed by the Authority.

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 (k) 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 (k) 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 not in excess of ten business days after the occurrence of an event, to the MSRB of the occurrence of any of the following events with respect to the Subject Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status (if applicable) of any Subject Bonds, or other material events affecting the tax status of any Subject Bonds;

(vii) modifications to rights of Holders, if material;

(viii) Subject Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Subject Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Obligated Person;

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

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

Notwithstanding the foregoing, unless the Rule requires otherwise, notice of the events described in items (viii) and (ix) 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 an event listed above; 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 $19,500,000 Rental Housing Bonds, 2011 Series C-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 5, 2011, entitled "Bond Limitations Resolution" (the "Bond Limitations Resolution"); and the Written Determinations of an Authorized Officer of the Authority dated November 8, 2011 and executed and delivered in accordance with the Bond Limitations 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 the Authority's obligations under the terms and conditions of the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Authority, 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 November 1, 2011, and its Official Statement for the Bonds dated November 8, 2011.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 (herein called the "Authority") in connection with the offering of $19,500,000 Rental Housing Bonds, 2011 Series C-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 5, 2011, 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, without 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 income tax purposes pursuant to Section 103 of the Code, except that 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", 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. 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 and the mortgagor 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 Section 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 opinion above.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

VIRGINIA HOUSING DEVELOPMENT AUTHORITY • RENTAL HOUSING BONDS, 2011 SERIES C-NON-AMT

FSC
www.fsc.org
MIX
From responsible sources
FSC™ C017146

Printed by: ImageMaster
www.ImageMaster.com