NEW ISSUE - Book-Entry Only

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds (the "Tax Code"); however (a) interest on the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2002 Series B-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. Interest on the Taxable 2002 Series B-1 Bonds and the Taxable 2002 Series B-2 Bonds is not excluded from gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel, the 2002 Series B Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2002 Series B Bonds. See "Part I-TAX MATTERS."

$179,340,000
COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Mortgage Bonds

$15,000,000	$60,000,000	$40,000,000	$5,000,000	$15,000,000	$44,340,000
Taxable Class I Adjustable Rate Bonds 2002 Series B-1	Taxable Class I Adjustable Rate Bonds 2002 Series B-2	Class I Adjustable Rate Bonds 2002 Series B-3 (non-AMT)	Class II Bonds 2002 Series B-4 (AMT)	Class III Bonds 2002 Series B-5 (AMT)	Class I Bonds 2002 Series B-6 (AMT)

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

The 2002 Series B Bonds are being issued by the Colorado Housing and Finance Authority in the series shown above as fully registered bonds pursuant to a Master Indenture of Trust and a 2002 Series B Indenture, each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee. The proceeds of the 2002 Series B Bonds, or amounts exchanged therefor, will be (i) used to refund and redeem certain of the Authority's outstanding obligations, (ii) deposited to certain funds established under the Indenture, and (iii) used by the Trustee to purchase guaranteed or conventional insured or uninsured mortgage loans made to finance single family residences in the State of Colorado.

The Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds and the 2002 Series B-3 Bonds (the "**2002B Adjustable Rate Bonds**") initially will bear interest at respective weekly rates (each, the "**Weekly Rate**") determined prior to the date of delivery of the 2002B Adjustable Rate Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers Inc. in its capacity as Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first Interest Period, the interest rate on the Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds or the 2002 Series B-3 Bonds, respectively, may be adjusted at the election of the Authority to a Daily Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Term Rate or SAVRS Rate, or may be converted to bear interest at Fixed Interest Rates, as described herein. The Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds and the 2002 Series B-3 Bonds need not bear the same interest rate. The 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds will bear interest at the fixed interest rates shown on the inside front cover. Interest on the 2002 Series B Bonds will be payable on each May 1 and November 1, commencing on May 1, 2003, on any redemption date, on any mandatory tender date, and at maturity.

While any of the 2002B Adjustable Rate Bonds are in a Weekly Mode Period, owners of any such 2002 Series B Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for each series of such 2002B Adjustable Rate Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by separate Standby Bond Purchase Agreements (referred to herein collectively as the "**Initial 2002B Liquidity Facility**") among the Authority, Lloyds TSB Bank plc (the "**2002B Liquidity Facility Provider**") and Zions First National Bank, as Tender Agent. Coverage under the Initial 2002B Liquidity Facility, unless extended or earlier terminated, is stated to expire on July 18, 2005. **Under certain circumstances described herein, the obligation of the 2002B Liquidity Facility Provider to purchase 2002B Adjustable Rate Bonds tendered for purchase under the Initial 2002B Liquidity Facility or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or suspension of such obligation will be immediate and without notice to such owners. In such event, sufficient funds may not be available to purchase such 2002B Adjustable Rate Bonds. The Authority is not obligated to purchase 2002B Adjustable Rate Bonds tendered for purchase if remarketing proceeds and payments under the Initial 2002B Liquidity Facility are insufficient to pay the purchase price of such 2002B Adjustable Rate Bonds.**

The 2002 Series B Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2002 Series B Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of each maturity of the 2002 Series B Bonds will be registered in the name of Cede & Co. Individual purchases of 2002 Series B Bonds will be made in book-entry form only, and beneficial owners of the 2002 Series B Bonds will not receive physical delivery of bond certificates representing their interest in the 2002 Series B Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2002 Series B Bonds. Payments of principal of and interest on the 2002 Series B Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2002 Series B Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Maturity Schedules on Inside Front Cover

The 2002 Series B Bonds are subject to special redemption, optional redemption and sinking fund redemption prior to maturity as described herein.

The Master Indenture provides for four classes of Bonds or Auxiliary Obligations thereunder – Class I, Class II, Class III and Class IV Obligations. The 2002 Series B Bonds are being issued as Class I, Class II and Class III Bonds. The Class I 2002 Series B Bonds (comprised of the Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds, the 2002 Series B-3 Bonds and the 2002 Series B-6 Bonds) and the 2002 Series B-4 Bonds (being issued as Class II Bonds) are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Master Indenture as described herein. The 2002 Series B-5 Bonds will be so secured by a pledge under the Master Indenture on an equal and ratable basis with all other Class III Obligations now or hereafter outstanding under the Master Indenture and will also be payable as general obligations of the Authority. Additional Bonds or Auxiliary Obligations may be issued or incurred by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Certificate and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2002 Series B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any political subdivision thereof other than the general credit of the Authority, which general credit is not being pledged for the payment of the 2002 Series B Bonds other than the 2002 Series B-5 Bonds.**

The 2002 Series B Bonds are offered when, as and if issued and delivered, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel and certain other conditions. Certain legal matters will be passed on for the Authority by James A. Roberts, Esq., its Director of Legal Operations; by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority; and for the 2002B Liquidity Facility Provider by its special counsel, Winston & Strawn, and by its English counsel. The Underwriters are being represented in connection with their purchase of the 2002 Series B Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the 2002 Series B Bonds. For details of the Underwriters' compensation, see "Part I-UNDERWRITING AND PLACEMENT" herein. It is expected that the 2002 Series B Bonds will be delivered (through DTC) in New York, New York on or about July 18, 2002.

LEHMAN BROTHERS†

George K. Baum & Company **Newman & Associates, Inc.** **RBC Dain Rauscher Inc.**

Stifel, Nicolaus & Company Incorporated **US Bancorp Piper Jaffray, Inc.**
Hanifen Imhoff Division

A.G. Edwards & Sons, Inc. **Harvestons Securities, Inc.** **Salomon Smith Barney**

This Official Statement is dated June 27, 2002.

†Remarketing Agent for 2002B Adjustable Rate Bonds and sole underwriter for the 2002 Series B-6 Bonds

MATURITY SCHEDULES

$15,000,000
Taxable 2002 Series B-1 Bonds
(Cusip No. 196479EV7)

$15,000,000 Taxable Class I Adjustable Rate Bonds, 2002 Series B-1 due November 1, 2032 - Price: 100%

$60,000,000
Taxable 2002 Series B-2 Bonds
(Cusip No. 196479EW5)

$60,000,000 Taxable Class I Adjustable Rate Bonds, 2002 Series B-2 due November 1, 2030 - Price: 100%

$40,000,000
2002 Series B-3 Bonds (non-AMT)
(Cusip No. 196479EX3)

$40,000,000 Class I Adjustable Rate Bonds, 2002 Series B-3 due November 1, 2021 - Price: 100%

$5,000,000
2002 Series B-4 Bonds (AMT)
(Cusip No. 196479)

$1,000,000 of 5.40% Class II Term Bonds, 2002 Series B-4 due May 1, 2032 - Price: 100% (CUSIP: ES4)
$4,000,000* of 5.40% Class II Term Bonds, 2002 Series B-4 due November 1, 2032 - Price: 100% (CUSIP: ET2)

$15,000,000
2002 Series B-5 Bonds (AMT)
(Cusip No. 196479EU9)

$15,000,000 of 4.80% Class III PAC Term Bonds, 2002 Series B-5 due May 1, 2030 - Price: 100%

$44,340,000
2002 Series B-6 Bonds (AMT)
(Cusip No. 196479ER6)

$44,340,000 of 1.60% Class I Bonds, 2002 Series B-6 due July 1, 2003 - Price: 100%

*The 2002 Series B-4 Bonds maturing on November 1, 2032 are being purchased directly from the Authority by an institutional purchaser.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2002 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and it is not to be construed as the promise or guarantee of the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

All information for investors regarding the Authority and the 2002 Series B Bonds is contained in this Official Statement. While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the 2002 Series B Bonds, the Mortgage Loans, the 2002B Liquidity Facility Provider or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2002 SERIES B BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2002 SERIES B BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2002 Series B Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

This Official Statement is comprised of the front cover page and inside front cover, Parts I and II and the Appendices.

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OFFICIAL STATEMENT

$179,340,000
COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Mortgage Bonds

$15,000,000 Taxable Class I Adjustable Rate Bonds 2002 Series B-1	**$60,000,000 Taxable Class I Adjustable Rate Bonds 2002 Series B-2**	**$40,000,000 Class I Adjustable Rate Bonds 2002 Series B-3 (non-AMT)**	**$5,000,000 Class II Bonds 2002 Series B-4 (AMT)**	**$15,000,000 Class III Bonds 2002 Series B-5 (AMT)**	**$44,340,000 Class I Bonds 2002 Series B-6 (AMT)**

PART I

INTRODUCTION

This Official Statement, which includes the front cover and inside front cover, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned bonds (the "**2002 Series B Bonds**"). The 2002 Series B Bonds are being issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "**Master Indenture**"), and the 2002 Series B Indenture dated as of July 1, 2002 (the "**2002 Series B Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE " in **Appendix A** and "CERTAIN DEFINITIONS WITH RESPECT TO ADJUSTABLE RATE BONDS" in **Appendix J** to this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page and inside front cover, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2002 Series B Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriters, and any one or more owners of the 2002 Series B Bonds.

Colorado Housing and Finance Authority

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the purpose of increasing the supply of decent, safe and sanitary housing for low and moderate income families. In order to achieve its authorized purposes, the Authority currently operates numerous housing and commercial loan programs. See "Part II –COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date." The 2002 Series B Bonds are being offered, among other things, to provide funds to purchase and originate Mortgage Loans under the Authority's Single Family Mortgage Program. Proceeds of the 2002 Series B Bonds may not be used to finance any activities of the Authority other than the Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority is governed by a Board of Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes. *For financial information concerning the Authority, see certain financial statements of the Authority attached hereto as **Appendix G** hereto.*

Authority for Issuance

The 2002 Series B Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "**Act**"). The 2002 Series B Bonds are being issued and secured under the Indenture.

Purposes of the 2002 Series B Bonds

Proceeds of the 2002 Series B Bonds and amounts exchanged therefor will be used to (i) repay an advance by the Authority made to redeem certain of the Authority's outstanding bonds in accordance with a funds exchange agreement, (ii) finance mortgage loans (the "**2002 Series B Mortgage Loans**") for borrowers purchasing single family residences in the State, and, in some cases, to assist certain borrowers with a portion of their cash requirements for closing the 2002 Series B Mortgage Loans, (iii) fund the debt service reserve fund requirement relating to the 2002 Series B Bonds, and (iv) pay costs of issuance associated with the 2002 Series B Bonds. See "Part I – PLAN OF FINANCE."

Description of the 2002 Series B Bonds

Interest Rates and Payments

The Authority's Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-1 (the "**Taxable 2002 Series B-1 Bonds**"), the Authority's Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-2 (the "**2002 Series B-2 Bonds**") and the Authority's Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3 (the "**2002 Series B-3 Bonds**" and together with the Taxable 2002 Series B-1 Bonds and the Taxable 2002 Series B-2 Bonds, the "**2002B Adjustable Rate Bonds**") initially will bear interest at respective Weekly Rates determined, adjusted and payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2003, as described in "Part I – TERMS OF THE 2002 SERIES B BONDS – 2002B Adjustable Rate Bonds" and computed on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed. The 2002B Adjustable Rate Bonds will be issued in Authorized Denominations. Interest on the Authority's Single Family Mortgage Class II Bonds, 2002 Series B-4 (the "**2002 Series B-4 Bonds**"), the Authority's Single Family Mortgage Class III Bonds, 2002 Series B-5 (the "**2002 Series B-5 Bonds**"), the Authority's Single Family Mortgage Class I Bonds, 2002 Series B-6 (the "**2002 Series B-6 Bonds**" and, together with the 2002 Series B-4 Bonds and the 2002 Series B-5 Bonds, the "**2002B Fixed Rate Bonds**") is payable at the rates shown on the inside front cover hereof on May 1, 2003 and thereafter semiannually on May 1 and November 1 of each year, to be computed on the basis of a 360-day year of twelve 30-day months. See "Part I – TERMS OF THE 2002 SERIES B BONDS – 2002B Fixed Rate Bonds." The 2002B Fixed Rate Bonds are to be issued in denominations of $5,000 or any integral multiple thereof. Principal of the 2002 Series B Bonds is payable in the amounts and on the dates as shown on the inside front cover hereof, subject to prior redemption or purchase.

Redemption and Tender

Certain of the 2002 Series B Bonds are subject to special, optional and sinking fund redemption, and the 2002B Adjustable Rate Bonds are also subject to optional and mandatory tender for purchase, prior to maturity as described under "Part I – TERMS OF THE 2002 SERIES B BONDS." See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2002 Series B Bonds and the Indenture pursuant to which such 2002 Series B Bonds are being issued, see "Part I – TERMS OF THE 2002 SERIES B BONDS" and Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Security and Sources of Payment

All Bonds and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Mortgage Loans (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" and **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO." In accordance with the Master Indenture, any Bonds or Auxiliary Obligations may be outstanding as Class I, Class II, Class III or Class IV Obligations, and may also be designated as General Obligations of the Authority. As of June 1, 2002, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of $203,450,000 for the Class I Bonds and $22,455,000 for the Class II Bonds. No Class III Bonds, Class IV Bonds or Bonds designated as general obligations of the Authority were outstanding under the Master Indenture as of such date. See "Part I – PLAN OF FINANCE," "Part I – CERTAIN PROGRAM ASSUMPTIONS" and **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."

The 2002 Series B Bonds as described on the inside front cover hereof are being issued as Class I Obligations, Class II Obligations and Class III Obligations pursuant to the Indenture and will be payable and secured by the Trust Estate as described herein. The 2002 Series B-5 Bonds will also be payable as general obligations of the Authority. No 2002 Series B Bonds are being issued as Class IV Obligations. The 2002 Series B Bonds will be secured by amounts deposited to the Debt Service Reserve Fund established under the Indenture. **In no event shall the 2002 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit is not being pledged for payment of the 2002 Series B Bonds other than the 2002 Series B-5 Bonds.** Upon delivery of the 2002B Adjustable Rate Bonds, the Authority will enter into separate Standby Bond Purchase Agreements to establish a liquidity facility for each series of the 2002B Adjustable Rate Bonds (collectively, the "**Initial 2002B Liquidity Facility**") with the Lloyds TSB Bank plc, as the initial standby bond purchaser (referred to herein as the "**2002B Liquidity Facility Provider**"). See **Appendix C** – "CERTAIN TERMS OF THE INITIAL 2002B LIQUIDITY FACILITY" and **Appendix D** – "2002B LIQUIDITY FACILITY PROVIDER." UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE 2002B LIQUIDITY FACILITY PROVIDER TO PURCHASE 2002B ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2002B ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS OF THE 2002B ADJUSTABLE RATE BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2002B LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2002B ADJUSTABLE RATE BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2002 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver an opinion in the form included as **Appendix E** hereto. See "Part I – TAX

MATTERS." Certain legal matters relating to the 2002 Series B Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole. Certain legal matters will be passed upon for the Authority by its Director of Legal Operations, James A. Roberts, Esq.; by Hogan & Hartson, L.L.P., Disclosure Counsel to the Authority; and for the 2002B Liquidity Facility Provider by its special counsel, Winston & Strawn, and by its English counsel.

Availability of Continuing Information

In connection with issuance of the 2002B Fixed Rate Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix L** hereto, by which the Authority will agree to provide certain annual financial information and audited financial statements commencing with the fiscal year ending December 31, 2002. **The Authority has <u>not</u> agreed to provide continuing financial or other information for the benefit of the owners of the 2002B Adjustable Rate Bonds while in any Daily, Weekly, Monthly or Quarterly Mode. The Authority previously failed to comply with the disclosure agreements relating to certain of its outstanding multi-family revenue bonds by not meeting requirements to forward to each National Repository then designated by the Securities and Exchange Commission audited financials provided to the Authority by certain of the sponsors relating to such bonds. All such financial statements have been so forwarded, and the Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds.**

Investment Considerations

The purchase and ownership of the 2002 Series B Bonds involve investment risks. Prospective purchasers of the 2002 Series B Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2002 Series B Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2002 SERIES B BONDS

General Terms

Payment

The principal or redemption price of the 2002 Series B Bonds is payable at the corporate trust office of Zions First National Bank, the Paying Agent and the Trustee for the 2002 Series B Bonds. Interest on the 2002 Series B Bonds will be payable on the Interest Payment Dates to Cede & Co.

Book-Entry System

DTC will act as securities depository for the 2002 Series B Bonds. The ownership of one fully registered Bond for each maturity as set forth on the inside front cover, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix H – "BOOK-ENTRY SYSTEM." So long as the 2002 Series B Bonds are registered in the DTC book-entry form described in Appendix H, each Beneficial Owner of a 2002 Series B Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2002 Series B Bonds.**

Defeasance and Discharge

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2002 Series B Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on such 2002 Series B Bonds at the maturity or redemption thereof. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."

2002B Fixed Rate Bonds

The 2002B Fixed Rate Bonds, to be dated the date of delivery thereof, will bear interest at the rates, and will mature, subject to prior redemption as described in "Prior Redemption" under this caption, in the amounts and on the dates as shown on the inside front cover of this Official Statement. Interest on the 2002B Fixed Rate Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable each May 1 and November 1, commencing May 1, 2003, and at maturity. The 2002B Fixed Rate Bonds will be issued as fully registered bonds without coupons. Purchases of the 2002B Fixed Rate Bonds are to be made in denominations of $5,000 or any integral multiple thereof. The 2002B Fixed Rate Bonds are to be redeemed as described in "Prior Redemption" under this caption.

2002B Adjustable Rate Bonds

Generally

The 2002B Adjustable Rate Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amounts and on the dates as shown on the inside front cover of this Official Statement. The Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds and the 2002 Series B-3 Bonds initially will bear interest at respective Weekly Rates determined prior to the date of delivery by Lehman Brothers Inc., as the initial 2002B Remarketing Agent, and the initial Effective Rate Period therefor shall commence on the date of delivery thereof and end on July 23, 2002* (both dates inclusive). In the case of the Weekly Mode, the Rate Determination Date is each Tuesday and the Effective Rate Date is each Wednesday following the Rate Determination Date. At any time following the first Effective Rate Period for each series of 2002B Adjustable Rate Bonds, the Authority may elect to adjust the interest rate on the respective 2002B Adjustable Rate Bonds to a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Term Rate or SAVRS Rate, or may convert such Bonds to bear interest at Fixed Interest Rates until their respective maturities or prior redemption or purchase, as described herein. While the 2002B Adjustable Rate Bonds are in an Effective Rate Period for a Mode other than a SAVRS Rate Mode, interest will be payable on each May 1 and November 1, commencing May 1, 2003, on any redemption date or Mandatory Tender Date and on the maturity date.

While in an Effective Rate Period for a Mode (other than a SAVRS Rate Mode, a Semiannual Mode or a Term Mode), interest on the 2002B Adjustable Rate Bonds is to be calculated on the basis of a 365/366 day year for the actual number of days elapsed. The 2002B Adjustable Rate Bonds in any Mode (other than a SAVRS Rate Mode, a Semiannual Mode or a Term Mode) may be purchased in denominations of $100,000 or integral multiples of $5,000 in excess of $100,000. The 2002B Adjustable Rate Bonds in a SAVRS Rate Mode is to be computed on the basis of a 360-day year for the number of days actually elapsed and may be purchased in denominations of $25,000 or integral multiples of $5,000 in excess of $25,000. While in an Effective Rate Period for a Semiannual Mode, a Term Mode or on and after the Conversion Date, interest on such 2002B Adjustable Rate Bonds is to be calculated on the basis of a 360-day year comprised of twelve 30-day months and such 2002B Adjustable Rate Bonds may be purchased in denominations of $5,000, or any integral multiples thereof. The 2002B Adjustable Rate Bonds are to be redeemed as described in "Prior Redemption" under this caption.

Reference is hereby made to **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS" for a summary of certain provisions relating to Adjustable Rate Bonds under the Indenture, including the 2002B Adjustable Rate Bonds, with such provisions more fully described herein.

Determination of Interest Rate

General. The 2002B Adjustable Rate Bonds may bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a SAVRS Rate, unless such 2002B Adjustable Rate Bonds are converted, in which case such Bonds shall bear interest at Fixed Interest Rates until their respective maturities or prior redemption. The Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds and the 2002 Series B-3 Bonds need not bear the same interest rate. At any particular time, however, all 2002B Adjustable Rate Bonds of any series must be in the same Mode, provided that the interest rate on a portion of the 2002B Adjustable Rate Bonds of a series may be Converted to Fixed Interest Rates or changed to a SAVRS Rate. Reference is made to **Appendix J** – "CERTAIN DEFINITIONS WITH RESPECT TO ADJUSTABLE RATE BONDS" for a description of certain of the terms defined below. The Mode of each Series of the 2002B Adjustable Rate Bonds from the delivery date until further designation by the Authority will be the Weekly Mode Period. Thereafter, unless Conversion has occurred, the Authority may designate an Alternate Mode Period with respect to any of the 2002B Adjustable Rate Bonds as described in "Interest on the 2002B Adjustable Rate Bonds other than SAVRS Rate Bonds Prior to Conversion " under this caption. The interest rate on the 2002B Adjustable Rate Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2002B Remarketing Agent in accordance with the Indenture as described below. The interest on the 2002B Adjustable Rate Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period will be determined pursuant to auctions conducted in accordance with procedures set forth in the Master Indenture. *This Official Statement does not contain a detailed description of SAVRS Rate Bonds, auction procedures and other relevant information relating thereto.*

*Conversion of the interest rate on the 2002B Adjustable Rate Bonds such that all of the 2002B Adjustable Rate Bonds of a particular series bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of the related Initial 2002B Liquidity Facility. See **Appendix C** – "CERTAIN TERMS OF THE INITIAL 2002B LIQUIDITY FACILITY."*

Interest on the 2002B Adjustable Rate Bonds other than SAVRS Rate Bonds Prior to Conversion. From the date of initial authentication and delivery of the 2002B Adjustable Rate Bonds to and including the day preceding the next Effective Rate Date, the 2002B Adjustable Rate Bonds shall bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, the 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds) shall bear interest, commencing on the Effective Rate Date based on the current Mode, at the rate determined by the Remarketing Agent for the new Effective Rate Period (except for the 2002B Adjustable Rate Bonds that are held by the Liquidity Facility Provider which, in accordance with the Initial 2002B Liquidity Facility, shall bear interest at the Bank Interest Rate). In no event shall the interest rate borne by such 2002B Adjustable Rate Bonds exceed the Maximum Rate.

From time to time, by notice to the Notice Parties as required under the 2002 Series B Indenture, the Authority may designate an alternate Mode Period with respect to all or any portion of a Series of the 2002B Adjustable Rate Bonds. The Authority and the Trustee are each to give written notice of such Mode Change in accordance with the provisions described in the Mode Chart attached hereto as **Appendix I**. During each Mode Period, the Effective Rate with respect to the tax-exempt 2002B Adjustable Rate Bonds and the Effective Rate with respect to the taxable 2002B Adjustable Rate Bonds shall be that rate which, in the determination of the 2002B Remarketing Agent, would result as nearly as practicable in the market value of the tax-exempt 2002B Adjustable Rate Bonds and taxable 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds), respectively, on the Effective Rate Date being 100% of the principal amount thereof, and which is less than or equal to the Maximum Rate. The Effective Rate with respect to the tax-exempt 2002B Adjustable Rate Bonds and the Effective Rate with respect to the taxable 2002B Adjustable Rate Bonds is to be determined separately.

The 2002B Remarketing Agent, in determining the Effective Rate, shall take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt or taxable (as applicable) open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the 2002B Adjustable Rate Bonds, (b) bearing interest at an Adjustable Rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the 2002B Adjustable Rate Bonds; (2) other financial market rates and indices that may have a bearing on the Effective Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), indices maintained by The Bond Buyer, and other publicly available tax-exempt or taxable (as applicable) interest rate indices); (3) general financial market conditions; and (4) factors particular to the Authority and the 2002B Adjustable Rate Bonds.

The determination by the 2002B Remarketing Agent of the Effective Rate to be borne by the 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds and other than 2002B Adjustable Rate Bonds that are held by the 2002B Liquidity Facility Provider, which, in accordance with the Initial 2002B Liquidity Facility, shall bear interest at the Bank Interest Rate) shall be conclusive and binding on the Owners of such 2002B Adjustable Rate Bonds and the other Notice Parties except as otherwise provided in the 2002 Series B Indenture. Failure by the 2002B Remarketing Agent or the Trustee to give any notice required under the Indenture, or any defect in such notice, shall not affect the interest rate borne by the 2002B Adjustable Rate Bonds or the rights of the Owners thereof.

If for any reason the position of 2002B Remarketing Agent is vacant or the 2002B Remarketing Agent fails to act, the Effective Rate on the tax-exempt 2002B Adjustable Rate Bonds shall be the interest rate as determined or caused to be determined weekly by the Trustee, at the expense of the Authority, to be the lesser of (i) the BMA Index plus .20% or (ii) the Maximum Rate.

If for any reason the position of 2002B Remarketing Agent is vacant or the 2002B Remarketing Agent fails to act, the Effective Rate on the taxable 2002B Adjustable Rate Bonds shall be the interest rate as determined or caused to be determined weekly by the Trustee, at the expense of the Authority, to be the lesser of (i) One-Month LIBOR plus .20% or (ii) the Maximum Rate.

From and after a failure by the 2002B Liquidity Facility Provider to purchase any 2002B Adjustable Rate Bonds tendered or deemed tendered for purchase by the Owners thereof to and until the earlier of the related maturity date, a redemption date, a Mandatory Tender Date, the date on which such failure is cured by the 2002B Liquidity Facility Provider or the date of delivery of an Alternate Liquidity Facility, (A) the tax-exempt 2002B Adjustable Rate Bonds shall automatically bear interest in a Weekly Mode Period at an interest rate reset on a weekly basis to be the lesser of (i) the BMA Index plus .20% or (ii) the Maximum Rate, (B) and the taxable 2002B Adjustable Rate Bonds shall automatically bear interest in a Weekly Mode Period at an interest rate reset on a weekly basis to be the lesser of (i) One-Month LIBOR plus .20% or (ii) the Maximum Rate.

Conversion to Fixed Interest Rate

The 2002 Series B Indenture provides that the Authority has the option to convert all or a portion of the 2002B Adjustable Rate Bonds on any Effective Rate Date to 2002B Fixed Rate Bonds bearing Fixed Interest Rates, in accordance with the Indenture and as described herein. Prior to and as a condition to the Conversion of any of the 2002B Adjustable Rate Bonds, the Trustee must deliver a notice to the Owners thereof and to each National Repository specifying the Conversion Date, which Date shall be not less than 30 days following the receipt of such notice. No Fixed Interest Rate shall be established unless, on or before the Rate Determination Date for such Fixed Interest Rate Period, a Counsel's Opinion has been delivered to the Trustee to the effect that the Conversion to a Fixed Interest Rate in accordance with the provisions of the 2002 Series B Indenture is lawful under the Act, is permitted by the 2002 Series B Indenture and will not cause interest on the tax-exempt 2002 Series B Bonds to be included in gross income of the owners thereof for federal income tax purposes. Unless and until such conditions for Conversion are satisfied, the 2002B Adjustable Rate Bonds shall continue to bear interest at the Effective Rate. Upon any Conversion, the 2002B Adjustable Rate Bonds to be Converted shall be subject to mandatory tender as described in "Mandatory Tender" under this caption.

Owner's Election to Tender

Prior to Conversion, Owners of such 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds) may elect to tender their 2002B Adjustable Rate Bonds, which, if so tendered upon proper notice at the times and in the manner set forth in **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS," will be purchased on the next Effective Rate Date (or, in the case of 2002B Adjustable Rate Bonds in a Daily Mode or a Weekly Mode, on the purchase date specified in the Tender Notice) at a price equal to 100% of the principal amount thereof plus accrued interest. Such notice of optional tender for purchase of 2002B Adjustable Rate Bonds by the Owners thereof will be in writing and irrevocable once such notice is given to the 2002B Remarketing Agent while in a Daily, Weekly or Monthly Mode Period (in which event the 2002B Remarketing Agent shall promptly notify the Tender Agent of receipt of such notice), or to the Tender Agent while in a Quarterly, Semiannual or Term Mode Period, as directed in the 2002 Series B Indenture and described in **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS."

Holders of 2002B Adjustable Rate Bonds may not elect to tender their Bonds from and after a failure by the 2002B Liquidity Facility Provider to purchase any 2002B Adjustable Rate Bonds tendered or deemed tendered for purchase by the Owners thereof to and until the earlier of the related maturity date, redemption date, a Mandatory Tender Date, the date on which such failure is cured or the date of delivery of an Alternate Liquidity Facility.

Holders of the 2002B Adjustable Rate Bonds in a SAVRS Mode Period may not elect to tender their 2002B Adjustable Rate Bonds.

Failure of 2002B Liquidity Facility Provider to Purchase 2002B Adjustable Rate Bonds

Under the terms and provisions of the Remarketing Agreement and the Initial 2002B Liquidity Facility, the purchase price of 2002B Adjustable Rate Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the 2002B Adjustable Rate Bonds or from the 2002B Liquidity Facility Provider. The Authority is not responsible for any failure by a Liquidity Facility Provider to purchase 2002B Adjustable Rate Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2002 Series B Indenture. Failure to purchase a 2002B Adjustable Rate Bond tendered at the option of the

Owner or subject to mandatory tender for purchase as described above and in accordance with the 2002 Series B Indenture does not constitute an Event of Default under the Indenture.

Mandatory Tender

The 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds, Bank Bonds and Bonds owned by or on behalf of the Authority) or any portion thereof, as applicable, are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date (other than with respect to a Mode Change from a SAVRS Mode), (ii) with respect to a Liquidity Expiration Event, on a date not less than 5 days prior to the expiration or termination of the 2002B Liquidity Facility, and (iii) on any Conversion Date (each a "**Mandatory Tender Date**"), at a purchase price equal to 100% of the principal amount thereof plus accrued interest, subject to the conditions set forth in the 2002 Series B Indenture. See **Appendix J** – "CERTAIN DEFINITIONS WITH RESPECT TO ADJUSTABLE RATE BONDS." Upon any such event, the Trustee promptly shall deliver a notice of mandatory tender to Owners and to each National Repository stating the reason for the mandatory tender, the date of mandatory tender, and that all Owners of 2002B Adjustable Rate Bonds subject to such mandatory tender shall be deemed to have tendered their 2002B Adjustable Rate Bonds upon such date. **So long as all of the 2002B Adjustable Rate Bonds are registered in the name of Cede & Co., as nominee for DTC, such notice will only be delivered to DTC or its nominee as registered owner of such 2002B Adjustable Rate Bonds. DTC is responsible for notifying Participants, and Participants (and indirect participants in DTC) are responsible for notifying beneficial owners of the 2002B Adjustable Rate Bonds. Neither the Trustee nor the Authority is responsible for sending notices to beneficial owners. The Trustee is to give notice of any Mandatory Tender Date to Moody's and S&P at least 15 days prior to such date.**

On each date on which 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds) are required to be tendered and purchased, the 2002B Remarketing Agent is to use its best efforts as described herein to sell such 2002B Adjustable Rate Bonds at an Effective Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the 2002B Remarketing Agent is unable to remarket the 2002B Adjustable Rate Bonds so tendered, the 2002B Liquidity Facility Provider, subject to certain conditions precedent, is to purchase such Bonds in accordance with the Initial 2002B Liquidity Facility. See **Appendix C** – "CERTAIN TERMS OF THE INITIAL 2002B LIQUIDITY FACILITY."

Payment of Tendered 2002B Adjustable Rate Bonds

2002B Adjustable Rate Bonds that are tendered or deemed tendered under the terms of the 2002 Series B Indenture are to be purchased by the 2002B Remarketing Agent or the Tender Agent, as appropriate, upon surrender of such 2002B Adjustable Rate Bonds, but only from the sources listed below, from the Owners thereof by 4:30 p.m., New York City time, on the date such 2002B Adjustable Rate Bonds are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

(a) the proceeds of the sale of 2002B Adjustable Rate Bonds furnished to the 2002B Remarketing Agent by the purchasers thereof pursuant to the 2002 Series B Indenture; and

(b) moneys furnished to the Tender Agent pursuant to the 2002 Series B Indenture, representing the proceeds of a draw under the Initial 2002B Liquidity Facility.

On any Purchase Date, the 2002B Remarketing Agent is to offer for sale and use its best efforts to sell all such 2002B Adjustable Rate Bonds tendered or deemed tendered at a price equal to 100% of the principal amount thereof plus accrued interest. The 2002B Adjustable Rate Bonds so sold shall bear interest from the date of sale at the Effective Rate. The 2002B Remarketing Agent shall, not later than 10:00 a.m., New York City time, on any Purchase Date provide notice to the Tender Agent in accordance with the Remarketing Agreement of the aggregate principal amount of the 2002B Adjustable Rate Bonds that have been sold and the aggregate principal amount of 2002B Adjustable Rate Bonds that will be tendered but have not been sold.

On each Purchase Date, in the event that any 2002B Adjustable Rate Bonds tendered for purchase on such date are not remarketed, the Tender Agent shall, by no later than 10:30 a.m., New York City time, give the 2002B Liquidity Facility Provider electronic notice of the aggregate Purchase Price of the tendered 2002B Adjustable Rate Bonds less the proceeds received from the 2002B Remarketing Agent pursuant to the 2002 Series B Indenture, if any, required to be purchased by the Tender Agent pursuant to the 2002 Series B Indenture, and the amount of principal and interest, respectively, comprising such Purchase Price. As soon as the 2002B Liquidity Facility Provider makes such funds available to the Tender Agent for purchase of such 2002B Adjustable Rate Bonds, but in any event not later than 3:30 p.m., New York City time, the Tender Agent is required to purchase therewith, for the account of the 2002B Liquidity Facility Provider, that portion of the tendered 2002B Adjustable Rate Bonds for which immediately available funds are not otherwise then available for such purchases under the 2002 Series B Indenture.

Prior Redemption

Special Redemption

Unexpended Amounts in Acquisition Account. The 2002 Series B Bonds (other than the 2002 Series B-6 Bonds) are subject to special redemption prior to their respective stated maturities, as a whole or in part at a redemption price equal to 100% of the principal amount of the 2002 Series B Bonds or portions thereof to be so redeemed plus accrued interest to the date of redemption, without premium, at any time from amounts equal to moneys transferred from the subaccounts of the 2002 Series B subaccount of the Acquisition Account to the subaccounts of the 2002 Series B subaccount of the Redemption Fund. Amounts shall be allocated to subaccounts of the 2002 Series B subaccount of the Acquisition Account as described in "Part I – PLAN OF FINANCE – Deposit to Acquisition Account." The Indenture requires that the Trustee so transfer amounts equal to $50,000 or more which are not used to purchase 2002 Series B Mortgage Loans and remain on deposit in the 2002 Series B subaccount of the Acquisition Account pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred for any such purpose. Such amounts are to be transferred not later than July 1, 2005; provided that the Indenture permits the Authority to extend such date to a later date if the Authority has filed with the Trustee an Authority Request specifying a later date or dates for such withdrawal, accompanied by a Cash Flow Statement (unless the principal amount and term of such extension are covered by a previous Cash Flow Statement). See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Acquisition Account" and "Part I – PLAN OF FINANCE – Sources and Uses of Funds." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS," and "Part II – CERTAIN BONDOWNERS' RISKS – Special Considerations Relative to Loan Origination."

Amounts on deposit in the 2002 Series B subaccount of the Acquisition Account shall be transferred to the 2002 Series B subaccounts of the Redemption Fund to redeem 2002 Series B Class I Bonds (other than the 2002 Series B-6 Bonds), 2002 Series B Class II Bonds and 2002 Series B Class III Bonds as follows: (i) first, there shall be transferred to the applicable subaccounts of the 2002 Series B subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2002 Series B Class I Asset Requirement, calculated upon such transfer; (ii) second, there shall be transferred to the 2002 Series B subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2002 Series B Class II Asset Requirement, calculated upon such transfer; and (iii) third, the remainder of funds to be transferred shall be allocated to the applicable subaccounts of the 2002 Series B subaccount of the Class

I Special Redemption Account, the 2002 Series B subaccount of the Class II Special Redemption Account and the 2002 Series B subaccount of the Class III Special Redemption Account on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2002 Series B Class I Bonds, the Aggregate Principal Amount of Outstanding 2002 Series B Class II Bonds and the Aggregate Principal Amount of Outstanding 2002 Series B Class III Bonds, respectively, to the Aggregate Principal Amount of all 2002 Series B Bonds Outstanding. See **Appendix F** – "CLASS ASSET REQUIREMENTS FOR BONDS." Notwithstanding the provision described above, the moneys in the non-qualified loan subaccount of the 2002 Series B subaccount of the Acquisition Account are to be used only for the redemption of the Taxable 2002 Series B-1 Bonds. See "Part I – PLAN OF FINANCE – Deposit to Acquisition Account."

Subject to the provisions described in "Selection of 2002 Series B Bonds within a Maturity" under this caption, if less than all of the 2002 Series B Bonds are to be redeemed in accordance with the provisions described in the preceding two paragraphs, then, except with respect to Bank Bonds and as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Cash Flow Statement Related to the 2002 Series B Bonds, the 2002 Series B Bonds shall be redeemed on a pro rata basis by tenor and maturity.

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. The 2002 Series B Bonds are also subject to special redemption prior to maturity, as a whole or in part, upon notice as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2002 Series B Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, without premium, on any date, from amounts on deposit in the respective 2002 Series B subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account.

Amounts on deposit in the 2002 Series B subaccount of the Revenue Fund, including Mortgage Repayments and Prepayments of the 2002 Series B Mortgage Loans and amounts in excess of the Debt Service Reserve Fund Requirement applicable to the 2002 Series B Bonds transferred to the Revenue Fund from the 2002 Series B account of the Debt Service Reserve Fund, are to be transferred under the Indenture in accordance with the following priority: (i) first, to the 2002 Series B subaccount of the Class I Special Redemption Account, an amount needed to redeem 2002 Series B Class I Bonds to ensure the Class I Asset Requirement of the 2002 Series B Bonds; (ii) second, to the 2002 Series B subaccount of the Class II Special Redemption Account, an amount needed to redeem 2002 Series B-4 Bonds to ensure the Class II Asset Requirement of the 2002 Series B Bonds; (iii) third, to the 2002 Series B subaccount of the Class III Special Redemption Account, an amount such that the cumulative principal amount of 2002 Series B-5 Bonds redeemed to and including such redemption date equals the amount set forth for such redemption date in the table set forth below; (iv) fourth, except as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Cash Flow Statement Related to the 2002 Series B Bonds, to the applicable subaccounts of the 2002 Series B subaccount of the Class I Special Redemption Account and the 2002 Series B subaccount of the Class II Special Redemption Account, amounts on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2002 Series B Class I Bonds and the Aggregate Principal Amount of Outstanding 2002 Series B-4 Bonds, respectively, to the Aggregate Principal Amount of all 2002 Series B Bonds Outstanding; and (v) fifth, if no 2002 Series B Bonds other than the 2002 Series B-5 Bonds remain outstanding, to the 2002 Series B subaccount of the Class III Special Redemption Account. See "Average Life of 2002 Series B-5 Bonds" under this caption and **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *Notwithstanding the provision described above, (i) the 2002 Series B Bonds are subject to redemption from other amounts on deposit in the Revenue Fund as described in "Cross Calls and Recycling" under this caption and (ii) Revenues relating to the 2002 Series B Mortgage Loans financed with moneys in the non-qualified loan subaccount of the 2002 Series B subaccount of the Acquisition*

Account are to be used only for the payment or redemption, as the case may be, of the Taxable 2002 Series B-1 Bonds. See "Part I – PLAN OF FINANCE – Deposit to Acquisition Account."

The following table shall be applicable as referenced in paragraph (iii) in the previous paragraph:

Cumulative Amounts of 2002 Series B-5 Bonds to be Redeemed

Date	Special Redemption Amounts (Cumulative)
5/1/05	$ 1,915,000
11/1/05	5,190,000
5/1/06	7,635,000
11/1/06	8,920,000
5/1/07	10,075,000
11/1/07	11,210,000
5/1/08	12,310,000
11/1/08	13,660,000
5/1/09	14,860,000
11/1/09	15,000,000

If less than all of the 2002 Series B Class I Bonds are to be redeemed as described under this caption "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions," then, except as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Cash Flow Statement related to the 2002 Series B Bonds and except as provided by the provision of the 2002 Series B Indenture described in the "Selection of 2002 Series B Bonds within a Maturity; Bank Bonds" under this caption, the 2002 Series B Class I Bonds shall be redeemed on a pro rata basis by maturity and tenor.

It is anticipated that moneys will be available to redeem a substantial portion of the 2002 Series B Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority (other than the Bonds) has been filed by the Authority with and is available from the National Repositories. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Average Life of 2002 Series B-5 Bonds. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model used in the following discussion is The Bond Market Association (formerly known as the Public Security Association) prepayment standard or model (the "**PSA Prepayment Model**"). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then unpaid principal balance of a pool of new mortgage loans. The PSA Prepayment Model does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the 2002 Series B Mortgage Loans. The 100% PSA Prepayment Model assumes that the prepayment rate starts at 0.2% in the first month and rises by the same amount each month until month 30 when it assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgage loans. Multiples will be calculated from this prepayment rate series, e.g., 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The sinking fund payments and maturities of the 2002 Series B-5 Bonds have been fixed based on the estimated average maturity date of the 2002 Series B Mortgage Loans assuming Prepayments in an amount equal to 150% of the PSA Prepayment Model. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the 2002 Series B-5 Bonds will be influenced by the rate at which principal on certain 2002 Series B Mortgage Loans securing the 2002 Series B-5 Bonds is paid, in accordance with "Part I – TERMS OF THE 2002 SERIES B BONDS – Prior Redemption – Special Redemption – Prepayments, Excess Revenues and Debt Service Reserve Fund Requirements." Principal payments on 2002 Series B Mortgage Loans may be in the form of scheduled amortizations or Prepayments.

Set forth in the following table are the projected weighted average lives (in years) of the 2002 Series B-5 Bonds, based upon various rates of prepayment of the 2002 Series B Mortgage Loans expressed as percentages of the PSA Prepayment Model. The Authority has made no projections as to the weighted average lives of the 2002 Series B-5 Bonds at rates of prepayment of the 2002 Series B Mortgage Loans exceeding 500% of PSA. The table assumes, *inter alia*, that (i) 100 percent of the moneys deposited in the 2002 Series B subaccount of the Acquisition Account will be used to purchase 2002 Series B Mortgage Loans on October 1, 2002, (ii) all such 2002 Series B Mortgage Loans are prepaid as the percentage of PSA indicated on the table, (iii) all principal prepayment and scheduled principal repayments of such 2002 Series B Mortgage Loans are timely received and the Authority experiences no foreclosure losses on such 2002 Series B Mortgage Loans, (iv) there will be no optional redemption of such 2002 Series B-5 Bonds, (v) amounts available under the Master Indenture to be applied to the special redemption of Bonds will only be used to redeem Bonds of the related Series, and (vi) no prepayments or repayments of the 2002 Series B Mortgage Loans will be recycled into new Mortgage Loans. Some or all of such assumptions are unlikely to reflect actual experience.

Prepayment Speed (expressed as a percentage of PSA)	**Projected Weighted Average Life (in years)**
0	17.6
50	16.9
75	13.7
100	8.7
125	5.9
150	4.4
200	4.4
300	4.4
400	4.4
500	2.0

The PSA Prepayment does not purport to be a prediction of the anticipated rate of prepayment of the 2002 Series B Mortgage Loans, and there is no assurance that such principal prepayments will conform to any of the assumed prepayment rates. The Authority makes no representation as to the percentage of the principal balance of the 2002 Series B-5 Bonds or 2002 Series B Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

Cross Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any subaccount of an Account in the Redemption Fund to another subaccount of the same Account in the Redemption Fund to be applied to the redemption of the same Class of Bonds of a different Series. See **Appendix A** –

"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Redemption Fund." Each such Authority Request is required to: (i) certify that it is consistent with the most recently filed Related Cash Flow Statement (which may, if necessary, link the Related Series) and not prohibited by the Related Series Indentures; and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the Related Series. **The 2002 Series B Indenture does not prohibit cross calls of the 2002 Series B Bonds, although certain other Series Indentures may in the future prohibit such cross calls with respect to the Related Series of Bonds and such prohibition may result in early redemption of the 2002 Series B Bonds at par.** In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to a Related or an Unrelated subaccount of the Acquisition Account to be used to make or purchase Mortgage Loans as permitted by the Master Indenture. Each such Authority Request is to (a) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (ii) be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *Except in the case of Prepayments or Mortgage Prepayments relating to Mortgage Loans originated with amounts in the non-qualified loan subaccount which are currently expected to be transferred to the Loan Recycling Account of the Program Fund to finance Mortgage Loans, the Authority expects to transfer Prepayments or Mortgage Prepayments to the Special Redemption Accounts of the Redemption Fund in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Optional Redemption

Prior to Conversion to Fixed Rate. Prior to any conversion, the 2002B Adjustable Rate Bonds may be redeemed at the option of the Authority from any source, in whole or in part, on any Effective Rate Date, at a Redemption Price equal to 100% of the principal amount of such 2002B Adjustable Rate Bonds to be so redeemed plus the accrued interest thereon to the date of redemption. In the event of an optional redemption in part, subject to the provisions described in "Selection of 2002 Series B Bonds within a Maturity" under this caption, the Authority shall direct the class, term, series, maturity or maturities and amounts thereof so to be redeemed (provided however that any Bank Bonds shall be redeemed prior to any other 2002 Series B Bonds of the same class, term, series and maturity).

2002B Fixed Rate Bonds. The 2002 Series B-4 Bonds and the 2002 Series B-5 Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, on or after May 1, 2012, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the 2002 Series B-4 Bonds or the 2002 Series B-5 Bonds to be so redeemed, plus accrued interest to the date of redemption. The 2002 Series B-6 Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, on or after April 1, 2003, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the 2002 Series B-6 Bonds to be redeemed, plus accrued interest to the date of redemption. In the event of an optional redemption in part, subject to the provisions described in "Selection of 2002 Series B Bonds within a Maturity" under this caption, the Authority shall direct the class, tenor, series, maturity or maturities, and the amounts thereof so to be redeemed.

Sinking Fund Redemption

2002 Series B-3 Bonds. The 2002 Series B-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series B Class I Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2002 Series B subaccount of the Class I Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series B-3 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2002 Series B-3 Bonds

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
2010	$ 305,000	2010	$ 320,000
2011	350,000	2011	900,000
2012	720,000	2012	775,000
2013	840,000	2013	915,000
2014	1,830,000	2014	1,875,000
2015	1,915,000	2015	1,960,000
2016	2,005,000	2016	2,050,000
2017	2,100,000	2017	2,140,000
2018	2,190,000	2018	2,245,000
2019	2,290,000	2019	2,345,000
2020	2,400,000	2020	2,455,000
2021	2,510,000	2021 (1)	2,565,000

(1) Maturity Date

Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2002 Series B-3 Bonds for which 2002 Series B Class I Sinking Fund Installments have been established, there shall be credited toward each 2002 Series B Class I Sinking Fund Installment thereafter to become for such 2002 Series B-3 Bonds due an amount bearing the same ratio to such 2002 Series B Class I Sinking Fund Installment as (i) the total principal amount of such 2002 Series B-3 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2002 Series B-3 Bonds Outstanding prior to such redemption or purchase.

2002 Series B-4 Bonds. The 2002 Series B-4 Bonds maturing on May 1, 2032 shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series B Class II Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2002 Series B subaccount of the Class II Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series B-4 Bonds maturing on May 1, 2032 or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2002 Series B-4 Bonds
maturing on May 1, 2032

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
--	--	2030	$415,000
2031	$190,000	2031	195,000
2032 (1)	200,000	--	--

(1) Maturity Date

The 2002 Series B-4 Bonds maturing on November 1, 2032 shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series B Class II Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2002 Series B subaccount of the Class II Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series B-4 Bonds maturing on November 1, 2032 or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2002 Series B-4 Bonds
maturing on November 1, 2032

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
2031	$910,000	2031	$ 935,000
2032	960,000	2032 (1)	1,195,000

(1) Maturity Date

Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2002 Series B-4 Bonds for which 2002 Series B Class II Sinking Fund Installments have been established, there shall be credited toward each 2002 Series B Class II Sinking Fund Installment thereafter to become for such 2002 Series B-4 Bonds due an amount bearing the same ratio to such 2002 Series B Class II Sinking Fund Installment as (i) the total principal amount of such 2002 Series B-4 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2002 Series B-4 Bonds.

2002 Series B-5 Bonds. The 2002 Series B-5 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series B Class III Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2002 Series B subaccount of the Class III Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series B-5 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2002 Series B-5 Bonds

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
2022	$ 705,000	2022	$ 725,000
2023	740,000	2023	765,000
2024	785,000	2024	805,000
2025	830,000	2025	850,000
2026	875,000	2026	900,000
2027	925,000	2027	950,000
2028	975,000	2028	1,000,000
2029	1,030,000	2029	1,055,000
2030 (1)	1,085,000	--	--

(1) Maturity Date

If the amount on deposit in the 2002 Series B subaccount of the Class III Debt Service Fund is not sufficient on any Payment Date to pay the scheduled 2002 Series B Class III Sinking Fund Installment for such date, the amount of the insufficiency is to be added to the next scheduled 2002 Series B Class III Sinking Fund Installment, until paid. **Failure to pay a 2002 Series B Class III Sinking Fund Installment is not an Event of Default under the Indenture if sufficient moneys for such payment are not available in the 2002 Series B subaccount of the Class III Debt Service Fund on the date that notice of redemption is given.**

Upon any purchase pursuant to the Master Indenture or redemption (other than cumulative sinking fund redemption) of the 2002 Series B-5 Bonds for which 2002 Series B Class III Sinking Fund Installments have been established, there shall be credited toward each 2002 Series B Class III Sinking Fund Installment thereafter to become for such 2002 Series B-5 Bonds due an amount bearing the same ratio to such 2002 Series B Class III Sinking Fund Installment as (i) the total principal amount of such 2002 Series B-5 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2002 Series B-5 Bonds Outstanding prior to such redemption or purchase.

Selection of 2002 Series B Bonds within a Maturity

If less than all of the 2002 Series B Bonds of like class, tenor, series and maturity are to be redeemed, the particular 2002 Series B Bonds or respective portions thereof to be redeemed are to be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate, except that any Bank Bonds shall be redeemed prior to any other 2002 Series B Bonds of the same class, tenor, series and maturity.

Notice of Redemption

Notice of redemption is to be given not less than 30 nor more than 60 days (or, in the case of the 2002B Adjustable Rate Bonds, not less than 15 days nor more than 30 days) prior to the redemption date by first-class mail or such other method as may be customary for the industry to the registered owner of any 2002 Series B Bonds or portions of 2002 Series B Bonds to be redeemed at such registered owner's last address appearing on the registration records of the Bond Registrar and to each National Repository. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the registered owners of such 2002 Series B Bonds shall have actually received such notice. Receipt of such notice by the registered owner of any 2002 Series B Bond shall not be a condition precedent to the redemption of such Bond. Failure to give notice of redemption to any registered owner or any defect therein shall not affect the validity of redemption proceedings for any 2002 Series B Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2002 Series B Bonds to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2002 Series B Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2002 Series B Bond to be redeemed shall not affect the validity of the redemption of such 2002 Series B Bond. See Appendix H –"BOOK-ENTRY SYSTEM."

Cancellation in Lieu of Redemption

Subject to the terms and conditions set forth in the Indenture and prior to the mailing by the Bond Registrar of a notice of redemption with respect to 2002 Series B Bonds of any particular tenor and maturity, the Authority may direct the Trustee or the Paying Agent to purchase such 2002 Series B Bonds with available moneys under the Indenture for cancellation in lieu of redemption. The Trustee and the Paying Agent shall apply available moneys in accordance with the Indenture from the Funds and Accounts specified in the Indenture to purchase such 2002 Series B Bonds.

PLAN OF FINANCE

Sources and Uses of Funds

The following are the sources and estimated uses of funds relating to the 2002 Series B Bonds.

SOURCES OF FUNDS:	Estimated Amounts
Bond proceeds:	
Taxable 2002 Series B-1 Bonds	$ 15,000,000
Taxable 2002 Series B-2 Bonds	60,000,000
2002 Series B-3 Bonds	40,000,000
2002 Series B-4 Bonds	5,000,000
2002 Series B-5 Bonds	15,000,000
2002 Series B-6 Bonds	44,340,000
Exchanged amounts (1)	102,108,134
TOTAL SOURCES OF FUNDS	$281,448,134
USES OF FUNDS:	
For repayment of Advances (2)	$102,108,134
For deposit to 2002 Series B subaccount of Acquisition Account (3)	171,436,307
For deposit to 2002 Series B Subaccount of Debt Service Reserve Fund (4)	6,750,000
For costs of issuance and Underwriters' compensation (5)	1,153,693
TOTAL USES OF FUNDS	$281,448,134

(1) Such funds will be exchanged for proceeds of the 2002 Series B Bonds as described in "Funds Exchange Refunding" under this caption.

(2) Proceeds of the 2002 Series B Bonds, exchanged for an equal amount of funds under the Funds Exchange Agreement, will be used to repay an equal principal amount of the Advances, as described in "Funds Exchange Refunding" under this caption.

(3) Proceeds and amounts exchanged therefor will be deposited to the 2002 Series B subaccount of the Acquisition Account. Amounts exchanged for proceeds of the 2002 Series B-6 Bonds ($44,340,000) are expected to remain in the subaccount invested in an investment agreement or Investment Securities as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." Other proceeds and exchanged amounts so deposited to the subaccount are expected to be used to originate 2002 Series B Mortgage Loans, including payment of cash assistance in some circumstances. See "Deposits to 2002 Series B Subaccount" under this caption. "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts" and "Part II – SINGLE FAMILY MORTGAGE PROGRAM." See also "Part I – TERMS OF THE 2002 SERIES B BONDS – Prior Redemption – Special Redemption – Unexpended Amounts in Acquisition Account." Such other amounts while on deposit in the 2002 Series B subaccount of the Acquisition Account prior to being used for such purposes are expected to be invested in an investment agreement as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments."

(4) Proceeds and amounts exchanged therefore will be deposited to the 2002 Series B subaccount of the Debt Service Reserve Fund in an amount equal to 5% of the aggregate principal amount of all 2002 Series B Bonds then Outstanding, which is the Debt Service Reserve Fund Requirement for the 2002 Series B Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Debt Service Reserve Fund." The amounts deposited are expected to be invested in an investment agreement as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." Under the Indenture, the Authority may at any time replace such cash on deposit with a Qualified Surety Bond.

(5) Proceeds and amounts exchanged therefore will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance (including, among other things, homebuyer education costs) and Underwriters' compensation relating to the 2002 Series B Bonds. See "Part I – UNDERWRITING AND PLACEMENT."

Funds Exchange Refunding

Certain proceeds will be exchanged pursuant to the Funds Exchange Agreement to repay advances ("**Advances**") previously made under the Authority's line of credit to finance the refunding or redemption of certain other outstanding bonds of the Authority. The amounts exchanged for such proceeds in accordance with the Funds Exchange Agreement will be deposited to (i) the 2002 Series B subaccount of the Acquisition Account and used to originate 2002 Series B Mortgage Loans as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS," (ii) with respect to amounts exchanged for proceeds of the 2002 Series B-6 Bonds, the 2002 Series B subaccount of the Short Term Bond Account to be invested as described in "Deposit to Short Term Bond Account" under this caption, and (iii) the Debt Service Reserve Fund as described in "Sources and Uses of Funds" under this caption and "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Debt Service Reserve Fund." See also "Sources and Uses of Funds" under this caption.

Deposit to Acquisition Account

A 2002 Series B subaccount of the Acquisition Account (which subaccount contains a qualified loan subaccount and a non-qualified loan subaccount) is established by the 2002 Series B Indenture in the Program Fund. Certain proceeds and amounts exchanged for such proceeds of the 2002 Series B Bonds will be deposited to such 2002 Series B subaccount as follows: proceeds and amounts exchanged for proceeds of the Taxable 2002 Series B-1 Bonds will be deposited to the non-qualified loan subaccount and other amounts so exchanged will be deposited to the qualified loan subaccount. Amounts exchanged for proceeds of the 2002 Series B-6 Bonds so deposited are expected to remain on deposit in the 2002 Series B subaccount of the Acquisition Account, invested so as to permit withdrawals on the scheduled interest payment dates and maturity date for the 2002 Series B-6 Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." Such other amounts deposited to the 2002 Series B subaccount of the Acquisition Account are expected to be used to originate 2002 Series B Mortgage Loans in accordance with "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts" and "Part II – SINGLE FAMILY MORTGAGE PROGRAM." Revenues relating to 2002 Series B Mortgage Loans financed with moneys in the non-qualified loan subaccount shall be accounted for in the non-qualified loan subaccounts of the 2002 Series B subaccount of the Revenue Fund, the 2002 Series B subaccount of the Class I Debt Service Fund and the 2002 Series B subaccount of the Class I Special Redemption Account, and no other Revenues relating to the 2002 Series B Bonds shall be accounted for in such subaccounts. Moneys in the non-qualified loan subaccount of the 2002 Series B subaccount of the Class I Debt Service Fund and the non-qualified loan subaccount of the 2002 Series B subaccount of the Class I Special Redemption Account shall be used only for the payment or redemption, as the case may be, of the Taxable 2002 Series B-1 Bonds, which Bonds shall be payable only from moneys in such subaccounts.

CERTAIN PROGRAM ASSUMPTIONS

Generally

As described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds," amounts deposited to the 2002 Series B subaccount of the Acquisition Account in accordance with the 2002 Series B Indenture will be available to purchase 2002 Series B Mortgage Loans to be originated. The Bonds (including the 2002 Series B Bonds) and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) will be secured by, among other moneys, rights and interests, the Revenues derived from the Mortgage Loans, including the 2002 Series B Mortgage Loans. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."

Such Revenues are expected by the Authority (based on certain assumptions some of which are described under this caption) to be sufficient to pay the debt service on the Bonds, including the 2002 Series B Bonds.

Assumptions have been made as to the range of variation in the generation of Revenues from such sources in order to determine the effect of such variation on the sufficiency of Revenues to pay debt service on the 2002 Series B Bonds. The Authority has reviewed these assumptions and concluded that they are reasonable, but cannot guarantee that actual results will not vary materially from those projected. To the extent that (i) 2002 Series B Mortgage Loans are not purchased at the times anticipated by the Authority, or are not purchased at all, (ii) Mortgage Loans are not paid on a timely basis in accordance with their terms, (iii) the rate of receipt of Prepayments is either more rapid or less rapid than that projected, (iv) interest payable on Adjustable Rate Bonds and amounts due under Related Auxiliary Obligations differs from Related Interest Rate Contract Revenues, or (v) actual investment income differs from that estimated by the Authority, the moneys available may be insufficient for the payment of debt service on the Bonds and amounts due under Related Auxiliary Obligations and operating expenses of the Program.

Mortgage Loan Rates; Amounts

Payments on Mortgage Loans, whether from scheduled monthly installments or from Prepayments, together with Revenues generated as investment income on the funds held under the Indenture, and invested under the investment agreements, are assumed to be the primary source of Revenues. See **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO." It is assumed that all amounts in the 2002 Series B subaccount of the Acquisition Account will be used to originate 2002 Series B Mortgage Loans which amortize as thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest taken together. As of June 20, 2002, reservations for mortgage loans in the Authority's Non-Qualified Single-Family Mortgage Program in an aggregate principal amount of approximately $21,410,000 and reservations for mortgage loans in the Authority's Qualified Single-Family Mortgage Program in an aggregate principal amount of approximately $74,800,000 have been made by Mortgage Lenders in accordance with "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Reservation, Delivery and Purchase of Mortgage Loans." The Authority generally requires Mortgage Lenders to close reserved mortgage loans within 60 days of the reservation date to receive the reserved interest rate. Lenders will be permitted 120 days to close new construction loans upon payment of a 1% nonrefundable fee. Lenders may obtain additional 30 day extensions to close either existing or new construction loans, without an additional fee, provided that the interest rate will be reset by the Authority at the time of the extension. The Authority expects that proceeds of the 2002 Series B Bonds will be used to acquire the mortgage loans so reserved, in the event such mortgage loans close as required, as described in "Origination Periods" under this caption. See "Part II – CERTAIN BONDOWNERS' RISKS – Special Considerations Relative to Loan Origination" and "Part I – TERMS OF THE 2002 SERIES B BONDS – Prior Redemption – Special Redemption – Unexpended Amounts in Acquisition Account."

The 2002 Series B Mortgage Loans to be acquired with the proceeds of the 2002 Series B Bonds (or amounts exchanged therefore) will bear mortgage loan interest rates, and be originated in the aggregate principal amounts, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the 2002 Series B Indenture to demonstrate that the 2002 Series B Class I Asset Requirement, the 2002 Series B Class II Asset Requirement and the 2002 Series B Class III Asset Requirement will be met after taking into account such interest rates and principal amounts. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." See also **Appendix F** – "CLASS ASSET REQUIREMENTS FOR BONDS."

Insurance Limitations and Requirements

The 2002 Series B Indenture requires that 2002 Series B Mortgage Loans (i) be insured by the FHA, (ii) be guaranteed by the VA or the Rural Housing Service (formerly the RHCDS, a successor agency to the FmHA), (iii) be PMI Mortgage Loans, (iv) be a Mortgage Loan which is not insured or guaranteed but has an original principal amount equal to or less than 80% of the appraised value (at the time of origination of such Mortgage Loan) or purchase price, whichever is less, of the property securing such Mortgage Loan (an "**Uninsured Mortgage Loan**") or (v) otherwise be a type of Mortgage Loan the purchase of which (as confirmed by each Rating Agency) will not adversely affect such Rating Agency's then current rating on any Bonds. PMI Mortgage Loans must be insured by a private insurance company approved by the Authority, qualified to transact business in the State and to provide insurance on mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae and rated by the agency then rating the Bonds at least as high as "AA-" or "Aa" (a "**Private Insurer**"), and such insurance must remain in force unless required to be terminated pursuant to federal law. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM" and **Appendix K** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE." The 2002 Series B Indenture provides that percentages of each type of Mortgage Loan (including the 2002 Series B Mortgage Loans) in the aggregate Mortgage Loan portfolio shall be percentages that each Rating Agency confirms will not adversely affect the then current rating on any Bonds (including the 2002 Series B Bonds).

Investments

Moneys in the 2002 Series B subaccount of the Acquisition Account (other than amounts exchanged for proceeds of the 2002 Series B-6 Bonds) will be invested in Investment Securities in a manner designed to maintain the rating on the Class I Bonds, the Class II Bonds and the Class III Bonds by each nationally recognized rating agency then rating the Class I Bonds, the Class II Bonds and the Class III Bonds. Until disbursed, amounts in the 2002 Series B subaccount of the Acquisition Account will initially be invested in an investment agreement (the "**2002B Investment Agreement**") between the Trustee and Trinity Funding Company, LLC (the "**2002B Investment Provider**"), at 1.807% per annum. Amounts in the 2002 Series B subaccounts of the Revenue Fund, Redemption Fund and Debt Service Reserve Fund will initially be invested in certain Investment Securities as permitted under the Indenture.

Amounts exchanged for proceeds of the 2002 Series B-6 Bonds are expected to be invested in an investment agreement (the "**Short Term Investment Agreement**") between the Authority and TransAmerica Life Insurance and Annuity Company (the "**Short Term Investment Provider**") or in such other Investment Securities permitted by the Indenture at 2.206% per annum. Such investment and the earnings thereon are not pledged solely to the payment of the 2002 Series B-6 Bonds and are part of the Trust Estate pledged under the Indenture to secure all outstanding Bonds, but are expected to be available to pay interest on the 2002 Series B-6 Bonds on May 1, 2003 and to pay the principal amount of such 2002 Series B-6 Bonds (plus accrued interest) at maturity or upon earlier redemption.

In connection with the prior issuance of Bonds outstanding under the Master Indenture, the Authority has invested certain amounts in Series subaccounts of Funds related to such Obligations in investment agreements with the investment providers and at the rates set forth in the following table:

Outstanding Investment Agreements

Series	Funds Invested (in related Series subaccounts)	Investment Provider(1)	Rate
2001AA	Acquisition Account	Trinity Funding Company, LLC	2.552%
2001AA	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.30%
2001AA	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.30%
2002A	Acquisition Account	Trinity Funding Company, LLC	2.00%
2002A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.10%
2002A	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.60%

(1) Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the Investment Providers. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."

The assumptions made by the Authority as to projected cashflows under the Indenture include the assumption that the investment rates provided by the 2002B Investment Agreement, the 2002A Investment Agreement and the 2001AA Investment Agreement will be available as described. However, in the event that any of the 2002B Investment Agreement, the 2002A Investment Agreement or the 2001AA Investment Agreement is terminated as a result of default by the respective Investment Provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the 2002B Investment Provider, the Short Term Investment Provider, the 2002A Investment Provider or the 2001AA Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2002B Investment Provider, the Short Term Investment Provider, the 2002A Investment Provider and 2001AA Investment Provider.*

2002B Interest Rate Contracts

In connection with the issuance of the Taxable 2002 Series B-1 Bonds, the Authority expects to enter into an interest rate swap agreement (the "**Class I Taxable 2002 Series B-1 Swap Agreement**") with Lehman Brothers Financial Products Inc., Lehman Brothers Derivative Products Inc. or an affiliate thereof (the "**2002B Counterparty**"). See "Part I – CERTAIN RELATIONSHIPS OF PARTIES." The Authority also expects to enter into an interest rate swap agreement (the "**Class I Taxable 2002 Series B-2 Swap Agreement**") with the 2002B Counterparty with respect to certain of the Taxable 2002 Series B-2 Bonds and an interest rate swap agreement (the "**Class I 2002 Series B-3 Swap Agreement**") with the 2002B Counterparty with respect to the 2002 Series B-3 Bonds. The Class I Taxable 2002 Series B-1 Swap Agreement, the Class I Taxable 2002 Series B-2 Swap Agreement and the Class I 2002 Series B-3 Swap Agreement are referred to herein collectively as the "**2002B Interest Rate Contracts**." In general, the terms of each 2002B Interest Rate Contract provides that, on a same-day net-payment basis determined by reference to a notional amount equal to the principal amount of the applicable series (or portion thereof) of Outstanding 2002 Series B Bonds, the Authority will pay a fixed interest rate on the notional amount. In return, the 2002B Counterparty will pay a variable rate of interest on a like notional amount. The agreement by the 2002B Counterparty to make payments under the 2002B Interest Rate Contracts does not affect the Authority's obligation to make payment of the 2002B Adjustable Rate Bonds. Neither the

Owners of the 2002B Adjustable Rate Bonds nor any other person other than the Authority will have any rights under the 2002B Interest Rate Contracts or against the 2002B Counterparty. The Authority's obligation to make regular interest payments to the 2002B Counterparty under each of the 2002B Interest Rate Contracts constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the 2002B Interest Rate Contracts in the event of early termination is a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." For information concerning the Interest Rate Contracts and other Auxiliary Obligations currently Outstanding under the Master Indenture, see **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."

Set Asides

It is assumed that $500,000 of the proceeds of the 2002 Series B Bonds (or amounts exchanged therefor) will be reserved and set aside for at least the first year after the Authority begins accepting reservations from lenders (until August 1, 2003) for use in financing the purchase of 2002 Series B Mortgage Loans on Targeted Area Residences on or prior to such date. In connection with the transfer of volume cap allocations, the Authority has committed to finance Mortgage Loans to borrowers in various jurisdictions and for certain purposes but does not plan to set aside proceeds of the 2002 Series B Bonds or any other Bonds as specifically reserved for the financing of such Mortgage Loans. However, the 2002 Series B Indenture permits the Authority to reserve amounts in the 2002 Series B subaccount of the Acquisition Account for designated periods for (1) the purchase of Mortgage Loans on Residential Housing located within designated areas within the State, (2) Eligible Borrowers meeting designated requirements and (3) Residential Housing meeting designated requirements, all as may be set forth in the Authority's Program directives from time to time. Furthermore, the Authority does expect that, if it determines to use Prepayments and Mortgage Repayments for recycling as permitted by the Master Indenture, the Authority may limit such amounts for specific programs and Borrowers as the Authority designates from time to time and to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the Related Series Indenture to demonstrate that the Related Class I Asset Requirement, the Related Class II Asset Requirement and the Related Class III Asset Requirement will be met after taking into account such set asides.

Origination Periods

Certain proceeds of the 2002 Series B Bonds (or amounts exchanged therefore) will be used to originate 2002 Series B Mortgage Loans over a time period determined by the Authority to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the Related Series Indenture to demonstrate that the Related Series Class I Asset Requirement, the Class II Asset Requirement and the Related Class III Asset Requirement will be met after taking into account such origination period. The Authority expects that such proceeds and exchanged amounts will not be used to originate 2002 Series B Mortgage Loans until on or after October 1, 2002.

TAX MATTERS

Tax Treatment of Interest on Tax-Exempt 2002 Series B Bonds

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds (collectively, the "**Tax-Exempt 2002 Series B Bonds**") is excluded from gross income for federal income tax purposes under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2002 Series B Bonds (the "**Tax Code**"); however, (a) interest on the 2002 Series B-4 Bonds, 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2002 Series B-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income applicable to corporations; and (ii) the Tax-Exempt 2002 Series B Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the Tax-Exempt 2002 Series B Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt 2002 Series B in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Tax-Exempt 2002 Series B Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt 2002 Series B Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt 2002 Series B Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Tax-Exempt 2002 Series B Bonds above the yield on the Tax-Exempt 2002 Series B Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Tax-Exempt 2002 Series B Bonds from gross income and (in the case of the 2002 Series B-3 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt 2002 Series B Bonds from gross income and (in the case of the 2002 Series B-3 Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Tax-Exempt 2002 Series B Bonds to be included in gross income or (in the case of the 2002 Series B-3 Bonds) alternative minimum taxable income from the date of issuance.

Section 55 of the Tax Code contains a 20 percent alternative minimum tax on the alternative minimum taxable income of corporations and a 24 percent alternative minimum tax on the alternative minimum taxable income of taxpayers other than corporations. Alternative minimum taxable income is defined to include "items of preference" and under Section 57 of the Tax Code, interest on the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is an item of tax preference.

Under the Tax Code, an "adjusted current earnings" adjustment is required to be made for purposes of the alternative minimum tax provision applicable to corporations. Under this adjustment, 75 percent of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction) is included in calculating the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2002 Series B-3 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt 2002 Series B Bonds. Owners of the Tax-Exempt 2002 Series B Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the Tax-Exempt 2002 Series B Bonds from gross income and (in the case of the 2002 Series B-3 Bonds) alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Tax-Exempt 2002 Series B Bonds. Owners of the Tax-Exempt 2002 Series B Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the Tax-Exempt 2002 Series B Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the Tax-Exempt 2002 Series B Bonds, the exclusion of interest on the Tax-Exempt 2002 Series B Bonds from gross income, alternative minimum taxable income (in the case of the 2002 Series B-3 Bonds), or any combination thereof from the date of issuance of the Tax-Exempt 2002 Series B Bonds or any other date, or which could result in other adverse federal or State of Colorado tax consequences. Bond Owners are advised to consult with their own advisors with respect to such matters.

Tax Treatment of Interest on Taxable 2002 Series B Bonds

IN THE OPINION OF BOND COUNSEL THE INTEREST ON THE TAXABLE 2002 SERIES B-1 BONDS AND THE TAXABLE 2002 SERIES B-2 BONDS (TOGETHER, THE "**TAXABLE 2002 SERIES B BONDS**") IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2002 SERIES B BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE TAXABLE 2002 SERIES B BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2002 Series B Bonds. Owners of the Taxable 2002 Series B Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2002 Series B Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2002 Series B Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

IRS Audit Program

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Tax-Exempt 2002 Series B Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the Tax-Exempt 2002 Series B Bonds. The

Authority has covenanted in the Indenture not to take any action that would cause the interest on the Tax-Exempt 2002 Series B Bonds to lose its exclusion from gross income for federal income tax purposes. None of the Authority, the Underwriters nor Bond Counsel is responsible to pay or reimburse the costs of any Bondowner with respect to any audit or litigation relating to the Tax-Exempt 2002 Series B Bonds.

UNDERWRITING AND PLACEMENT

The 2002 Series B Bonds (other than the 2002 Series B-4 Bonds maturing on November 1, 2032 and the 2002 Series B-6 Bonds) are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (the "**Underwriters**"). Lehman Brothers Inc. will act as underwriter and will purchase the 2002 Series B-6 Bonds from the Authority. See Part I – "CERTAIN RELATIONSHIPS OF PARTIES." The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2002 Series B Bonds (other than the 2002 Series B-4 Bonds maturing on November 1, 2032 and the 2002 Series B-6 Bonds) at a price equal to the par amount thereof. Lehman Brothers Inc. will purchase the 2002 Series B-6 Bonds at a price equal to the par amount thereof. The 2002 Series B-4 Bonds maturing on November 1, 2032 are being sold by the Authority directly to an institutional investor at a price equal to the principal amount thereof. The Underwriters will be paid a fee of $655,894 (plus reimbursement of certain expenses), and Lehman Brothers will be paid a fee of $25,299 in connection with the 2002 Series B-6 Bonds. The initial public offering price of the underwritten 2002 Series B Bonds may be changed from time to time by the Underwriters.

2002B REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as Remarketing Agent for the 2002B Adjustable Rate Bonds (other than SAVRS Rate Bonds) (the "**2002B Remarketing Agent**") pursuant to a Remarketing Agreement dated as of July 1, 2002 between the Authority and Lehman Brothers Inc. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES." If 2002B Adjustable Rate Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2002 SERIES B BONDS – 2002B Adjustable Rate Bonds – Owner's Election to Tender" and "– Mandatory Purchase," the 2002B Remarketing Agent is required to use its best efforts to remarket such 2002B Adjustable Rate Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2002B Remarketing Agent will also be responsible for determining the rates of interest for such 2002B Adjustable Rate Bonds in accordance with the 2002 Series B Indenture. The 2002B Remarketing Agent is to transfer any proceeds of remarketing of the 2002B Adjustable Rate Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Bond Purchase Fund in accordance with the 2002 Series B Indenture.

The 2002B Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying Agent, and the 2002B Liquidity Facility Provider with thirty (30) days' prior written notice, except that such resignation shall not take effect until the appointment of a successor 2002B Remarketing Agent under the 2002 Series B Indenture. The 2002B Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2002B Remarketing Agent, the Trustee, the Paying Agent, and the 2002B Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2002B Remarketing Agent. Any successor 2002B Remarketing Agent shall be selected by the Authority. The 2002B Remarketing Agent shall assign and deliver the Remarketing Agreement to its successor.

LITIGATION

At the time of the delivery of and payment for the 2002 Series B Bonds, the Authority will deliver an opinion of its Director of Legal Operations, James A. Roberts, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2002 Series B Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or enforceability of the 2002 Series B Bonds, the Indenture or the contract for the purchase of the 2002 Series B Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds and the 2002 Series B-3 Bonds ratings of "Aaa/VMIG-1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2002B Liquidity Facility by the 2002B Liquidity Facility Provider. Moody's and S&P are expected to give the 2002 Series B-6 Bonds ratings of "Aaa/MIG-1" and "SP-1+," respectively, based (in the case of the short-term ratings) on the investment of amounts exchanged for proceeds of the 2002 Series B-6 Bonds as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." Moody's and S&P are expected to give the 2002 Series B-4 Bonds ratings of "Aa2" and "AA," respectively, and the 2002 Series B-5 Bonds ratings of "A1" and "A+," respectively. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2002 Series B Bonds. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or market price of the respective 2002 Series B Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2002 Series B Bonds and the initial 2002B Remarketing Agent of the 2002B Adjustable Rate Bonds. The 2002B Counterparty is an affiliate of Lehman Brothers Inc., and has acted as a counterparty to the Authority under the Outstanding Interest Rate Contracts described in **Appendix B-1**. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2002B Interest Rate Contracts."

(End of Part I)

PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Act authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified Mortgage Lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families. The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes.

In order to achieve its authorized purposes, the Authority currently operates Qualified and Non-Qualified Single-Family Mortgage Programs, a Multi-Family Housing Facility Loan Program, a Rental Acquisition Program and various commercial loan programs. The Authority previously operated a Loans to Mortgage Lenders Home Loan Program, a Multi-Family Housing Rehabilitation Program, a Multi-Family Loans to Mortgage Lenders Program, and a Construction Loan Program. See " Programs To Date" under this caption. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."

Board of Directors and Staff Officers

The Board of Directors of the Authority consists of the Colorado State Auditor, a member of the Colorado General Assembly appointed jointly by the Speaker of the House and the Majority Leader in the Senate, an executive director of a principal department of State government appointed by the Governor of Colorado and eight public members appointed by the Governor with the consent of the Senate. Members of the Board of Directors continue to serve after the end of their respective terms until a successor has been duly appointed and confirmed. The current members of the Board of Directors of the Authority are as follows:

Present Board of Directors of the Authority

Name	Affiliation	End of Term
Joseph B. Blake, Chair (1)	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John R. Davidson, Chair, pro tem (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2003
M. Michael Cooke, Secretary/Treasurer (1)	Executive Director; Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
Jo Ellen Davidson	Housing and Community Development Consultant; Denver, Colorado	June 30, 2005
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph A. Garcia	Government Affairs Manager, Colorado Springs Utilities; Colorado Springs, Colorado	June 30, 2005
Joanne Hill	Colorado State Auditor; Denver, Colorado	June 30, 2006
James Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2001-2002
Nancy J. McCallin	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2003
Jeffrey D. Roemer	Commercial Real Estate Broker, Fuller and Company; Denver, Colorado	June 30, 2003
Jesse L. Thomas	Government and Community Affairs Leader, Colorado Access; Denver, Colorado	June 30, 2005

(1) These Board members were elected to their respective offices effective March 28, 2002.

The principal staff officers of the Authority are as follows:

Milroy A. Alexander, the Executive Director, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1, 2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Cris A. White, the Deputy Executive Director for Core Business Operations since February 2002, joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business development executive with an international equipment and real estate Mortgage Lender. On February 1, 2001, Mr. White was appointed Deputy Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in business administration from Regis College.

Nedra San Filippo, the Deputy Executive Director for Corporate Communications & Development since January 1, 2001, joined the staff in December 1985. Ms. San Filippo has headed the Authority's planning and development area since December 1985. Ms. San Filippo has a Master's Degree in Urban and Regional Planning from the University of Colorado-Denver and a Bachelor's Degree in Government from Cornell University. Ms. San Filippo worked for the planning department in a local government and for a private consultant before joining the Authority.

John Dolton, the Director of Finance/Chief Financial Officer, joined the staff in August 1990. Prior to his responsibilities as Director of Finance/CFO, Mr. Dolton had served in various capacities within the Finance Division and as the Manager of Treasury Operations since September 1994. Before joining the Authority, Mr. Dolton was an analyst for a financial planning and investment management firm. Mr. Dolton has a Bachelor's Degree in Finance from the University of Colorado and holds the Chartered Financial Analyst designation.

James A. Roberts, the Director of Legal Operations, joined the staff in December 1974. Mr. Roberts, a graduate of Yale College and Yale Law School, served with the Michigan State Housing Development Authority from 1970 until December 1974.

Karen Harkin was appointed as Director of Home Finance in February 2001. Ms. Harkin joined the staff in June, 1999. Ms. Harkin received a Bachelor of Science degree from the University of Wisconsin-Madison and a Masters Degree in Business Administration from the University of Dubuque, Iowa. Ms. Harkin has fifteen years experience in various capacities in public, private and non-profit real estate lending and development.

Mark Welch, the Director of Rental Finance, joined the staff in January 2001. Prior to joining the Authority, Mr. Welch served as the Director of Housing Development for Mercy Housing, Inc. Mr. Welch has also served with the Colorado Rural Housing Development Corp. and the Colorado Agricultural Leadership Council. Mr. Welch received a Master's Degree in business administration from the University of Denver and a Bachelor's Degree in sociology from the College of St. Thomas.

Jaime Gomez, the Director of Business Finance, joined the staff in August 1999. Mr. Gomez is a graduate of the University of Colorado with a degree in Finance. Mr. Gomez has prior experience working in both the public and private sector, including five-and-a-half years as director of finance and business development for the Colorado Office of Economic Development. Mr. Gomez was also designated as a certified bank examiner by the Federal Reserve Board of Governors in February of 1991.

Lisa M. Lunger, the Director of Asset Management, joined the staff in December 1994. Prior to her appointment as the Director of Asset Management on December 10, 2001, Ms. Lunger served in various capacities in the Asset Management Division, including most recently as the Assistant Director of Asset Management. Before joining the Authority, Ms. Lunger had 14 years experience in residential and commercial property management. Ms. Lunger is also a Colorado licensed real estate broker.

Linda Raigoza Steele, the Director of Information Technology, joined the staff in April 2002. Prior to joining the Authority, Ms. Steele was involved in management of information technology organizations, enterprise system implementation and network operations. Ms. Steele has a Master's Degree in information systems from the University of Denver and a Bachelor's degree in business with a minor in electrical engineering from the University of Colorado. She is an adjunct professor for the University of Denver and Regis University.

Employees and Pension Information

As of December 31, 2001, the Authority had approximately 135 full-time employees and one part-time employee, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes require the Authority to contribute 9.43 percent of each participating employee's gross salary to PERA. In 2001, the Authority's PERA contribution totaled approximately $715,000, compared to an Authority contribution in 2000 of $665,000.

Insurance Coverage

The Authority has general liability, errors and omission and employee dishonesty insurance coverage.

The General Fund

Generally

CERTAIN OBLIGATIONS UNDER THE MASTER INDENTURE MAY BE DESIGNATED AS GENERAL OBLIGATIONS OF THE AUTHORITY. SEE "PART II – SECURITY FOR THE OBLIGATIONS" AND **APPENDIX B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." THE FOLLOWING INFORMATION REGARDING THE AUTHORITY'S GENERAL FUND IS PROVIDED ONLY IN CONNECTION WITH OBLIGATIONS WHICH HAVE BEEN SO DESIGNATED.

The audited financial statements of the Authority included in **Appendix G** to this Official Statement provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. The General Fund is funded principally from reimbursement of administrative expenses and other allowable transfers from other funds (including the transfer of assets in excess of specified parity levels from other bond issues); loan fees payable to the Authority by borrowers; servicing fees payable to the Authority in connection with outstanding loans, income from the Authority's Rental Acquisition Program; income on investments and mortgage loans held temporarily (for warehousing purposes) and permanently in the General Fund; and administrative fees payable by the federal government in connection with the Section 8 housing assistance payments program. Uses of amounts in the General Fund include payment of general and other administrative expenses and payment of costs relating to those activities deemed necessary to fulfill the Authority corporate purposes and not payable from other funds of the Authority. The General Fund itself is not subject to any pledge created under the Indenture. As discussed below, the Authority Board, in its discretion, has historically from time to time designated portions of the General Fund balance to particular purposes, and may do so in the future.

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2001, as provided by the Authority.

Colorado Housing and Finance Authority
General Fund
Selected Financial Information
Years Ended December 31
(000s)

	2001	2000	1999	1998	1997
Interest and investment revenue:					
Loans receivable	$16,987	$14,966	$12,857	$10,646	$10,278
Marketable securities	3,135	3,252	3,557	3,739	2,902
Net increase (decrease) fair value of long-term marketable securities	473	179	(884)	483	96
Total interest and investment revenue	20,595	18,397	15,530	14,868	13,276
Interest expense - bonds and notes payable	11,267	11,983	10,489	8,467	7,881
Net interest and investment revenue	9,328	6,414	5,041	6,401	5,395
Other revenue (expense):					
Rental operations	10,373	9,858	9,587	9,321	9,059
Fees and miscellaneous income	11,679	11,413	9,080	8,612	9,767
Program fees	5,539	4,024	3,426	3,523	3,702
Total other revenue	27,591	25,295	22,093	21,456	22,528
Net revenue	36,919	31,709	27,134	27,857	27,923
Other expenses:					
Salaries and related benefits	9,892	9,356	8,387	7,445	6,776
General operating	10,280	8,503	9,015	8,279	8,764
Provision for losses	953	(438)	1,115	146	534
Other interest expense	1,332	1,346	1,415	2,162	2,429
Transfers	(1,059)	(2,058)	(1,833)	--	--
	21,398	16,709	18,099	18,032	18,503
Net income	$ 15,521	$ 15,000	$ 9,035	$ 9,825	$ 9,420
Fund Balance, end of year	$112,179	$ 96,658	$ 81,658	$ 72,623	$ 56,959
Bonds and Notes Payable	$224,414	$213,588	$178,329	$161,043	$141,616
Total Assets	$353,547	$326,427	$280,203	$250,640	$216,796

Source: Audited financial statements of the Authority

Appropriations, Reserves and Restrictions

The Authority Board, in its discretion and from time to time, designates portions of the fund balance of the General Fund for particular uses by means of annual appropriations to certain programs, the establishment of reserves in limited situations and the imposition of restrictions on the fund balance. Designations by the Authority's Board using each of these means may also be redesignated at any time in the Board's discretion. The Authority Board also annually restricts the fund balance of the General Fund (net of amounts previously appropriated or restricted for various funds, debt service reserves, or operating reserves) for the benefit of the holders of certain bonds of the Authority in the event that no other moneys are legally available for debt service payments. As long as the Authority is not in default under the related indenture or resolution for such bonds, the Board may withdraw such restricted amounts at any time.

Programs to Date

The following is a brief summary of the housing and loan programs currently operated by the Authority and the revenue and general obligation bonds, notes or other obligations which have been issued to date to provide funds for such programs. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority, its programs and its financial status. **Except as otherwise described herein, the mortgage loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."** See also footnote 4 to the financial statements of the Authority included in this Official Statement as **Appendix G**.

Single-Family Mortgage Programs

Under its Single-Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently purchases mortgage loans under its Qualified Single-Family Mortgage Program and its Non-Qualified Single-Family Mortgage Program.

Under its Qualified Single-Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. In connection with this program, the Authority has previously issued numerous series of its single-family housing revenue bonds, the aggregate principal amount of which outstanding as of December 31, 2001 was $986,451,000. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are general obligations of the Authority. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of the Bonds, as permitted by tax law, to finance its acquisition of Mortgage Loans under the Qualified Single-Family Mortgage Program. For information concerning the outstanding bonds of the Authority issued in connection with its Single-Family Mortgage Programs, see www.colohfa.org. **Except for bonds specifically identified in Appendix B-1 as Bonds under the Master Indenture, the revenue bonds described above and at the Authority's website are secured separately from and are not on parity with the Bonds and are issued and secured under resolutions or indentures of the Authority other than the Master Indenture.**

Eligible borrowers under the Authority's Non-Qualified Single-Family Mortgage Program must meet certain income limits established by the Authority, which limits are somewhat higher than the limits permitted for the Qualified Single-Family Mortgage Program. There is no limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single-Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single-Family Mortgage Program are the same as the requirements for the Authority's Qualified Single-Family Mortgage Program. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of the Bonds, as permitted by tax law, to finance its acquisition of Mortgage Loans under the Non-Qualified Single-Family Mortgage Program.

Multi-Family Loan Programs

Under its Multi-Family Housing Facility Loan Program, the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. The Multi-Family Housing Facility Loan Program consists of programs providing funds for: (i) mortgage loans insured by an agency or instrumentality of the United States ("**Insured Loans**"); (ii) uninsured mortgage loans

("**Uninsured Loans**"); and (iii) uninsured mortgage loans made with funds from the Authority's Housing Opportunity Fund ("**Uninsured HOF Loans**").

The Insured Loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured Loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "General Obligations of the Authority" under this caption.

The Authority has made Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Such Uninsured Loans made as a part of the Authority's SMART (Small Affordable Rental Transactions) Program generally have been made in principal amounts under $1 million (increased to a $2 million maximum amount as of August 23, 2001). As of December 31, 2001, the Authority had outstanding $8,372,000 aggregate principal amount of such Uninsured Loans made in connection with the SMART program and financed on an interim basis by the Authority from its General Fund. The Authority has also made Uninsured Loans which have been financed by the proceeds of the Authority's (i) General Obligation Bonds, (ii) Multi-Family/Project Bonds, (iii) Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (iv) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

As of December 31, 2001, the Authority had the following bonds outstanding, proceeds of which have been used to finance Insured Loans and Uninsured Loans:

Bonds to Finance Multifamily Housing Facility Loan Program

Name of Bonds	Principal Amount Issued	Principal Amount Outstanding(1)	Loans Outstanding(2)
Multifamily Housing Insured Mortgage Revenue Bonds (3)	$678,660,000 (23 series)	$406,835,000	$316,427,000
Mortgage Revenue Bonds (4)	$ 11,576,000 (4 series)	$ 2,070,000	$ 2,010,000
Multi-Family/Project Bonds (5)	$166,505,000 (3 series)	$163,955,000	$115,350,000
General Obligation Bonds(6)	$105,293,000 (11 series)	$ 4,750,000	$ 4,404,000
General Obligation Bonds (7) (SMART Program)	$ 8,707,000 (1 series)	$ 8,471,000	$ 8,372,000

(1) As of December 31, 2001.
(2) Aggregate principal amount as of December 31, 2001.
(3) Proceeds used to finance Insured Loans.
(4) Proceeds used to finance Uninsured Loans.
(5) Proceeds used to finance and refinance Insured Loans and Uninsured Loans.
(6) Proceeds used to finance Uninsured Loans.
(7) Proceeds used to finance and refinance Uninsured Loans under the SMART program.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from amounts in its General Fund designated as the Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects. As of December 31, 2001, the

Authority had outstanding approximately $10,649,000 aggregate principal amount of such Uninsured HOF Loans.

The Authority has also implemented a Rental Acquisition Program (the "**RAP Program**") under which the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing secured solely by the acquired projects.

Commercial Programs

The Authority offers various programs under which it finances commercial and industrial loans (or participation interests therein) by means of certain bonds and notes, outstanding as of December 31, 2001 as shown on the following table. All of these bonds and notes constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

Commercial Program Bonds/Notes

Name of Bonds	Principal Amount Issued	Principal Amount Outstanding (1)
Guaranteed Loan Participation Purchase Bonds (2)	$58,302,000	$15,589,000
Project Loan Participation Purchase Bonds and Refunding Bonds (3)	$68,108,000	$27,861,000
Rural Business-Cooperative Service Notes (4)	$ 2,050,000	$ 1,579,000

(1) As of December 31, 2001.
(2) Proceeds are used to fund participation interests in commercial and industrial loans under three programs of the Authority – a Quality Investment Capital ("**QIC**") Program, a Quality Agricultural Loan ("**QAL**") Program and a Business & Industry II ("**B&I II**") Program.
(3) Proceeds are used to finance commercial and industrial loans (or participation interests therein) under the Authority's ACCESS Program and Direct Loan Program.
(4) Proceeds are used to finance project or working capital loans or participations therein for small businesses in rural areas.

In connection with its Special Projects financing program, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities for corporations and has financed real estate projects for non-profit organizations certain through general obligation bonds of the Authority. See "General Obligations of the Authority" under this caption. The Authority offers a loan program for businesses involved in the recycling and waste diversion industries ("**RENEW Program**"), with funding received from the Colorado Department of Local Affairs. The Authority also uses its Business and Industry Loan I ("**B&I I**") Program to provide funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business - Cooperative Service.

General Obligations of the Authority

As explained in "Programs to Date" under this caption, many of the bonds and notes issued by the Authority to finance its programs are general obligations of the Authority, rather than payable from specific revenues or assets. The following is a list of the outstanding bonds/notes of the Authority as of December 31, 2001:

General Obligation Bonds/Notes

Name of Bonds	Principal Amount Issued	Principal Amount Outstanding (4)
Subordinate Bonds – Qualified Single-Family Mortgage Program (1)	$ 44,715,000	$18,160,000
General Obligation Bonds – Multi-Family Housing Facility Loan Program (2)	$105,293,000	$ 4,750,000
Multi-Family/Project Class III Bonds (2)	$ 21,760,000	$21,760,000
General Obligation Bonds/ Notes – Commercial Programs (3)	$135,117,000	$51,921,000

(1) See "Programs to Date – Single-Family Mortgage Programs" under this caption.
(2) See "Programs to Date – Multi-Family Loan Programs" under this caption.
(3) See "Programs to Date – Commercial Programs" under this caption.
(4) As of December 31, 2001.

The Authority has also pledged its full faith and credit to secure other obligations relating to its programs, as described below:

- Section 542(c) Risk Sharing. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) in connection with its Multi-Family Housing Facility Loan Program, which as of December 31, 2001 equaled $166,865,000. In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Multi-Family Loan Programs" under this caption. In connection with the Authority's mortgage loan previously outstanding in the aggregate principal amount of $8.97 million (the "**Marycrest Loan**"), the Authority has incurred a risk sharing liability as a result of a default of the Marycrest Loan and the filing of a full insurance claim. A mortgage loan outstanding in the aggregate principal amount of $8.38 million (the "**Allied Loan**") defaulted and the Authority has concluded the foreclosure process. As a result, the Authority has filed a full insurance claim for the Allied Loan. In addition, a mortgage loan outstanding in the aggregate principal amount of $1.63 million (the "**Sterling Manor Loan**") is presently in default. If the Borrower does not cure the default, the Authority will be required to file either a partial or full insurance claim in accordance with the procedures and notice process required by the FHA. It is likely that the Authority will also incur a risk sharing liability in connection with the Allied Loan and the Sterling Manor Loan. At this time, the Authority believes that the risk sharing liability with respect to the Allied Loan and the Sterling Manor Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established for such loans.

- Derivative Obligations. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under Derivative Obligations relating to the Multi-Family/Project Bonds and under the Interest Rate Contracts relating to the Bonds under the Indenture.

- Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of $130,000,000. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of December 31, 2001, $88,254,126 in borrowings were outstanding under those agreements.

Moody's has assigned an "A1" rating and S&P has assigned an "A+" rating to the Authority's ability to repay its long-term general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward entirely by Moody's or S&P, respectively, if circumstances so warrant.

SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS

Pledge of Trust Estate

All Bonds and obligations of the Authority for the payment of money under the Interest Rate Contracts and Liquidity Facilities (the "**Auxiliary Obligations**") outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) are secured by and payable from revenues, assets and moneys pledged for the payment thereof under the Master Indenture (the "**Trust Estate**"). The pledge and lien of the Master Indenture on the Trust Estate is created and established in the following order of priority: first, to secure the payment of the principal of and interest on the Class I Obligations; second, to secure the payment of the principal of and interest on the Class II Obligations; third, to secure the payment of the principal and interest on the Class III Obligations; and fourth, to secure the payment of principal of and interest on the Class IV Obligations. Bonds and Auxiliary Obligations may also be designated as General Obligations of the Authority.

No Bonds or Auxiliary Obligations are presently outstanding under the Master Indenture other than as listed on **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." The Authority's obligation to pay principal of Bank Bonds at maturity or in accordance with a scheduled amortization date as set forth in any Liquidity Facility is a Class I Obligation, However, to the extent of any principal of Bank Bonds which is payable in advance of the maturity or scheduled amortization date as set forth in any Liquidity Facility, such portion of any Bank Bonds will constitute Class III Bonds and are designated as General Obligations of the Authority. The Authority's obligation to make regular interest payments under any Interest Rate Contracts has been (and is expected in the future to be) a Class I Obligation, and the Authority's obligation to make certain payments due upon early termination of any such Interest Rate Contract has been (and is expected in the future to be) a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture. The Authority expects to issue Additional Bonds under the Master Indenture, as described in "Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations" under this caption. *Notes and bonds heretofore or hereafter issued to provide funds for programs of the Authority (other than the Bonds under the Master Indenture) are and will be authorized and secured by resolutions and are not and will not be secured by the pledge of the Master Indenture and do not and will not rank on a parity with the Bonds. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date."*

Under the Master Indenture, the Trust Estate pledged to secure the Bonds and Auxiliary Obligations includes:

(i) all right, title and interest of the Authority in and to the proceeds of Bonds until used as set forth in the Master Indenture;

(ii) all right, title and interest of the Authority in and to the Revenues (as described in "Revenues" under this caption);

(iii) all right, title and interest of the Authority in and to all moneys and securities in the Funds and Accounts from time to time held by the Trustee under the terms of the Master

Indenture (except moneys and securities in the Rebate Fund, the Excess Earnings Fund and a Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement which is to be deposited in the Rebate Fund and any Excess Earnings which are to be deposited in the Excess Earnings Fund);

(iv) all right, title and interest of the Authority in the Mortgage Loans described in "The Mortgage Loans" under this caption; and

(v) all other property of any kind from time to time pledged under the Master Indenture as additional security.

In no event shall the Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof, other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority.

Revenues

Under the Master Indenture, the term "Revenues" means:

(a) all Mortgage Repayments, which include the amounts received by the Authority as scheduled payments of the principal of or interest on any Mortgage Loan by or on behalf of the Borrower to or for the account of the Authority, but does not include Prepayments, Servicing Fees or Escrow Payments;

(b) any penalty payments received on account of overdue Mortgage Repayments, except insofar as such payments may constitute Servicing Fees;

(c) Prepayments, which include moneys received or recovered by or for the account of the Authority from any unscheduled payment of or with respect to principal on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the Borrower, or (ii) as a consequence of the damage, destruction or condemnation of all or any part of the mortgaged premises, or (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority, or (iv) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority;

(d) all amounts earned on investments (other than Mortgage Loans) credited to any Fund or Account pursuant to the Indenture (including gains upon the sale of disposition of such investments), except the Rebate Requirement payable to the United States and any Excess Earnings;

(e) all payments and receipts received by the Authority under Interest Rate Contracts; and

(f) all other payments and receipts received by the Authority with respect to Mortgage Loans (other than amounts held in any Payment Account, Escrow Payments, Servicing Fees which have not been specifically pledged to the Trustee, any commitment, reservation, extension or application fees charged by the Authority in connection with a Mortgage Loan or Mortgage Purchase Agreement, any commitment, reservation, extension or applicable fees charged by a Mortgage Lender in connection with a Mortgage Loan, or accrued interest received in connection with the purchase of Investment Securities).

For a further description of the Revenues, the pledge thereof and the payment and transfer thereof from the Revenue Fund, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund" in **Appendix A** hereto.

Pursuant to the Master Indenture, all Revenues related to each Series of Bonds, in addition to other amounts, are to be deposited into the subaccount of the Revenue Fund related to such Series of Bonds. On the last business day prior to each Payment Date or on the other dates specifically provided in the Indenture, the Trustee is required to make certain transfers of amounts from each Series subaccount of the Revenue Fund, to the extent moneys are available, to various Funds and Accounts in a certain priority, as provided in the Master Indenture. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." Among these transfers, the Trustee is to deposit into: (i) the related Series Subaccount of the related Class Special Redemption Account, Loan Recycling Account (at the election of the Authority), or any combination of the two, the amount needed, if any, to ensure that the Class Asset Requirements for the related Series of Bonds will be met on such Payment Date; and (ii) each Series subaccount of the Related Class Special Redemption Account not related to such Series of Bonds, on a proportionate basis with all such unrelated subaccounts, the amount of any deficiency resulting from the lack of moneys sufficient to make the deposit described in (i). The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. **For information on the Class Asset Requirements, see Appendix F – "CLASS ASSET REQUIREMENTS FOR BONDS."**

The Mortgage Loans

Generally

The Trust Estate pledged under the Master Indenture to secure Bonds and Auxiliary Obligations issued thereunder includes the right, title and interest of the Authority in the Mortgage Loans. Under the Master Indenture, "*Mortgage Loan*" means a permanent loan secured by a Mortgage for the purchase or rehabilitation of Residential Housing made to a Borrower by the Authority or an originating Mortgage Lender which is purchased pursuant to a Mortgage Purchase Agreement and which satisfies certain requirements of the Master Indenture. See "Mortgage Loan Requirements" under this caption.

Mortgage Loan Requirements

The Mortgage Loans must be permanent loans secured by a mortgage, deed of trust or other instrument constituting a valid lien on real property in the State and improvements constructed or to be constructed thereon or on a leasehold under a lease having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the Mortgage Loan secured by such instrument. Each Mortgage Loan must be for the purchase of a single-family, owner-occupied dwelling located within the State that qualifies for financing by the Authority within the meaning of the Act, the Rules and Regulations of the Program, the relevant provisions of the Tax Code and related regulations (referred herein as "**Residential Housing**"). See "Part II – THE SINGLE-FAMILY MORTGAGE PROGRAM." A Mortgage Loan must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of such Mortgage Loan and must be made to a Borrower by the Authority or made by an originating Mortgage Lender and purchased by the Authority pursuant to a Mortgage Purchase Agreement. For this purpose, a *Borrower* means the maker of, and any other party obligated on, a Mortgage Loan in connection with the acquisition or rehabilitation of Residential Housing, who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations of the Program and, as applicable, in accordance with the Tax Code. The Mortgage Lenders may include certain banks, trust companies, FHA-approved direct endorsement mortgagees, VA-approved automatic lenders, Fannie Mae-approved seller/servicers, RHS-approved mortgagees, Federal Home Loan Mortgage Corporation approved seller/servicers, national banking associations and savings and loan associations which make mortgage loans on properties located in the State and mortgage bankers approved by a private mortgage company insuring a Mortgage Loan.

The Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements." The Master Indenture further requires that the buildings on the premises with respect to which each Mortgage Loan is made are to be insured, as and to the extent required by the Authority to protect its interest and with the Authority designated as the loss payee as its interest may appear, against loss or damage by fire, lightning and other hazards (including flooding in some cases). Each Mortgage Loan will initially be serviced by the Authority and may also be serviced for the Authority by an eligible financial institution approved by the Authority. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Servicing of the Mortgage Loans." In the Master Indenture, the Authority has covenanted to take certain action to protect the interests of the owners of the Bonds in the Mortgage Loans. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements." In one such covenant, the Authority has agreed to diligently enforce and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans consistent with sound lending practices and principles and applicable requirements under the Tax Code including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder.

Mortgage Loans

The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture will include Mortgage Loans originated by the Authority, or by Mortgage Lenders and thereafter purchased by the Authority, using amounts on deposit in the Acquisition Account and transferred to the Trustee. Upon transfer of any Mortgage Loans by the Authority to the Trustee, the Trustee is to reimburse the Authority for its costs of purchasing such Mortgage Loans using amounts on deposit in the Acquisition Account. The Mortgage Loans must satisfy the requirements described in "Mortgage Loan Requirements" under this caption. See "Part I – PLAN OF FINANCE," "Part I – CERTAIN PROGRAM ASSUMPTIONS," **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO" and **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Acquisition Account." The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture will include any Mortgage Loans acquired using proceeds (or amounts exchanged therefor) of additional Bonds which may be issued by the Authority under the Master Indenture as described in "Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations" under this caption. Any Additional Mortgage Loans so acquired must meet the requirements required by the Series Indenture relating to such additional Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for each Series of Bonds is established by the Related Series Indenture. See "Part I – PLAN OF FINANCE." Upon the issuance of any Series of Bonds, the Debt Service Reserve Fund Requirement for such Bonds is expected to be funded by a deposit of proceeds to the Debt Service Reserve Fund or by the deposit of a Qualified Surety Bond as permitted by the Indenture. Additional moneys are to be transferred into the various subaccounts of the Debt

Service Reserve Fund from the Revenue Fund as provided in the Master Indenture in the amounts needed, if any, to increase the amount in any subaccount of the Debt Service Reserve Fund, together with any Qualified Surety Bond therein, to the Debt Service Reserve Fund Requirement for the Bonds. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Moneys in the Revenue Fund."

Amounts in the Debt Service Reserve Fund are to be transferred to the Debt Service Fund and applied by the Trustee to the payment of principal and interest on the Bonds issued under the Master Indenture, in order of Class, in the event that amounts on deposit in the Debt Service Fund for the Related Class are insufficient to make such payments on any Bond Payment Date. **When making such payments, the Trustee is to transfer amounts first from the Series subaccount of the Debt Service Reserve Fund related to the Bonds for which the payment will be made and, second, from any unrelated Series subaccounts.** See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE –Debt Service Reserve Fund."

Liquidity Facilities

Pursuant to the respective Series Indentures, the Authority has entered, and expects in the future to enter, into Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." The Authority may elect to replace any Liquidity Facility with an Alternate Liquidity Facility. The Authority is to promptly notify the Trustee, the Remarketing Agent and the Tender Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to the date of such delivery. Upon receipt of such notice, the Trustee is to promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail to the Remarketing Agent and to each Owner of the Adjustable Rate Bonds at such Owner's registered address and to each National Repository. The Authority is to deliver such Alternate Liquidity Facility to the Trustee on or before the date of the then expiring Liquidity Facility or on the date of its intent to deliver.

The Authority is to use its best efforts to obtain an Alternate Liquidity Facility to replace the Liquidity Facility or cause the Adjustable Rate Bonds to be Converted to Fixed Rate Bonds or to bear interest in a Mode which does not require a Liquidity Facility in the event (i) the Liquidity Facility Provider shall decide not to extend the term of the Liquidity Facility beyond the expiration date thereof pursuant to the terms of the Liquidity Facility, (ii) the Authority terminates the Liquidity Facility pursuant to its terms, (iii) the Liquidity Facility Provider furnishes a termination notice to the Trustee, or (iv) the Liquidity Facility Provider fails to purchase Bonds as permitted by the Liquidity Facility.

No Alternate Liquidity Facility may be delivered to the Trustee for any purpose under the respective Series Indenture unless accompanied by certain documents, including letters from Moody's and S&P evidencing that the replacement of the Liquidity Facility with the Alternate Liquidity Facility will result in the reconfirmation of the then existing rating or the assignment of a new short-term rating of not less than "A-1+" or "P-1/VMIG-1" (in the case of S&P and Moody's, respectively) on the related Adjustable Rate Bonds.

Unless the Trustee has received (a) written notice from the Liquidity Facility Provider that it elects to extend or renew the Liquidity Facility or (b) written notice from the Authority that it has determined to provide or cause to be provided an Alternate Liquidity Facility, which notice shall be received not less than 30 days prior to the stated expiration date of the Liquidity Facility, the Trustee is to give notice to the Owners of Adjustable Rate Bonds and to each National Repository that the Adjustable Rate Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 20 days from the date of such notice to such Bondowners, at the Purchase Price (payable by the Liquidity Facility Provider) on the date set forth for purchase in such notice. See Part I.

Interest Rate Contracts

In connection with the issuance of Adjustable Rate Bonds, the Authority has, and expects in the future, to enter into interest rate swap agreements (the "**Interest Rate Contracts**") with a counterparty for the purpose of converting the floating rate interest payments the Authority is obligated to make with respect to the Adjustable Rate Bonds into substantially fixed rate payments. See "Part I – CERTAIN PROGRAM ASSUMPTIONS" and **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." Any payments or receipts received by the Authority under the Interest Rate Contracts will be pledged as Revenues, as described in "Revenues" under this caption. The Authority's obligation to make regular interest payments to the Counterparty under each of the Interest Rate Contracts has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Interest Rate Contracts in the event of early termination is, and is in the future expected to be, a general obligation of the Authority and not an Auxiliary Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations

No Bonds or Auxiliary Obligations are outstanding under the Master Indenture other than as described on **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." However, the Master Indenture permits the Authority to issue additional Bonds and to incur additional Auxiliary Obligations thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds and Auxiliary Obligations of the respective class, upon delivery of a Cash Flow Statement and satisfaction of certain other conditions. The Authority may not issue additional Bonds if such issuance would result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds issued under the Master Indenture. The Authority may also enter into any Interest Rate Contract or Liquidity Facility it deems necessary or desirable with respect to any or all of the Bonds issued under the Master Indenture, subject to the requirements of the Master Indenture. The Authority expects to issue additional Bonds and to incur additional Auxiliary Obligations in the future under the Master Indenture.

CERTAIN BONDOWNERS' RISKS

Limited Security

The Bonds are special limited obligations of the Authority payable by Class priority and solely from the Trust Estate (except in the case of Bonds which have been specifically designated as general obligations of the Authority). See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Pledge of Trust Estate." There is no assurance that the Mortgage Loans in or expected to be in the Trust Estate will perform in accordance with the assumptions made and that Revenues will be sufficient to pay debt service on the Bonds and Auxiliary Obligations under the Master Indenture when due. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." Additional Bonds and Auxiliary Obligations may be issued by the Authority under the Master Indenture on a parity with each Class of Bonds outstanding, upon satisfaction of certain conditions set forth in the Master Indenture.

Special Considerations Relative to Loan Origination

There are numerous reasons why the entire amount on deposit in any subaccount of the Acquisition Account for a particular Series of Bonds may not be used to acquire, or to reimburse the Authority for its costs of purchasing, Mortgage Loans in accordance with the Indenture. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Authority has determined that there is at the present time a shortage of funds in the State to make such loans on terms competitive with those terms specified for the Mortgage Loans. This condition could change during the origination period for the Mortgage Loans. For example, prevailing interest rates for conventional mortgages in the State could decrease and make the Mortgage Loans less attractive to potential Applicants. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Single-Family Mortgage Programs." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts." The Authority has taken reservations for mortgage loans which may, if closed, be acquired using proceeds of Bonds in the Acquisition Account. However, other issuers may issue bonds and make funds available on terms competitive with those terms specified for the Mortgage Loans.

In the event that sufficient Mortgage Loans have not been originated and acquired so that the costs of such Mortgage Loans do not equal the amounts in a particular subaccount of the Acquisition Account, such amounts in the Acquisition Account which cannot be used to acquire, or to reimburse the Authority for its costs of acquiring, Mortgage Loans as certified by the Authority are required to be used to redeem Bonds in the Related Series as described in Part I.

Considerations Regarding Redemption at Par

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2002 SERIES B BONDS – PRIOR REDEMPTION" FOR A DESCRIPTION OF THE PROVISIONS SPECIFICALLY APPLICABLE TO THE 2002 SERIES B BONDS. THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of each Series of Bonds will be**

redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium.

Tax Exempt Status of Tax-Exempt Bonds

The opinion to be delivered by Bond Counsel concurrently with delivery of any tax-exempt Bonds as described in "Part I – TAX MATTERS" will assume compliance by the Authority with certain requirements of the Tax Code that must be met subsequent to the issuance of such Bonds. The Authority will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the tax-exempt Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of such Bonds. Furthermore, the opinion of Bond Counsel is rendered as of the date of delivery of the particular Series of Bonds and speaks only to laws in effect as of such date. Amendments to federal and state tax laws are proposed from time to time and could be enacted in the future. There can be no assurance that any such future amendments will not adversely affect the value of such Series of Bonds, the exclusion of interest on the tax-exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the particular Series of Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Interest Rate Contracts

Pursuant to each of the Interest Rate Contracts, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which either will be based on a LIBOR or BMA Index or will be an amount equal to the actual interest payments by the Authority on the respective Adjustable Rate Bonds. To the extent Counterparty payments are based on a LIBOR or BMA Index, the amount of actual interest payments due on the respective Adjustable Rate Bonds may differ from the amount of such interest payments to be made by the Counterparty and the Trust Estate may not be sufficient to pay interest as due. See "Part I – CERTAIN PROGRAM ASSUMPTIONS" and "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Interest Rate Contracts." See also **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."

Delays after Defaults on Mortgage Loans

The Authority anticipates that there will be some delinquent Mortgage Loan payments and foreclosed Mortgage Loans. In the event that a Borrower defaults in the payment of a Mortgage Loan and the Authority institutes foreclosure proceedings, there may be certain required time delays which, should they occur with respect to a sufficient number of Mortgage Loans, could disrupt the flow of Revenues available for the payment of principal of and interest on the Bonds. These time delays derive from the procedures applicable to the collection of mortgage insurance or guarantees as well as those required under Colorado law for the enforcement of rights of beneficiaries under deeds of trusts. Those procedures and their effect on the Authority's ability to collect on defaulted Mortgage Loans are described in **Appendix K** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE." Any cash assistance to Borrowers in connection with the Mortgage Loans will decrease the Borrower's equity in the property and, as a result, it is possible that the Mortgage Loans may in the aggregate perform with higher default rates than Mortgage Loans originated without cash assistance. Bondholders should consider the possibility that such higher default rates could result in insufficient Revenues available to pay debt service on the Bonds when due. Information about historical default rates on portfolios of mortgage loans which secure outstanding bonds of the Authority has been provided by the Authority in its past filings with the nationally recognized municipal securities repositories. See **Appendix L** – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" for a description of the Authority's future obligations with respect to providing information about the Mortgage Loan portfolio, including default rate information. In addition, physical damage to the residences securing the Mortgage Loans may exceed the limits of, or be caused by a peril not insured under, the standard hazard insurance policies insuring such residences, thereby diminishing the value of the Mortgage Loans securing the Bonds.

Other Risks

The remedies available to the owners of the Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and the various Program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

THE SINGLE FAMILY MORTGAGE PROGRAM

The following sections describe requirements for the Mortgage Loans which are based on requirements in the Act or derive from general policies and limits established by the Authority for qualification of Mortgage Lenders, Servicers, Borrowers and Eligible Properties as well as basic requirements for Mortgage Loans (with noted exceptions). As indicated, certain requirements relate only to Mortgage Loans made as a part of the Authority's Qualified Single-Family Mortgage Program. A number of the procedures described below may not apply to the Zero Interest Loans. *It is expected that there will be variations in particular cases and that the policies and procedures of the Authority will be modified from time to time consistent with the Act, the Indenture and any procedures applicable to the Mortgage Loans.*

Communication of Program Information

The Authority communicates information regarding the availability of funds, interest rates and corresponding cash assistance levels (if any) under the Program on its website (www.colohfa.org). The Authority also makes available a directive outlining the terms of the Program (the "**Program Directive**") on the website. Prospective Mortgage Lenders are expected to obtain this information from the website. The Program Directive describes the program parameters, mortgage purchase prices, discounts, income limits and other parameters and information necessary for Mortgage Lenders to determine the eligibility of Applicants, residences and Mortgage Loans under the Program. Interest rates and corresponding cash assistance levels announced on the Authority website may change daily. The Program Directive is incorporated by reference into the Mortgage Purchase Agreement entered into between the Authority and each respective Mortgage Lender for eligible Mortgage Loans. See "Mortgage Purchase Agreements" under this caption.

Reservation, Delivery and Purchase of Mortgage Loans

The Sellers' Guide references and incorporates a description of reservation procedures by which a Mortgage Lender may reserve Mortgage Loan funds. Reservations may be made on a continuous basis without regard to the availability of proceeds from a specific Series of Bonds. The reservation procedures require a Mortgage Lender to have taken a loan application from an Applicant who has entered into a purchase contract with the seller of a residence. Other than for certain Mortgage Loans, the Mortgage

Lender may then use the Internet Reservation System to reserve funds. To reserve certain Mortgage Loans, the Mortgage Lender must fax certain documentation to the Authority. Prior to closing the Mortgage Loan, the Mortgage Lender must deliver to the Authority certain documents in order for the Authority to review the eligibility of the Applicant and the residence. The Mortgage Lender must then close the Mortgage Loan and deliver to the Authority certain information regarding the Mortgage Loan within five (5) business days of the closing to permit the Authority to begin servicing the Mortgage Loan. The Mortgage Lender must deliver the remaining closing documents to the Authority for purchase of the Mortgage Loan within fifteen (15) calendar days of such closing, but in any event no later than approximately thirty (30) days before expiration of any applicable origination period. All Applicants for Mortgage Loans (but not for Zero Interest Loans) will be required by the Authority (at the Authority's expense) to attend homebuyer education classes intended to give Applicants a clearer understanding, among other things, of their debt obligations. Applicants obtaining financing under the Authority's HomeAccess or HomeAccess Plus Program must attend the class prior to executing a contract with respect to the applicable property.

At closing, the Mortgage Lender will advance to a Borrower any applicable cash assistance for application to the upfront cash requirements for such Mortgage Loan closing, which may include payment of the origination fee, closing costs, initial required escrow deposits and/or a portion of a downpayment or may be applied as a Prepayment to reduce the initial principal balance of the Mortgage Loan. Amounts received as cash assistance may not be used by a Borrower to "buy down" the interest rate. In addition, the Authority may require a Borrower to make a cash contribution using funds other than the cash assistance. The cash contribution does not have to be from the Borrower's own funds although it must be from a source acceptable to the Mortgage Loan insurer or guarantor. The Authority or the Trustee will purchase Mortgage Loans from the Mortgage Lenders with available funds of the Authority at a price sufficient to reimburse such Mortgage Lenders for any such cash assistance and, in some cases, to pay additional lender fees.

In order to satisfy the requirements of the Tax Code in connection with certain tax-exempt Bonds, the Authority is required by the Indenture to reserve an amount in the Acquisition Account for the purchase of Mortgage Loans on "targeted area residences" within the meaning of Section 143 of the Tax Code ("Targeted Area Residences"). Such amount must be reserved until all of such amount is used to purchase Mortgage Loans on such Targeted Area Residences or a date at least one year after the date on which the proceeds of the Series of Bonds or amounts exchanged therefor are first made available for the purchase of such Mortgage Loans. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Set Asides" for a discussion of this reservation.

Eligibility Requirements

Residency Requirements

In the case of Mortgage Loans made in the Qualified Single-Family Mortgage Program, Mortgage Loans must be made only to Applicants who have not owned an interest in a principal residence during the three-year period prior to the date of execution of each respective Mortgage which secures each such Mortgage Loan. In this case, each Applicant must also intend to occupy the Eligible Property as his or her principal place of residence.

Purchase Price Limitations

In the case of Mortgage Loans made in the Qualified Single-Family Mortgage Program, the Purchase Price of an Eligible Property financed in connection with such a Mortgage Loan may not exceed the following Purchase Price limits as established by the Authority. The Authority has established the following Purchase Price limits for Eligible Properties (existing residences and new residences) located in the State:

Purchase Price Limits

Area	Range for New Residence	Range for Existing Residence
Boulder, Clear Creek, Eagle, Elbert, Garfield, Grand, Gunnison, Pitkin, Routt, San Miguel and Summit Counties	$206,500 – 270,000	$195,750 – 270,000
Denver PMSA (Adams, Arapahoe, Denver, Douglas and Jefferson Counties)	220,000	183,500
Hinsdale, Ouray and Park Counties	158,000 – 180,500	128,750 – 204,500
Colorado Springs MSA (El Paso County)	180,000	153,500
Fort Collins/Loveland MSA (Larimer County)	183,250	161,000
All Other Areas of the State	156,650 – 224,250	119,500 – 172,250

Certain of these Purchase Price limits are somewhat lower than those permitted by the Tax Code in order to better serve persons and families of lower income. Purchase Price limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners. Furthermore, a Mortgage Loan may be made in an amount up to $15,000 in excess of the applicable Purchase Price limit for an existing Residence to finance certain capital improvements to the Eligible Property for energy efficiency purposes. In addition to the proceeds of a Mortgage Loan, an Eligible Property may be financed with amounts received as a grant or loaned and secured by a second mortgage encumbering the property.

For other Mortgage Loans and in certain jurisdictions, the Authority has established or may establish higher Purchase Price limits, not in excess of 90% (110% in the case of Targeted Area Residences) of the Average Area Purchase Price, as defined below, of previously occupied or new single family residences, as the case may be, for the statistical area in which the Eligible Property is located.

The term "Purchase Price" means that cost of acquiring an Eligible Property from the seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Eligible Borrower (or a related party or for the benefit of the Eligible Borrower) to the seller (or a related person or for the benefit of the seller) as consideration for the Eligible Property, (ii) the purchase price of the land and (iii) if the Eligible Property is incomplete, the reasonable cost of completing it (to the extent that the builder thereof normally completes work on similar residences which he builds, and so that occupancy thereof is legally permitted); but exclusive of (A) usual and reasonable settlement or financing costs (but only to the extent that such amounts do not exceed the usual and reasonable costs which would be paid by the Applicant where financing is not provided through the proceeds of qualified mortgage bonds the interest on which is excludable from the gross income of the recipient for federal income tax purposes), (B) the value of services performed by the Eligible Borrower or members of his or her family in completing the Eligible Property, (C) the value of an income-producing component of the Eligible Property, (D) the value of all items of personal property included in the Eligible Property and (E) the cost of land if owned by the Eligible Borrower for at least two years prior to the commencement of construction.

The term "Average Area Purchase Price" means the most current average area purchase price under the safe harbor limitations from time to time published by the United States Department of the Treasury for each applicable PMSA or MSA or other area within the State, stated separately with respect to Eligible Properties which have not been previously occupied and Eligible Properties which have been previously occupied; provided, however, that in lieu of such safe harbor limitations, the average area purchase price may be determined by the Authority in accordance with the Tax Code. The most recently published safe harbor limitations for Average Area Purchase Prices for Single Family Residences in the State were as follows:

Average Area Purchase Prices for
Single Family Residences

Area	New Residence	Existing Residence
Boulder-Longmont PMSA	$174,062	$160,891
Colorado Springs MSA	174,062	111,939
Denver PMSA	144,770	131,083
Fort Collins-Loveland MSA	166,510	122,486
All Other Areas	174,062	132,830

Source: United States Department of the Treasury

The Authority has made determinations, in accordance with the Tax Code, of average purchase prices which exceed the safe harbor limitations for a number of jurisdictions.

Condominium Projects

Under the Qualified Single-Family Mortgage Program, Mortgage Loans on a limited number of condominium units which qualify for FHA insurance, VA or Rural Housing Service guarantees or PMI may be purchased. With respect to any Series of the Bonds, Mortgage Loans encumbering condominium units may not exceed in the aggregate 20% of the outstanding aggregate principal amount of all Mortgage Loans related to such Series and may not comprise more than 25% of the units in any condominium project.

Income Limits

An Applicant may be a Borrower for purposes of a Mortgage Loan only if such Applicant has a current Gross Annual Household Income which does not exceed the limits set forth in the Program Directive. Income limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners.

Homebuyer Education Requirement

Prior to receiving a Mortgage Loan (except in the case of a Zero Interest Loan), the Authority expects to require each Borrower to complete a homebuyer education class approved by the Authority. Homebuyer education classes are offered statewide and at no cost to the Borrower by Authority-approved housing counseling agencies and housing authorities under contract with the Authority. Homebuyer education certificates are only valid for nine months from the date of the certificate through the date of the purchase contract. Pursuant to its contracts with such agencies, the Authority will pay up to certain amounts for the classroom education.

Mortgage Purchase Agreement

Each Mortgage Lender approved by the Authority to participate in the Authority's Single Family Mortgage Program has executed a Mortgage Purchase Agreement. Additional Mortgage Lenders may become eligible to participate and, if approved by the Authority, will enter into a Mortgage Purchase Agreement. Purchases of Mortgage Loans by the Authority from Mortgage Lenders are made pursuant to Mortgage Purchase Agreements, which in most cases incorporate by reference the terms and provisions of the Sellers' Guide. A reservation of Mortgage Loan funds is for a specific Applicant, residence, Mortgage Loan amount and interest rate. The Sellers' Guide provides that an origination fee equal to one percent (1%) of the aggregate principal amount of each Mortgage Loan may be charged to a Borrower and Mortgage Lenders may receive an additional payment from the Authority equal to one percent (1%) of the aggregate principal amount for certain Mortgage Loans.

The Mortgage Lender will warrant, represent, covenant and agree that each time it sells a Mortgage Loan to the Authority such Mortgage Loan will, to the best of its knowledge, meet the conditions required by the Indenture.

The Authority reserves the right to modify or otherwise change its procedures under the Program from time to time on the basis of its experience in order to meet changed conditions. To the extent that such modifications or changes are made, the Authority will be governed by the Act and by the covenants contained in the Indenture.

Sellers' Guide

Each Mortgage Purchase Agreement (applicable only to Mortgage Loans other than Zero Interest Loans) incorporates by reference the Sellers' Guide, including all of the terms, conditions, representations and warranties therein. The Sellers' Guide describes the procedures for reservation, loan delivery and purchase, and contains representations, warranties, covenants and agreements of the Mortgage Lender to the Authority, certain of which relate to: (i) the legality and validity of the Mortgage Loans and related documents; (ii) the existence and conveyance to the Authority of a valid lien (subject only to current taxes and assessments not yet due and payable, and encumbrances permitted by the Authority) on the Eligible Property, located in the State and held in fee simple; (iii) the absence of delinquencies with respect to payments on each Mortgage Loan; (iv) the absence of defaults under each Mortgage Loan; (v) the Mortgage Lender's right to sell each Mortgage Loan to the Authority; (vi) the existence and validity of hazard insurance on the Eligible Property in an amount not less than 100% of the replacement costs of the improvements at the time of the origination of the Mortgage Loan; (vii) compliance by the Mortgage Lender with all requirements relating to the insurance or guaranty of the Mortgage Loan; (viii) compliance with the applicable requirements of the Tax Code; and (ix) the requirement that any insurance or guaranty will inure to the benefit of the Authority. The Authority has the right to decline to purchase any Mortgage Loan offered to it if, in the reasonable opinion of the Authority, the Mortgage Loan does not conform to the requirements of the Act or the Sellers' Guide. See "Mortgage Purchase Agreement" under this caption.

The Sellers' Guide may be amended or supplemented by the Authority from time to time without notice to the owners of the Bonds.

Servicing of the Mortgage Loans

Prior to 1997, the Authority caused its portfolios of single-family mortgage loans to be serviced by eligible financial institutions ("**Servicers**") pursuant to servicing agreements with the Authority ("**Servicing Agreements**"). In 1997, the Board of Directors of the Authority adopted a plan for in-house servicing of mortgage loans by the Authority as an alternative to this historical servicing by Servicers. The Authority believes that, through its in-house servicing operations, the Authority is servicing mortgage loans in accordance with servicing practices or standards as required to maintain any applicable insurance with respect to such loans. The Sellers' Guide relating to the Mortgage Loans requires all originating Mortgage Lenders to sell to the Authority all of the loan servicing rights to the Mortgage Loans. The Authority intends to service all of the Mortgage Loans. In that connection, the Authority will retain an annual servicing fee of 30/100 of one percent (0.30%) of the outstanding balance of the Mortgage Loans (except that no servicing fee will be charged for any Zero Interest Loans). In addition, the Authority plans to retain any and all investment earnings on the loan payments which accrue after such payments are received by the Authority but before the date the Authority is required by the Indenture to remit such payments to the Trustee.

In most cases, the Authority begins servicing the Mortgage Loans within five (5) business days of closing, which is prior to the Authority's purchase of the Mortgage Loans. The Sellers' Guide sets forth the Authority's servicing obligations with respect to a Mortgage Loan for the period prior to the Authority's purchase of the Mortgage Loan. The Sellers' Guide also gives the Authority the right to retransfer the servicing of a Mortgage Loan back to the Mortgage Lender if the Mortgage Loan is not purchased within a specified time. The Authority has made representations in the Indenture to service, or cause to be serviced, each Mortgage Loan in accordance with acceptable mortgage servicing practices of prudent lending institutions or in accordance with such other standards as are required to maintain the government mortgage insurance or guaranty or private mortgage insurance, as applicable, with respect to such Mortgage Loan.

Hazard Insurance

Each Mortgagor must maintain a hazard insurance policy covering loss against fire and hazards included within the term extended coverage.

In general, the standard form of fire and extended coverage policy covers physical damage to or destruction of a residence by fire, lightning, smoke, windstorm and hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Although the policies relating to the Mortgage Loans may be underwritten by different insurers and therefore will not contain identical terms and conditions, the basic terms thereof are dictated by Colorado law. Most such policies typically do not cover any "physical damage" resulting from the following: war, revolution, governmental actions, earthquake, floods and other water-related causes, nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive.

Most hazard insurance policies typically contain a "coinsurance" clause which will require the Mortgagor at all times to carry insurance of a specified percentage (generally 80% to 90%) of the full replacement value of the improvements on the residence in order to recover the full amount of any partial loss. If the coverage falls below the specified percentage, the insurer's liability in the event of partial loss would not exceed the larger of (i) the actual cash value of the improvements damaged or destroyed or (ii) such proportion of the loss as the amount of insurance carried bears to the specified percentage of the full replacement cost of such improvements. The effect of coinsurance in the event of partial loss may be that hazard insurance proceeds will be insufficient to restore fully the damage to the Eligible Property.

Special Program Features

Zero Interest Loans

The Authority may use amounts in the subaccount of the Acquisition Account to acquire as Mortgage Loans certain loans referred to as "**Zero Interest Loans**." Zero Interest Loans are loans which have been made by a non-profit organization to borrowers in principal amounts equal to the cost of construction of the dwelling, with no interest. The annual repayment obligation of Zero Interest Loans will be based on 25% of the respective borrower's gross annual income and the respective maturities of the Zero Interest Loans will be derived as a result of the repayment terms. The Zero Interest Loans will not be insured or guaranteed and do not need to meet any loan-to-value ratios. Zero Interest Loans will be originated without cash assistance. Terms of the Zero Interest Loans may be amended from time to time and the level of such Zero Interest Loans so acquired may be determined by the Authority, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the related Series Indenture to demonstrate that the Class I Asset Requirement, the Class II Asset Requirement and the Class III Asset Requirement for the particular Series of Bonds will be met after taking into account such terms and level.

HomeAccess Program

The Authority may use amounts in the Acquisition Account to purchase Mortgage Loans originated under the Authority's HomeAccess Program, which assists persons with disabilities to achieve homeownership. Under the HomeAccess Program, persons with disabilities may receive Mortgage Loans (referred to herein as "**HomeAccess Loans**") secured by a first mortgage and financed, at an annual interest rate of 3.00%. In connection with its HomeAccess Program, the Authority has introduced its HomeAccess Plus Loans (referred to herein as "**HomeAccess Plus Loans**") which may also be made to persons with disabilities. HomeAccess Plus Loans will be secured by a first mortgage and may be financed by amounts in the respective subaccount of the Acquisition Account at varying annual interest rates. A HomeAccess Loan or a HomeAccess Plus Loan will be made only to a borrower who makes a cash contribution of at least $750 and who meets certain income limits lower than those established for Borrowers of other Mortgage Loans. The Authority does <u>not</u> provide cash assistance for HomeAccess Loans or HomeAccess Plus Loans although in some cases the Authority may provide certain borrowers under the HomeAccess and HomeAccess Plus Programs with a second mortgage loan for down payment assistance. Terms of the HomeAccess Loans and HomeAccess Plus Loans may be amended from time to time and the level of such HomeAccess Loans and HomeAccess Plus Loans so acquired may be determined by the Authority, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the related Series Indenture to demonstrate that the Class I Asset Requirement, the Class II Asset Requirement and the Class III Asset Requirement for the particular Series of Bonds will be met after taking into account such terms and level.

Cash Assistance and Second Mortgages

Proceeds of the Bonds (or amounts exchanged therefor) may be used to provide cash assistance to Borrowers of the Mortgage Loans. Such cash assistance, if provided, may be an advance which is not subject to repayment by the Borrower, or may be a second mortgage which may be subject to repayment on terms different than the terms of such Borrower's Mortgage Loan. The percentage and aggregate amounts applied to such cash assistance from time to time must be at levels consistent with the then current Cash Flow Statements and Authority Certification required by the Related Series Indenture to demonstrate that the Related Class I Asset Requirement, the Related Class II Asset Requirement and the Class III Asset Requirement will be met after taking into account such cash assistance levels.

Refinancing Program

Proceeds of the Bonds (or amounts exchanged therefor) provide funding for the Authority's mortgage purchase activities under the Program. The Authority is considering the possible use in the future of such proceeds and exchanged amounts to fund mortgage refinancing activities. Implementation by the Authority of such a mortgage refinancing program as part of the Program is likely to result in the prepayment of outstanding mortgage loans, including the Mortgage Loans, with a corresponding redemption at par of Bonds secured by such Mortgage Loans in accordance with the redemption provisions of the respective Series Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

NO IMPAIRMENT OF CONTRACT BY THE STATE

Pursuant to the provisions of Section 29-4-731 of the Act, the Authority has included in the Indenture the pledge and agreement of the State of Colorado that the State of Colorado will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of such Owners, are fully met and discharged.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

The Act provides that the Bonds are eligible for investment in the State by all public officers, public bodies and political subdivisions of the State, banking associations, savings and loan associations, trust companies, investment companies and insurance companies, and all executors, administrators, trustees and other fiduciaries of funds in their control or belonging to them; provided that, at the time of purchase by a public entity, such Bonds are rated in one of the two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations. The Act makes the Bonds securities which may properly and legally be deposited with and received by any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is authorized by law.

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the year ended December 31, 2001, included in this Official Statement as **Appendix G**, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their report dated February 22, 2002. The Authority has recently selected Deloitte & Touche LLP to perform the audit of its financial statements as of and for the year ending December 31, 2002.

MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture and the Liquidity Facilities, may be obtained upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director.

The distribution of this Official Statement has been duly authorized by the Authority. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or owners of any Bonds.

COLORADO HOUSING AND FINANCE AUTHORITY

By: /s/ Milroy A. Alexander
Executive Director

APPENDIX A

Summary of Certain Provisions of the Indenture

The Master Indenture, copies of which are available from the Authority and the Trustee, contains various covenants and security provisions, some of which are summarized below.

Definitions of Certain Terms

"Accreted Value" means, with respect to each compound interest Bond as of any date of calculation, an amount equal to the sum of (i) the principal amount of such Bond, plus (ii) any interest that has been compounded, i.e., any interest amount that is itself then bearing interest, all determined as of such date.

"Acquisition Account" means the Account so designated, which is created and established in the Program Fund by the Master Indenture. See "Program Fund; Acquisition Account" under this caption.

"Act" means the Colorado Housing and Finance Authority Act, being Part 7, Article 4, Title 29 of Colorado Revised Statutes.

"Adjustable Rate Bonds" means Bonds the interest rate on which is not fixed to maturity.

"Aggregate Debt Service" means, for any particular period, Bonds and Auxiliary Obligations, the Debt Service Payments becoming due and payable on all Payment Dates during such period with respect to such Bonds and such Auxiliary Obligations.

"Aggregate Principal Amount" means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

"Amortized Value" means, when used with respect to an Investment Security purchased at a premium above or at a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such Investment Security was purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Investment Securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of an Investment Security purchased at a premium, by deducting the product thus obtained from the purchase price and (b) in the case of an Investment Security purchased at a discount, by adding the product thus obtained to the purchase price.

"Authority" means the Colorado Housing and Finance Authority, the body corporate and political subdivision of the State or any successor thereto under or with respect to the Act.

"Authority Certificate" means, as the case may be, a document signed by the Chair, Vice Chair or an Authorized Officer either (a) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (b) setting forth matters to be determined by such Authorized Officer pursuant to the Indenture.

"Authorized Officer" means the Chair, Chair pro tem or Executive Director of the Authority, and any other officer designated from time to time as an Authorized Officer by resolution of the Authority and, when used with reference to any act or document, also means any other person authorized by resolution of the Authority to perform such act or sign such document.

"Auxiliary Agreements" means Interest Rate Contracts and Liquidity Facilities.

"Auxiliary Agreement Providers" means Interest Rate Contract Providers and Liquidity Facility Providers.

"Auxiliary Obligations" means obligations of the Authority for the payment of money under Auxiliary Agreements.

"Bond" or "Bonds" means any of the bonds, notes or other financial obligations (however denominated) of the Authority authorized and issued under the Indenture, including any Refunding Bonds.

"Bond Counsel" means any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed from time to time by the Authority.

"Bondowner" or "Owner" or "Owner of Bonds" or similar term, when used with respect to a Bond or Bonds, means the registered owner of any Outstanding Bond.

"Bond Year" means, with respect to each Series, the twelve-month period designated as such by the Related Series Indenture, except that the first Bond Year for any Bonds may commence on the date of issuance thereof and end on the date specified by such Series Indenture.

"Borrower" means the maker of, and any other party obligated on, a Mortgage Loan in connection with the acquisition or rehabilitation of Residential Housing, who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations and in accordance with the Code.

"Business Day" means, except as set forth in a Series Indenture, any day (a) on which banks in the cities in which the respective principal offices of the Paying Agent, the Bond Registrar, the Trustee and Related Auxiliary Obligation Providers are located are not required or authorized by law to be closed and (b) on which the New York Stock Exchange is open. For purposes of this definition, the principal office of a Liquidity Facility Provider shall be the office to which demands for payment are delivered.

"Cash Flow Statement" means, with respect to any particular Bonds and Auxiliary Obligations, an Authority Certificate (a) setting forth, for the then current and each future Bond Year during which such Bonds and Auxiliary Obligations will be Outstanding, and taking into account (i) any such Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Year upon or in connection with the filing of such Certificate, (for which purpose, if such Authority Certificate is delivered as of a date prior to a scheduled mandatory tender date for any Adjustable Rate Bonds, the Purchase Price of all such Adjustable Rate Bonds subject to mandatory tender on such tender date shall be assumed to be due and payable on such mandatory tender date), (ii) any such Auxiliary Obligations expected to be incurred upon or in connection with the filing of such Certificate, (iii) the interest rate, purchase price, discount points and other terms of any Related Mortgage Loans, and (iv) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such Certificate:

(A) the amount of Mortgage Repayments and Prepayments reasonably expected to be received by the Authority in each such Bond Year from Related Mortgage Loans, together with Related Investment Revenues, Related Interest Rate Contract Revenues and other moneys (including without limitation moneys in any special escrows established with the Trustee) that are reasonably expected to be available to make Related Debt Service Payments, to pay Related Program Expenses and to pay the Purchase Price of any such Adjustable Rate Bonds subject to mandatory tender on any such tender date; and

(B) the Aggregate Debt Service for each such Bond Year on all such Bonds and Auxiliary Obligations reasonably expected to be Outstanding, together with the Related Program Expenses reasonably estimated for each such Bond Year;

and (b) showing that in each such Bond Year the aggregate of the amounts set forth in clause (a)(iv)(A) of this definition exceeds the aggregate of the amounts set forth in clause (a)(iv)(B) of this definition. Reference to a Cash Flow Statement with respect to a Series shall be taken to mean a Cash Flow Statement with respect to such Series and any Related Auxiliary Obligations and any other Series and Related Auxiliary Obligations to which such Series has been linked for Cash Flow Statement purposes.

"Class I Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class I Auxiliary Obligations in the Related Series Indenture.

"Class I Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class I Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class I Obligations" means the Class I Bonds and the Class I Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class I Bonds and any Related Class I Auxiliary Obligations.

"Class I Sinking Fund Installment" means the amount designated for any particular due date in the Related Series Indenture for the retirement of Class I Bonds on an unconditional basis, less any amount credited pursuant to the Master Indenture.

"Class II Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class II Auxiliary Obligations in the Related Series Indenture.

"Class II Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class II Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class II Obligations" means the Class II Bonds and the Class II Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class II Bonds and any Related Class II Auxiliary Obligations.

"Class II Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class II Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class II Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class III Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class III Auxiliary Obligations in the Related Series Indenture.

"Class III Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class III Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class III Obligations" means the Class III Bonds and the Class III Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class III Bonds and any Related Class III Auxiliary Obligations.

"Class III Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class III Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class III Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class IV Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class IV Auxiliary Obligations in the Related Series Indenture.

"Class IV Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class IV Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class IV Obligations" means the Class IV Bonds and the Class IV Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class IV Bonds and any Related Class IV Auxiliary Obligations.

"Code" means the Internal Revenue Code of 1986, as amended, with respect to a Series, to the date of initial issuance of such Series, and the regulations of the United States Treasury Department promulgated thereunder.

"Costs of Issuance" means the items of expense payable or reimbursable directly or indirectly by the Authority and other costs incurred by the Authority, all related to the authorization, sale and issuance of Bonds, the execution and delivery of Auxiliary Agreements and the establishment of the Program, which costs and items of expense shall include, but not be limited to, underwriters' compensation, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Bonds, filing and recording fees, travel expenses incurred by the Authority in relation to such issuance of Bonds or for the Program, initial fees, charges and expenses (including counsel's fees and expenses) of the Authority, the Trustee, the Bond Registrar and the Paying Agent, initial premiums with respect to insurance required by the Indenture to be paid by the Authority or by the Trustee, legal fees and charges (including, without limitation, the fees and expenses of Bond Counsel, the Authority's disclosure counsel, counsel to the underwriter and counsel to the Authority), professional consultants' fees, accountants' fees, mortgagor counseling fees, costs of bond ratings, fees and charges for execution, transportation and safekeeping of the Bonds, accrued interest paid in connection with the purchase of any Investment Securities with the proceeds of Bonds and any other costs, charges and fees in connection with the foregoing.

"Debt Service Payment" means, when used with respect to any Payment Date, the sum of the (a) interest, if any, and (b) Principal Installments, if any, and (c) Auxiliary Obligations, if any, due and payable on such date with respect to the Bonds and Auxiliary Agreements referred to.

"Debt Service Reserve Fund" means the Fund so designated, which is created and established by the Master Indenture. See "Debt Service Reserve Fund" under this caption.

"Debt Service Reserve Fund Requirement" with respect to each Series of Bonds, shall have the meaning set forth in the Related Series Indenture.

"Defeasance Securities" means any Investment Securities used to effect defeasance of Bonds in accordance with the Master Indenture if upon such defeasance the Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Bonds, and which are not subject to redemption by the issuer thereof prior to their maturity.

"Depository" means any bank, trust company, or savings and loan association (including any Fiduciary) selected by the Authority and approved by the Trustee as a depository of moneys, Mortgage Loans or Investment Securities held under the provisions of the Indenture, and its successor or successors.

"Eligible Borrower" means a person or a family qualifying as a mortgagor for a Mortgage Loan under determinations made by the Authority in accordance with the Act.

"Escrow Payment" means all payments made by or on behalf of the obligor of a Mortgage Loan in order to obtain or maintain mortgage insurance or guaranty coverage of, and fire and other hazard insurance with respect to, a Mortgage Loan, and any payments required to be made with respect to such Mortgage Loan for taxes, other governmental charges and other similar charges required to be escrowed under the Mortgage.

"Excess Earnings" means, with respect to Mortgage Loans held in any subaccount of the Acquisition Account or the Loan Recycling Account established in connection with a Series of Tax-exempt Bonds, the "excess earnings," as defined in Treasury Regulations § 1.148-10T, with respect thereto.

"Fiduciary" means the Trustee, the Bond Registrar, the Paying Agent or a Depository or any or all of them, as may be appropriate.

"Fiduciary Expenses" means the fees and expenses of Fiduciaries, including fees and expenses of Fiduciary's counsel, but not including Servicing Fees payable to such Persons.

"General Obligation Bond" means a Bond, the payment of principal of and interest on which is a General Obligation of the Authority.

"General Obligations" means Bonds or Auxiliary Obligations secured or additionally secured, as provided in the Related Series Indenture, by a pledge of general revenues or moneys of the Authority legally available therefor, subject only to agreements made or to be made with owners of notes, bonds or other obligations pledging particular revenues or moneys for the payment thereof and subject to the Authority's right at any time to apply such revenues and moneys to any lawful purpose.

"Indenture" means the Master Indenture authorized, executed and issued by an Authorized Officer and any amendments or supplements made in accordance with its terms, including all Series Indentures.

"Interest Payment Date" means, for each Bond, any date upon which interest on such Bond is due and payable in accordance with the Related Series Indenture.

"Interest Rate Contract" means an interest rate exchange or swap contract, a cash flow exchange or swap contract, any derivative of such contracts, including forward swaps and options to enter into swaps, and interest rate floors, caps or collars, entered into between the Authority and an Interest Rate Contract Provider.

"Interest Rate Contract Provider" means a Person that is a party to an Interest Rate Contract with the Authority with respect to specified Bonds and who satisfies the applicable requirements of the Interest Rate Exchange Agreements Act, being Article 59.3, Title 11 of Colorado Revised Statutes, and whose credit rating by each nationally recognized Rating Agency then rating the Class I Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or the equivalent of such rating by virtue of guarantees or insurance arrangements.

"Interest Rate Contract Revenues" means all payments and receipts received by the Authority under an Interest Rate Contract.

"Investment Provider" means any commercial bank or trust company, bank holding company, investment company or other entity (which may include the Trustee, the Bond Registrar or the Paying Agent), whose credit rating (or the equivalent of such rating by virtue of guarantees or insurance arrangements) by each nationally recognized Rating Agency then rating the Class I Bonds or Class II Bonds is sufficiently high to maintain the then current rating on the such Bonds by such Rating Agency or is otherwise acceptable to each such Rating Agency in order to maintain the then current rating on such Bonds by such Rating Agency, which Investment Providers shall be approved by the Agency for the purpose of providing investment agreements.

"Investment Revenues" means amounts earned on investments (other than Mortgage Loans) credited to any Fund or Account pursuant to the Indenture (including gains upon the sale or disposition of such investments) except the Rebate Requirement and any Excess Earnings.

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) Direct, general obligations, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;

(ii) Obligations, debentures, notes, collateralized mortgage obligations, mortgage backed securities or other evidence of indebtedness issued or guaranteed by any of the following: Cooperatives; Federal Farm Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Fannie Mae (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Financing Bank; Federal Housing Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(iii) Repurchase agreements, collateralized by Investment Securities described in clause (i) or clause (ii) of this definition, with any institution, any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, and collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

(iv) General obligations or revenue obligations (including bonds, notes or participation certificates) of, or "private activity bonds" (within the meaning of the Code) issued by any state of the

United States of America or any political subdivision thereof, or any agency or instrumentality of any state of the United States of America or any political subdivision thereof, which obligations are rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, or any money market or short term investment fund investing substantially in or consisting substantially of and secured by obligations described above in this item (iv), which fund is rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency and which fund, if the income from such investment is intended to be excluded from gross income for federal income tax purposes, is included in the definition of "tax-exempt bond" set forth in Treasury Regulation § 1.150-1(b);

(v) General obligations of Investment Providers under the investment agreement described under "Assumptions Regarding Revenues, Debt Service Requirements, Operating Expenses and Certain Other Matters" or other investment agreements having substantially similar terms;

(vi) Certificates of deposit, interest-bearing time deposits, or other similar banking arrangements with a bank or banks (a) rated by each Rating Agency rating Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or (b) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

(vii) Commercial paper rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency;

(viii) Shares in the statutory law trust known as the Colorado Local Government Liquid Asset Trust (COLOTRUST), created pursuant to Part 7 of Article 75 of Title 24, Colorado Revised Statutes; and

(ix) Units of a money market fund or a money market mutual fund which has a rating from each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency;

provided, that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those listed above which the Authority deems from time to time to be in the interest of the Authority to include as Investment Securities if at the time of inclusion the Trustee shall have received written confirmation from the Rating Agencies that such inclusion will not, in and of itself, impair, or cause any of the Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies.

"Liquidity Facility" means a letter of credit, standby bond purchase agreement, security bond, reimbursement agreement or other agreement between the Authority and a Liquidity Facility Provider with respect to specified Bonds issued under the Master Indenture.

"Liquidity Facility Provider" means a Person that is a party to a Liquidity Facility with the Authority with respect to specified Bonds and whose credit rating by each nationally recognized Rating Agency then rating the Class I Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or the equivalent of such rating by virtue of guarantees or insurance arrangements.

"Mortgage" means a mortgage, deed of trust or other instrument constituting a valid lien on real property in the State and improvements constructed or to be constructed thereon or on a leasehold under a lease having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the Mortgage Loan secured by such instrument.

"Mortgage Lender" means a "lender" as defined in the Act and which has been approved by the Authority pursuant to the Rules and Regulations.

"Mortgage Loan" means a permanent loan secured by a Mortgage for the purchase or rehabilitation of Residential Housing made to a Borrower either by the Authority or by an originating Mortgage Lender which is purchased by the Authority pursuant to a Mortgage Purchase Agreement and which loan satisfies the requirements of the Master Indenture.

"Mortgage Repayments" means, with respect to any Mortgage Loan, the amounts received by or for the account of the Authority as scheduled payments of principal and interest on such Mortgage Loan by or on behalf of the Borrower to or for the account of the Authority and does not include Prepayments, Servicing Fees or Escrow Payments.

"Mortgage Revenues" means all Revenues other than Investment Revenues and Interest Rate Contract Revenues.

"National Repository" means each Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission from time to time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Outstanding" means, when used with respect to all Bonds as of any date, all Bonds theretofore authenticated and delivered under the Indenture except:

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

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

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

(d) any Bond deemed to have been paid as provided in the Master Indenture;

and, with respect to any Auxiliary Obligations, means Auxiliary Obligations which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"Payment Date" means for each Bond, each date on which interest or a Principal Installment or both are payable on such Bond; and for each Auxiliary Obligation, each date on which an amount is payable with respect to such Auxiliary Obligation, and, unless limited, means all such dates.

"Person" means an individual, partnership, corporation, trust or unincorporated organization or a government or any agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

"Prepayment" means any moneys received or recovered by or for the account of the Authority from any unscheduled payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan, but excluding any Servicing Fees with respect to the collection of such moneys) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (a) by voluntary prepayment made by the Borrower or (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (c) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or (d) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority.

"Principal Installment" means, as of any date of calculation, and for any Payment Date, (a) the principal amount or Accreted Value of all Bonds due and payable on such date, plus (b) any Class I, Class II, Class III and Class IV Sinking Fund Installments due and payable on such date.

"Program" means the Authority's Single Family Mortgage Program pursuant to which the Authority has determined to purchase Mortgage Loans in accordance with the Act, the Rules and Regulations and the Indenture.

"Program Expenses" means all the Authority's expenses of administering the Program under the Indenture and the Act and shall include without limiting the generality of the foregoing; salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, including information processing equipment; software, insurance premiums, credit enhancement fees, legal, accounting, management, consulting and banking services and expenses; Fiduciary Expenses; remarketing fees; Costs of Issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Authority.

"Qualified Mortgage Loan Mortgage Backed Securities" means Investment Securities which constitute collateralized mortgage obligations issued by Fannie Mae, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, underlying mortgages of which would constitute Mortgage Loans for purposes of the Indenture if acquired by the Trustee from moneys in the Acquisition Account.

"Qualified Surety Bond" means any surety bond, letter of credit, insurance policy or other instrument which has liquidity features equivalent to a letter of credit, deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for moneys on deposit therein, which shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency.

"Rating Agency" means, at any particular time, any nationally recognized credit rating service designated by the Authority, if and to the extent such service has at the time one or more outstanding ratings of Bonds. The Authority shall at all times have designated at least one such service as a Rating Agency under the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of Tax-exempt Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which is payable to the United States at the times and in the amounts specified in such provisions.

"Record Date" means, except as otherwise provided in a Series Indenture (i) with respect to each Payment Date, with respect to Bonds which are not Adjustable Rate Bonds the Bond Registrar's close of business on the fifteenth day of the month immediately preceding such Payment Date or, if any such date is not a Business Day, the next preceding day which is a Business Day, and with respect to Adjustable Rate Bonds the Bond Registrar's close of business on the Business Day immediately preceding such Payment Date; and (ii) in the case of each redemption, such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than fifteen (15) calendar days before the transmission of such notice of redemption.

"Redemption Price" means, when used with respect to a Bond or portion thereof to be redeemed, the principal amount or Accreted Value of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof as determined by the Series Indenture authorizing the Series of Bonds.

"Related" (whether capitalized or not) means, with respect to any particular Bond, Class, Series, Series Indenture, Supplemental Indenture, Cash Flow Statement, Fund, Account, Mortgage Loan (or portion thereof), Auxiliary Agreement, moneys, Investment Securities, Mortgage Repayment or Prepayment, having been created in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to, or concerning, the same Series, as the case may be.

"Residential Housing" or "Residence" means a single-family, owner-occupied dwelling located within the State that qualifies for financing by the Authority within the meaning of the Act, the Rules and Regulations, the Code and related regulations.

"Revenue Fund" means the Fund so designated, which is created and established by the Master Indenture. See "Revenue Fund" under this caption.

"Revenues" means (a) all Mortgage Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Mortgage Repayments, (b) Investment Revenues, (c) Interest Rate Contract Revenues, and (d) all other payments and receipts received by the Authority with respect to Mortgage Loans, but shall not include (i) Escrow Payments, (ii) Servicing Fees, unless such fees are specifically pledged to the Trustee, (iii) any commitment, reservation, extension, or application fees charged by the Authority in connection with a Mortgage Loan or Mortgage Purchase Agreement, (iv) any commitment, reservation, extension or application fees charged by a Mortgage Lender in connection with a Mortgage Loan or (v) accrued interest received in connection with the purchase of any Investment Securities.

"Rules and Regulations" means the Authority's Single Family Mortgage Program Rules and Regulations adopted by the Authority pursuant to the Act governing the activities authorized by the Act as the same may be amended and supplemented from time to time.

"Series" means and refers to all of the Bonds designated as such in the Related Series Indenture and authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in Class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Master Indenture and a Related Series Indenture.

"Servicer" means a state-chartered bank or national banking association, state or federal savings and loan association or mortgage banking or other financial institution which has been approved by the Authority as experienced and qualified to service Loans, and any successor thereto.

"Servicing Agreement" means a written agreement between the Authority and a Servicer (other than the Authority) providing for the servicing of Mortgage Loans on behalf of the Authority.

"Servicing Fees" means (a) any fees paid to or retained by a Servicer in connection with the servicing obligations undertaken by the Servicer in accordance with the Related Servicing Agreement and (b) any fees and ancillary income retained by or expenses reimbursed to the Authority with respect to Mortgage Loans serviced by the Authority.

"Supplemental Indenture" means any supplemental indenture (including a Series Indenture) approved by the Agency in accordance with the Master Indenture amending or supplementing the Indenture.

"Targeted Area" means a "targeted area" within the meaning of Section 143 of the Code.

"Targeted Area Residence" means a "targeted area residence" within the meaning of Section 143 of the Code.

"Tax-exempt Bonds" means Bonds the interest on which is intended to be excluded from gross income of the owner thereof for federal income tax purposes.

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses of the Master Indenture.

"Unrelated" (whether capitalized or not) means not "Related," within the meaning of that term.

Funds and Accounts Established by the Indenture

The Indenture establishes the following Funds and Accounts to be held by the Trustee for application in accordance with the Indenture:

(a) the Program Fund, consisting of:

- (i) the Acquisition Account
- (ii) the Short Term Bond Account;
- (iii) the Cost of Issuance Account; and
- (iv) the Loan Recycling Account;

(b) the Revenue Fund;

(c) the Debt Service Reserve Fund, which shall include the Interest Reserve Account;

(d) the Class I Debt Service Fund which may include an Authority Payment Account;

(e) the Class II Debt Service Fund which may include an Authority Payment Account;

(f) the Class III Debt Service Fund which may include an Authority Payment Account;

(g) the Class IV Debt Service Fund which may include an Authority Payment Account;

(h) the Redemption Fund, consisting of:

(i) the Class I Special Redemption Account;
(ii) the Class II Special Redemption Account;
(iii) the Class III Special Redemption Account; and
(iv) the Class IV Special Redemption Account;

(i) the Rebate Fund; and

(j) the Excess Earnings Fund.

Subaccounts shall be created in all Funds and Accounts described in the Master Indenture for each Series of Bonds. Except as otherwise provided in the Master Indenture or in a Series Indenture, bond proceeds and other moneys relating to a Series of Bonds shall be deposited in the Related subaccounts created with respect to such Series of Bonds.

The Authority may reallocate moneys, investments and Mortgage Loans (or portions thereof or interest therein) among Series under any of the following circumstances:

(a) if and to the extent required by the Indenture;

(b) if and to the extent necessary to enable the Authority to deliver a Cash Flow Statement with respect to one or more Series;

(c) in connection with an Authority Request filed pursuant to the Indenture; and

(d) if and to the extent that the aggregate amount of moneys, investments and Mortgage Loans allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

If the Authority determines to make such a reallocation of moneys, investments and Mortgage Loans among Series, the Authority shall deliver to the Trustee an Authority Request specifying such reallocations. Upon receipt of such request, the Trustee shall transfer moneys, investments and/or Mortgage Loans (or portions thereof or interests therein) among subaccounts Related to each Series as requested. Mortgage Loans (or portions thereof or interests therein) reallocated among Series are not required to meet the requirements of the Series Indenture Related to the Series to which such Mortgage Loans (or portions thereof or interests therein) are being reallocated, if such Mortgage Loans at the time of their original acquisition by the Authority met the requirements of the Master Indenture and the applicable requirements of the Series Indenture Related to such Mortgage Loans at the time of their purchase.

Special temporary accounts in the Program Fund and the Debt Service Reserve Fund may be created and established to facilitate the refunding of the Authority's bonds and any exchange of funds related thereto.

Program Fund; Acquisition Account

Proceeds of the Bonds and other moneys deposited in the Acquisition Account shall be applied to make or purchase Mortgage Loans in accordance with the provisions of the Indenture; provided, however, that such Mortgage Loans must satisfy the terms and conditions set forth in the Master Indenture and applicable provisions of the Related Series Indenture, and the Authority shall not use such proceeds or other moneys to finance a Mortgage Loan providing a yield that, in the aggregate with other Mortgage Loans credited or expected to be credited to the Acquisition Account or the Loan Recycling Account, exceeds any limitation on yield required by Section 103 or Section 143 of the Code, unless there shall be filed with the Trustee an opinion of Bond Counsel to the effect that the financing of Mortgage Loans providing a higher yield will not cause the interest on the Related Tax-exempt Bonds to be included in the gross income of the recipient thereof for federal income tax purposes.

The Trustee shall withdraw moneys from the Acquisition Account for the purchase of a Mortgage Loan pursuant to the Master Indenture upon receipt of an Authority Request stating (i) the name of the Person to be paid, (ii) the amount to be paid, including principal, premium, if any, unpaid accrued interest and prepaid discount fees, if any, and (iii) that all conditions precedent to the purchase of such Mortgage Loan have been fulfilled. Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Mortgage Loans in accordance with the Master Indenture and the Related Series Indenture shall be withdrawn by the Trustee on the date specified in the Related Series Indenture or such other date or dates on or after such date as may be specified by the Authority, and transferred to the Related subaccount of the Redemption Fund for application in accordance with the Related Series Indenture; provided, however, that such transfer or transfers may be made on a later date as to all or any part of such moneys, if the Authority shall have filed with the Trustee an Authority Request specifying a later date or dates for such withdrawal, and certifying that such Authority Request is consistent with the most recently filed Cash Flow Statement and the Related Series Indenture.

When no Bonds of a particular Series or Related Auxiliary Obligations remain Outstanding, upon receipt of an Authority Request to withdraw all or any portion of the Related moneys, investments and/or Mortgage Loans from the Related Funds, Accounts and subaccounts, the Trustee shall make such withdrawal and shall transfer such moneys, investments and/or Mortgage Loans, as the case may be, to or upon the order of, the Authority; provided, however, that the Authority Request must certify that such withdrawal is consistent with the most recently filed Cash Flow Statement for all Bonds and the most recently filed Cash Flow Statement for any Series to which such retired Series has been linked.

The Authority may determine that a Mortgage Loan will be financed or refinanced with proceeds of more than one Series of Bonds. In such event, all provisions of the Indenture which relate to a Mortgage Loan, Mortgage Repayments and Prepayments, and moneys in any Fund or Account, shall be interpreted and applied to relate such Mortgage Loan, Mortgage Repayments, Prepayments and moneys to each Series furnishing proceeds for such Mortgage Loan in proportion to the respective principal amounts of Bonds of each such Series the proceeds of which were or will be used to finance or refinance such Mortgage Loan.

Cost of Issuance Account

Upon the issuance, sale and delivery of Bonds, certain moneys as specified in the Related Series Indenture shall be deposited in the Related subaccount of the Cost of Issuance Account. There may also be paid into the Cost of Issuance Account, at the option of the Authority, any moneys received by the Authority from any source, unless required to be otherwise applied as provided by the Indenture. Moneys in such Account shall be used to pay Costs of Issuance and for no other purpose except that any excess remaining upon payment of all Costs of Issuance shall be transferred by the Trustee to the Authority or to the Related subaccount in the Acquisition Account.

In the event that the moneys deposited in the Cost of Issuance Account are not sufficient to pay all Costs of Issuance, Costs of Issuance may be paid from any available moneys of the Authority.

Program Fund; Loan Recycling Account

There shall be paid into the Related subaccount of the Loan Recycling Account established within the Program Fund any amounts transferred pursuant to the Master Indenture. Except as otherwise required or permitted by the Master Indenture, Mortgage Loans (or portions thereof) allocated to a Series of Bonds and financed or refinanced with moneys in the Related subaccount of the Loan Recycling Account shall be held in such subaccount of the Loan Recycling Account.

Before any moneys are transferred to the Loan Recycling Account pursuant to the Master Indenture, the Authority shall file with the Trustee (a) a Cash Flow Statement, (b) an Authority Certificate demonstrating that the Related Class I Asset Requirement, Class II Asset Requirement, Class III Asset Requirement or Class IV Asset Requirement, as applicable, will be met, and (c) a letter from each Rating Agency then rating any Bonds confirming that such transfer will not, in and of itself, result in a lowering, suspension, or withdrawal of the ratings then applicable to any Bonds, except to the extent a previous Cash Flow Statement, Authority Certificate and rating confirmation shall apply to such transfer and the Mortgage Loans to be made with such amounts.

Amounts deposited in the Loan Recycling Account shall be applied, upon Authority Request, to finance or refinance Mortgage Loans that satisfy the requirements of the Master Indenture and applicable provisions of the Related Series Indenture with respect to the Mortgage Loans to be financed or refinanced. The Trustee shall withdraw moneys form the Related subaccount of the Loan Recycling Account for the financing of a Mortgage Loan upon receipt of an Authority Request stating (i) the name of the Person to be paid, and (ii) the amount to be paid.

Moneys remaining in the Related subaccount of the Loan Recycling Account on the date set forth in the Cash Flow Statement in connection with which such moneys were deposited in such subaccount shall be withdrawn therefrom by the Trustee on such date (or such earlier date or dates as may be specified by the Authority), and shall be transferred to the Revenue Fund.

Revenue Fund

The Authority shall pay all Revenues or cause all Revenues to be paid to the Trustee at least once each month. Except as otherwise provided in the Master Indenture or in a Series Indenture, all Revenues Related to each Series of Bonds shall be deposited by the Trustee in the Related subaccount of the Revenue Fund amounts transferred thereto from the Related subaccount of the Loan Recycling Account pursuant to the Master Indenture, from the Related subaccount of the Class I Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Debt Service Reserve Fund pursuant to the Mater Indenture, from the Related subaccount of the Class I Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class II Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class III Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class IV Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class II Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Class III Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Class IV Debt Service Fund pursuant to the Master

Indenture, from the Related subaccount of the Rebate Fund pursuant to the Master Indenture, and from the Related subaccount of the Excess Earnings Fund pursuant to the Master Indenture.

There may also be deposited in the Revenue Fund, at the option of the Authority, any other moneys of the Authority, unless required to be otherwise applied as provided by the Indenture.

Promptly upon receipt of interest on a Mortgage Loan with respect to which moneys were withdrawn from the Acquisition Account to pay for interest accrued on such Mortgage Loan at the time of purchase from a Mortgage Lender, the Trustee shall withdraw from the Related subaccount of the Revenue Fund and transfer to the Related subaccount of the Acquisition Account an amount equal to such accrued interest paid. Alternatively, accrued interest on Mortgage Loans at the time of purchase may be paid from the Related subaccount of the Revenue Fund as the Authority shall direct in an Authority Request.

The Trustee shall pay or transfer from the Related subaccount of the Revenue Fund (i) directly to the Fiduciaries, all Fiduciary Expenses, when and as payable and (ii) to the Authority or to its order other reasonable and necessary Program Expenses, respectively, only to the extent, if any, provided in the following paragraphs.

On the last Business Day prior to each Payment Date or more frequently if required by a Series Indenture, or on other dates specifically provided below, the Trustee shall withdraw from each subaccount of the Revenue Fund and deposit into the Related subaccounts of the following Funds or Accounts and shall pay to the following parties the following amounts, in the following order of priority, the requirements of each such Fund, Account or party (including the making up of any deficiencies in any such Fund or Account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(A) On each August 1, into the Related accounts of the Rebate Fund, an amount to be calculated by the Authority which, when added to the amount already within such respective accounts, will equal the Rebate Requirement Related to the Tax-exempt Bonds of each respective Series, as determined by the Authority;

(B) On each August 1, into the Related accounts of the Excess Earnings Fund, an amount to be calculated by the Authority which, when added to the amount already within such respective accounts, will equal the amount determined by the Authority to be required to be on deposit therein;

(C) Into the Related subaccount of the Class I Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of interest becoming due and payable on such Payment Date upon all Class I Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments becoming due and payable on the Outstanding Related Class I Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class I Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class I Bonds, such transfer shall include an amount equal to that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the Payment of a Principal Installment on Related Class I Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class I Bonds on the next Payment Date;

(D) Into each Unrelated subaccount of the Class I Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (C) as of such date;

(E) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccount of the Class I Special Redemption Account, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, needed to ensure that the Class I Asset Requirement of the Related Series of Bonds will be met on such Payment Date following such transfer;

(F) Into each Unrelated subaccount of the Class I Special Redemption Account, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (E) as of such date;

(G) Into the Related subaccount of the Class II Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of interest becoming due and payable on such Payment Date upon all Class II Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments becoming due and payable on Outstanding Related Class II Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class II Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class II Bonds, such transfer shall include an amount equal to that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the payment of a Principal Installment on Related Class II Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class II Bonds on the next following Payment Date;

(H) Into each Unrelated subaccount of the Class II Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (G) as of such date;

(I) Into the Related subaccount of the Debt Service Reserve Fund, the amount, if any, needed to increase the amount in such subaccount (including the Related Interest Reserve Account), together with the available amount of any Qualified Surety Bond therein, to the Debt Service Reserve Fund Requirement of the Related Series of Bonds;

(J) Into each Unrelated subaccount of the Debt Service Reserve Fund, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by

Authority Request, any deficiency in such subaccount resulting from the lack of Related Revenues sufficient to make the deposit required by paragraph (I) as of such date;

(K) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccount of the Class II Special Redemption Account, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, needed to ensure that the Class II Asset Requirement of the Related Series of Bonds will be met on such Payment Date following such transfer;

(L) Into each Unrelated subaccount of the Class II Special Redemption Account, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (K) as of such date;

(M) To the Authority, the amount of any reasonable and necessary Fiduciary Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months (or directly to the Fiduciaries, Fiduciary Expenses with respect to the Related Series of Bonds, when and as payable); provided, however, that in no event shall the aggregate of all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries or to the Authority under this paragraph (M) exceed any limitation set forth in the Related Series Indenture for any period;

(N) To the Authority, the amount of any reasonable and necessary Fiduciary Expenses with respect to Unrelated Series of Bonds, on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request, any deficiency resulting from the lack of moneys sufficient to make the deposit required by subsection (M) as of such date;

(O) Into the Related subaccount of the Class III Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to the aggregate amount of interest becoming due and payable on such Payment Date upon all Class III Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments required to be paid for the Outstanding Related Class III Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class III Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class III Bonds, such transfer shall include an amount that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the payment of a Principal Installment on Related Class III Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class III Bonds on the next following Payment Date;

(P) Into each Unrelated subaccount of the Class III Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by subsection (O) as of such date;

(Q) To the Authority, the amount of any reasonable and necessary Program Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of such amounts paid to the Authority, plus amounts paid to the Authority with respect to such Series of Bonds pursuant to subsections (M) and (N) above and plus all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries exceed any limitations set forth in the Related Series Indenture;

(R) To the Authority, the amount of any reasonable and necessary Program Expenses with respect to Unrelated Series of Bonds, on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request, any deficiency resulting from the lack of moneys sufficient to make the deposit required by subsection (Q) as of such date;

(S) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccounts of the Redemption Fund, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, necessary to satisfy the Class III Asset Requirement of the Related Series of Bonds, calculated as of such next succeeding Payment Date and giving effect to such transfer, which amount shall be allocated to the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amounts Outstanding of the Related Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all Related Class I, Class II and Class III Bonds Outstanding;

(T) Into each Unrelated subaccount of the Redemption Fund, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, the additional amount, if any, necessary (after the deposits required by subsection (S) for the Related Series of Bonds) to satisfy the Class III Asset Requirement of such Unrelated Series of Bonds, calculated as of such next succeeding Payment Date and giving effect to such transfer, which amount shall be allocated to the applicable subaccount of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amount Outstanding of the applicable Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all applicable Class I, Class II, and Class III Bonds Outstanding (for purposes of this subsection (T), "applicable" means Related to such Unrelated Series);

(U) Into the Related subaccount of the Class IV Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to the aggregate amount of interest becoming due and payable on such Payment Date upon all Class IV Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments required to be paid for the Outstanding Related Class IV Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class IV Auxiliary Obligations on such Payment Date;

(V) Into each Unrelated subaccount of the Class IV Debt Service Fund, after making the transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccounts resulting from the lack of moneys sufficient to make the deposit required by subsection (U) as of such date; and

(W) Upon Authority Request, to the Related subaccount of the Loan Recycling Account, in order to finance or refinance Loans or Authority Projects, to the extent permitted by the applicable Series Indenture.

The Authority may direct the Trustee to make any of the above transfers more frequently than on the last Business Day prior to Payment Dates, in amounts proportionate to the frequency of transfers so directed.

Following such transfers, the balance, if any, in each subaccount of the Revenue Fund, or such lesser amount thereof as shall be requested by the Authority shall be paid to the Authority for the payment of Program Expenses or for any other purposes free and clear of the lien and pledge of the Indenture upon receipt of an Authority Request made within 30 days of such Payment Date. Any amount in each subaccount of the Revenue Fund not so paid to the Authority shall be transferred to the Related subaccounts of the Redemption Fund and allocated among the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account as provided in the Related Series Indenture.

Prior to, but as close as practicable to, the latest date on which the Trustee would be permitted to give notice of a redemption to occur on a Payment Date from amounts deposited in the Redemption Fund, the Trustee shall calculate the amounts then on deposit in each subaccount of the Revenue Fund which would be transferred to the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund and the Class IV Debt Service Fund, and the Related subaccounts of the Redemption Fund, in accordance with the priorities and provisions of such subsection. Such amounts may be withdrawn from such subaccount of the Revenue Fund for application on or prior to the next succeeding Payment Date (A) upon receipt of an Authority Request, to the purchase in lieu of redemption of the Related Class I Bonds, Class II Bonds, Class III Bonds or Class IV Bonds, (B) to the payment of accrued interest on Bonds being purchased pursuant to or redeemed pursuant to the Indenture, or (C) to the redemption of Related Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds on such Payment Date.

In the event Bonds are to be redeemed on a date other than a Payment Date, and to the extent moneys are not available in the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund or the Class IV Debt Service Fund to pay accrued interest on such redemption date for such Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds, respectively, the Trustee shall apply or cause the Paying Agent to apply available moneys in the Related subaccount of the Revenue Fund for the payment of such interest.

Class I Debt Service Fund

Amounts in each subaccount of the Class I Debt Service Fund shall be used and withdrawn by the Trustee solely for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying the interest and Principal Installments on the Related Class I Bonds as the same shall become due and payable (including accrued interest on any Class I Bonds purchased or redeemed prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class I Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class I Bonds purchased in lieu of redemption by Related Class I Sinking Fund Installments.

Amounts remaining in each subaccount of the Class I Debt Service Fund after all the Related Class I Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Debt Service Reserve Fund

Upon the issuance, sale and delivery of a Series of Bonds pursuant to the Indenture, the Trustee shall deposit in the Related subaccount of the Debt Service Reserve Fund and in the Related subaccount of the Interest Reserve Account therein such amounts, if any, as shall be required by the provisions of the Related Series Indenture, which aggregate amount, together with the available amount of any Qualified Surety Bond or Bonds in the Debt Service Reserve Fund, shall be at least sufficient to equal the Debt Service Reserve Fund Requirement relating to such Series of Bonds, calculated after giving effect to the issuance of such Bonds. Moneys on deposit in the Related subaccount of the Interest Reserve Account shall at all times be deemed to be a part of the Related subaccount of the Debt Service Reserve Fund. Additional moneys may be deposited in the Related subaccount of the Debt Service Reserve Fund in accordance with the provision relating to the allocation of moneys in the Revenue Fund described in "Revenue Fund" under this caption.

On or prior to each Payment Date, the Trustee shall calculate the amount of the Debt Service Reserve Fund Requirement for each Series of Bonds as of the next succeeding Payment Date and shall determine the amount, if any, which would then be in the Related subaccount of the Debt Service Reserve Fund (other than amounts attributable to accrued, but unrealized interest purchased on Investment Securities) is in excess of such Requirement, shall notify the Authority of such excess amount and shall, unless otherwise instructed by an Authority Request, transfer such excess amount from the Related subaccount of the Debt Service Reserve Fund, other than the Related subaccount of the Interest Reserve Account therein, to the Related subaccount of the Revenue Fund; provided, however, that if such excess is attributable to amounts invested in Qualified Mortgage Loan Backed Securities, such excess may, at the option of the Authority, be retained in the Debt Service Reserve Fund. The transfer of such amounts may result in the redemption of Bonds.

On the last Business Day prior to each Payment Date or more frequently if required by a Series Indenture, and in each case in conjunction with the transfers, deposits and payments to be made from the Revenue Fund, the Trustee shall transfer from each subaccount of the Debt Service Reserve Fund (including from the Interest Reserve Account as provided below) to the specified subaccounts of other Funds or Accounts the following amounts (from any cash, Investment Securities or Qualified Surety Bonds therein), in the following order of priority, the requirements of each such transfer to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(i) In the event that the amount transferred to any subaccount of the Class I Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class I Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account, and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund, to such subaccount of the Class I Debt Service Fund the amount of such insufficiency.

(ii) In the event that the amount transferred to any subaccount of the Class I Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class I Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts of the

Interest Reserve Account, and then if and to the extent necessary from subaccounts of the Debt Service Reserve Fund, to such subaccount of the Class I Debt Service Fund the amount of such insufficiency.

(iii) In the event that the amount transferred to any subaccount of the Class II Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class II Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account, and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund, to such subaccount of the Class II Debt Service Fund the amount of such insufficiency.

(iv) In the event that the amount transferred to any subaccount of the Class II Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class II Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund, on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts of the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund, to such subaccount of the Class II Debt Service Fund, the amount of such insufficiency.

(v) In the event that the amount transferred to any subaccount of the Class III Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class III Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund to such subaccount of the Class III Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(vi) In the event that the amount transferred to any subaccount of the Class III Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class III Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts in the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund, to such subaccount of the Class III Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(vii) In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class IV Obligations on the next succeeding Payment Date, the Trustee shall transfer from first the Related subaccount of the Interest Reserve Account and then if and to the extent necessary the Related subaccount of the Debt Service Reserve Fund to such subaccount of the Class IV Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

(vii) In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class IV Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts in the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund to such subaccount of the Class IV Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

Class II Debt Service Fund

Amounts in each subaccount of the Class II Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class II Bonds as the same become due and payable (including accrued interest on any such Class II Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class II Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class II Bonds purchased in lieu of redemption by Class II Sinking Fund Installments.

Amounts remaining in each subaccount of the Class II Debt Service Fund after all the Related Class II Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Class III Debt Service Fund

Amounts in each subaccount of the Class III Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class III Bonds as the same become due and payable (including accrued interest on any such Class III Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class III Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class III Bonds purchased in lieu of redemption by Class III Sinking Fund Installments.

Amounts remaining in each subaccount of the Class III Debt Service Fund after all the Related Class III Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Class IV Debt Service Fund

Amounts in each subaccount of the Class IV Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class IV Bonds as the same become due and payable (including accrued interest on any such Class IV Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class IV Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class IV Bonds purchased in lieu of redemption by Class IV Sinking Fund Installments.

Amounts remaining in each subaccount of the Class IV Debt Service Fund after all the Related Class IV Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Rebate Fund

To the extent required by the Master Indenture, all amounts on deposit in the Related subaccounts of the Funds and Accounts with respect to Tax-exempt Bonds and all amounts pledged to Debt Service Payments on the Related Series of Tax-exempt Bonds pursuant to the Indenture, (i) shall be invested in compliance with the procedures established by the Related Series Indentures and Authority Certificates delivered in connection wherewith, and (ii) to the extent required by such Authority Certificates, the investment earnings thereon shall be deposited from time to time into the Related subaccount of the Rebate Fund for timely payment of the Related Rebate Requirement. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of the Indenture to the extent such amounts constitute the Rebate Requirement. The Authority shall verify or cause to be verified at least annually from the date of delivery of each Series of Tax-exempt Bonds that (i) all of the requirements of this section have been met on a continuing basis, (ii) the proper amounts are deposited into each subaccount of the Rebate Fund, and (iii) the timely payment of the Rebate Requirement from each subaccount of the Rebate Fund has been made. Upon receipt of an opinion of Bond Counsel that the balance in any subaccount of the Rebate Fund is in excess of the amount required to be included therein, such excess shall be transferred to the Revenue Fund.

Excess Earnings Fund

All amounts in a subaccount of the Excess Earnings Fund, including all investment earnings thereon, shall remain therein until transferred or paid by the Trustee to such other Fund or the United States Department of the Treasury or for such other purpose, as the Authority shall specify, upon receipt by the Trustee of (a) an Authority Request directing the Trustee to so transfer or pay a specified amount, and (b) a written opinion of Bond Counsel to the effect that any such transfer or payment, upon satisfaction of any conditions set forth in such opinion, would not cause interest on such Bonds to be includable in the gross income of the Owners thereof for federal income tax purposes. Upon receipt of an opinion of Bond Counsel that the balance in a subaccount of the Excess Earnings Fund is in excess of the amount required to be included therein, such excess shall be transferred to the Revenue Fund.

Moneys in a subaccount of the Excess Earnings Fund may be used to purchase Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account, at a purchase price equal to the unpaid balances of the principal amounts of such Mortgage Loans plus accrued interest, if any, thereon, and any unamortized premium, and any such Mortgage Loans so purchased shall be credited to such subaccount of the Excess Earnings Fund. Mortgage Loans in a subaccount of the Excess Earnings Fund may be exchanged for Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account having an aggregate principal balance not less than the aggregate principal balance of such Mortgage Loans in such subaccount of the Excess Earnings Fund, upon receipt by the Trustee of an Authority Request specifying the Mortgage Loans to be so exchanged.

If, on the final maturity of all of a Series, there is a balance in a subaccount of the Excess Earnings Fund which is allocated to payments related to such Series, and the Trustee has not received directions meeting the requirements described above for the disposition of such balance, the Trustee shall obtain an opinion of Bond Counsel as to the purposes, if any, to which such balance may be applied without adversely affecting the federal income tax status of interest on such Bonds, and shall thereafter dispose of such balance in accordance with such opinion.

Application of Authority Payment Accounts

If, following transfers made from the Revenue Fund and the Debt Service Reserve Fund, there are not sufficient moneys, or any moneys allocated, to pay all interest or any other required payment due and payable on any General Obligation or to pay any Principal Installment on any General Obligation, the Trustee shall immediately notify the Authority in writing of the amount of such insufficiency and shall request from the Authority an immediate deposit of legally available funds equal to such insufficiency. The Authority shall pay to the Trustee (from the Authority's other general revenues or moneys legally available therefor, subject only to agreements made or to be made with holders of notes, bonds or other obligations pledging particular revenues or moneys for the payment thereof) for deposit in the Related subaccounts of the Authority Payment Account the amount of such insufficiency. If the amount provided by the Authority is less than the amount of such insufficiency, any shortfall shall be allocated pro rata among the holders of the Related General Obligations in proportion to the amounts then due and payable on such Bonds.

Amounts deposited with the Trustee by the Authority as described above shall be deposited into the respective subaccounts of the Authority Payment Accounts for the General Obligations for which such amounts are provided. Amounts in such subaccounts shall only be used to pay interest or Principal Installments or other amounts due and payable on the Related General Obligations and may not be transferred to any Debt Service Fund for Bonds or Auxiliary Obligations which are not General Obligations or to any other Fund or Account for any reason.

Redemption Fund

Moneys deposited in the subaccounts of the Redemption Fund shall be applied by the Trustee to the purchase or applied by the Paying Agent (if directed by the Trustee) to the redemption of Bonds in accordance with the provisions of the Master Indenture and each Related Series Indenture.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class I Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture, shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class I Bonds. Any amounts remaining in such Class I Special Redemption Account after all Class I Bonds of the Related Series have been paid shall be transferred to the Related subaccount of the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class II Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class II Bonds. Any amounts remaining in such Class II Special Redemption Account after all Class II Bonds of the Related Series have been paid shall be transferred to the Related subaccount of the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class III Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class III Bonds. Any amounts remaining in such Class III

Special Redemption Account after all Class III Bonds of the Related Series have been paid shall be transferred to the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class IV Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class IV Bonds. Any amounts remaining in such Class IV Special Redemption Account after all Class IV Bonds of the Related Series have been paid shall be transferred to the Revenue Fund.

Notwithstanding anything contained in the General Indenture to the contrary, the Authority may by the delivery of an Authority Request to the Trustee at any time prior to the mailing of notices of redemption, instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to another subaccount of the same Account in the Redemption Fund to be applied to the redemption of the same Class of Bonds of a different Series. Each such Authority Request (i) shall certify that it is consistent with the most recently filed Related Cash Flow Statement (which may, if necessary, link the Related Series) and not prohibited by the Related Series Indentures and (ii) shall be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series.

In addition, notwithstanding anything contained in the Master Indenture to the contrary, the Authority may by the delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to a Related or an Unrelated subaccount of the Acquisition Account to be applied to make or purchase Mortgage Loans. Each such Authority Request (i) shall certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (ii) shall be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series.

Investment of Moneys Held by the Trustee; Limitation on Investment Yields

Moneys in all Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Securities, in accordance with directions given to the Trustee in an Authority Request or Certificate; provided that the maturity date or the date on which such Investment Securities may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes of the Indenture.

Amounts credited to any Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Investment Security or Investment Securities, provided that each such investment complies in all respects with the provisions of the Master Indenture as they apply to each Fund or Account for which the joint investment is made, the Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein and amounts credited to the Rebate Fund and the Excess Earnings Fund may be invested together with amounts credited to any other Fund or Account. The maturity date or the date on which Investment Securities may be redeemed at the option of holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes provided in the Indenture.

Except as otherwise specifically provided for in the Indenture, the income or interest earned by, or gain to, all Funds and Accounts due to the investment thereof shall be transferred by the Trustee upon receipt thereof to the Related subaccount of the Revenue Fund, in accordance with the Indenture, except that no such transfer shall be made from, and such income, interest or gain (as described above) shall be retained in, the Debt Service Reserve Fund, unless after giving effect to the transfer the amount therein at least equals the aggregate Debt Service Reserve Fund Requirement.

Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements

The Authority covenants in the Indenture that:

(a) It shall use and apply the proceeds of the Bonds and other moneys deposited in the Acquisition Account and any moneys deposited in the Loan Recycling Account for the purposes provided in the Indenture, and consistent with sound banking practices and principles shall do all such acts and things necessary to receive and collect Revenues and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority for the enforcement of all terms, covenants and conditions of Mortgage Loans.

(b) It shall file with the Trustee with each direction to purchase Mortgage Loans, a schedule of Mortgage Loans to be made or purchased by the Trustee identifying the same by reference to the Authority loan number, the party (if applicable) from whom the Mortgage Loan will be purchased, the name of the Borrower, the principal amount due on the Mortgage Loan and the date through which the interest has been paid by the Borrower, the interest rate on the Mortgage Loan and the term of the Mortgage Loan.

(c) It shall maintain an account for each Mortgage Lender having entered into a Mortgage Purchase Agreement with the Authority and shall record therein a description of each Mortgage Loan purchased from such Mortgage Lender.

(d) It shall enforce diligently and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans consistent with sound lending practices and principles and applicable requirements under the Code, including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder. The Authority shall not without good cause release the obligations of any Borrower under any Mortgage Loan, or of the Servicer under the Servicing Agreement and shall not consent or agree to or permit any amendment or modification of the economic terms of any Mortgage Loan except with respect to a Mortgage Loan in default (or which, with the giving of notice or the passage of time or both, would be in default), and to the extent permitted by law, at all times shall defend, enforce, preserve and protect the rights and privileges of the Authority, the Trustee and the Bondowners under or with respect to all Mortgage Loans, the obligations evidencing such Mortgage Loans and the agreements securing such Mortgage Loans and the Servicing Agreement relating thereto; provided, however, that nothing in this subparagraph (d) or in subparagraph (e) or (f) below shall be construed to prevent the Authority from (i) settling a default on any Mortgage Loan on such terms as the Authority shall determine to be in the best interests of the Authority and the Bondowners; (ii) releasing any Borrower, Servicer or any other Person from, or waiving, any of such Person's obligations under the respective Mortgage Loan, any agreement with respect to security therefor or Servicing Agreement to the extent necessary to comply with the provisions of the Master Indenture or to the extent required by the governmental or private insurer or guarantor, if any, of such Mortgage Loan; or (iii) releasing any mortgagor in connection with an assumption of a Mortgage Loan as permitted in accordance with the requirements of any governmental or private insurer or guarantor.

(e) Whenever it shall be necessary in order to protect and enforce the rights of the Authority under a Mortgage Loan and to protect and enforce the rights and interests of the Trustee and Bondowners under the Indenture, the Authority shall take necessary actions to realize on any applicable mortgage insurance on such Mortgage Loan and to collect, sell or otherwise dispose of the property secured by the Mortgage and, if the Authority deems such to be advisable, shall bid for and purchase the property secured by the Mortgage at any sale thereof and take possession of such property. As an alternative to foreclosure proceedings, the Authority may take such other action as may be appropriate to acquire and take possession of the mortgaged property, including, without limitation, acceptance of a conveyance in lieu of foreclosure.

(g) It shall request payment of governmental insurance or guaranty benefits in cash and not in debentures of such governmental insurer or guarantor in any case where, under government regulations, it is permitted to request such debentures as payment with respect to a defaulted Loan, provided that the Authority may request payment in debentures if it files with the Trustee a Cash Flow Statement. The Authority shall take all necessary actions so as to receive payment from any governmental insurer or guarantor of the maximum amount of insurance or guaranty benefits on the earliest possible date.

Assignment or Disposition of Mortgage Loans; Amendment of Mortgage Loan

Following the acquisition of a Mortgage Loan by the Trustee, the Authority shall not sell, assign, transfer, pledge or otherwise dispose of or encumber any Mortgage Loan or any of the rights of the Authority with respect to any Mortgage Loan or arising out of the Mortgage or the other obligations evidencing or securing any Mortgage Loan except a Mortgage Loan in default, unless the Authority determines that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Outstanding Bonds. No Bonds shall be redeemed from the proceeds of the sale of Mortgage Loans, other than Mortgage Loans in default, except in accordance with the optional redemption provisions with respect to such Bonds.

The Authority shall not consent or agree to or permit any amendment or modification of the financial terms of any Mortgage Loan in any manner which would have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Outstanding Bonds.

Tax Covenants

The Authority covenants for the benefit of the Owners of each Series of Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes that it will not take any action or omit to take any action with respect to such Bonds, the proceeds thereof, or any other funds of the Authority if such action or omission would cause the interest on such Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, would subject the Authority to any penalties under Section 148 of the Code, or would cause such Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of such Bonds until the date all obligations of the Authority in fulfilling the above covenant under the Code have been met. The Authority shall execute and deliver from time to time such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the Authority with said Sections and the regulations thereunder with respect to the use of the proceeds of such Bonds and any other funds of the Authority. Such certificates, instruments and documents may contain stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the Authority and the Trustee hereby covenant and agree to comply with the provisions of any such stipulation throughout the term of such Bonds.

Creation of Liens

The Authority covenants that it shall not issue any bonds or other evidences of indebtedness, other than the Bonds and Auxiliary Obligations, secured by a pledge of the Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Authority or by any Fiduciary under the Indenture and shall not create or cause to be created, other than by the Indenture, any lien or charge on the Revenues or such moneys, securities, rights or interests; provided, however, that nothing in the Indenture shall prevent the Authority from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after the pledge of the Revenues provided in the Indenture shall be discharged and satisfied as provided in the Master Indenture; or (ii) notes or bonds or other obligations of the Authority not secured under the Indenture; or (iii) notes, bonds or other obligations which are general obligations of the Authority under the Act.

Events of Default

Each of the following constitutes an "Event of Default" under the Indenture:

(a) The Authority shall fail to pay any Principal Installment of any Class I Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Authority shall fail to pay any installment of interest on any Class I Bond or fail to pay any Class I Auxiliary Obligation when and as the same shall become due and payable, and such failure shall continue for a period of 5 days;

(c) The Authority shall fail to pay any Principal Installment or interest on any Class II Bond or fail to pay any Class II Auxiliary Obligation when and as the same shall become due and payable, provided that sufficient moneys for such payment are available in the Class II Debt Service Fund;

(d) The Authority shall fail to pay any Principal Installment or interest on any Class III Bond or fail to pay any Class III Auxiliary Obligation when and as the same shall become due and payable, provided that sufficient moneys for such payment are available in the Class III Debt Service Fund;

(e) The Authority shall fail to pay any Principal Installment or interest on any Class IV Bond or fail to pay any Class IV Auxiliary Obligation when and as the same shall become due and payable, provided that sufficient moneys for such payment are available in the Class IV Debt Service Fund;

(f) The Authority shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Indenture (except the requirement that a Cash Flow Statement satisfy the requirements of clause (b) of the definition thereof and the requirement that the Authority pay amounts to the Trustee from its other revenues, moneys or assets in connection with General Obligations), or in the Bonds and such failure shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 10% in Aggregate Principal Amount of the Bonds Outstanding; or

(g) The Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of Outstanding Bonds following an Event of Default shall, give 30 days notice in writing to the Authority of its intention to declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Owners of a majority (except as provided in the following paragraph) in Aggregate Principal Amount of Outstanding Bonds shall, by notice in writing to the Authority, declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

Notwithstanding the preceding paragraph, following an Event of Default described in paragraph (f) or (g) in "Events of Default" under this caption (except for a failure which could adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-exempt Bonds), the Trustee shall not declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable unless the Trustee is so directed by the written request of Owners of 100% in Aggregate Principal Amount of Outstanding Bonds.

At any time after the Aggregate Principal Amount of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of the Outstanding Bonds, shall) annul such declaration and its consequences with respect to any Bonds not then due by their terms if (i) moneys shall have been deposited in the Revenue Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Bonds; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable under the Indenture as described in "Events of Default" under this caption, including amounts due pursuant to Auxiliary Agreements, shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

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% in Aggregate Principal Amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture; or (ii) to preserve or protect the interests of the Bondowners and Auxiliary Agreement Providers, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of Bonds not making such request or the interests of Auxiliary Agreement Providers.

During the continuance of an Event of Default, the Trustee shall apply, or cause the Paying Agent to apply, all moneys and securities held in any Fund or Account (except the Rebate Fund, the Excess Earnings Fund, the Bond Purchase Fund, the Short Term Bond Account and, with respect to any Bonds or Auxiliary Obligations that are not General Obligations, any Authority Payment Account) (moneys and securities in the Short Term Bond Account and any Authority Payment Account are to be applied only to the payment of interest and Principal Installments on Bonds and payments on Auxiliary Obligations with respect to which such moneys and securities have been pledged), Revenues, payments and receipts and the income therefrom as follows and in the following order:

(i) To the payment of the reasonable and proper Fiduciary Expenses;

(ii) To the payment of the interest, Principal Installments and other amounts then due and payable on the Class I Obligations, subject to the provisions of the Master Indenture; as follows:

(A) Unless the Aggregate Principal Amount of all of the Class I Bonds shall have become or have been declared due and payable.

First: To the payment to the persons entitled thereto of all installments of interest then due and payable on the Class I Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

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

(B) If the Aggregate Principal Amount of all of the Class I Obligations shall have become or have been declared due and payable, to the payment of the principal, interest and other amounts then due and unpaid upon the Class I Obligations without preference or priority of principal over interest or other amounts or of interest over principal or other amounts, or of other amounts over principal or interest or of any installment of interest over any other installment of interest, or of any Class I Obligation over any other Class I Obligation, ratably, according to the amounts due respectively for principal and interest and other amounts, to the persons entitled thereto without any discrimination or preference.

(iii) To the payment of the Principal Installments of and interest and other amounts then due on the Class II Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class II Obligations rather than the Class I Obligations.

(iv) To the payment of the Principal Installments of and interest and other amounts then due on the Class III Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class III Obligations rather than the Class I Obligations.

(v) To the payment of the Principal Installments of and interest and other amounts then due on the Class IV Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class IV Obligations rather than the Class I Obligations.

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

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute (including the Act) on or after the date of adoption of the Indenture.

Majority Bondowners Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or to take any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions (in particular, those relating to the priority of the Class I Obligations over Class II, III and IV Obligations, Class II Obligations over Class III and IV Obligations and Class III Obligations over Class IV Obligations) of the Indenture (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction and provided further that nothing shall impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper and which is not inconsistent with such direction by Bondowners.

General Obligation Bond Default

If the Authority shall fail to pay interest on any General Obligation Bond when due or shall fail to pay any Principal Installment on any General Obligation Bond when due, provided that such failure shall not constitute an Event of Default under the Master Indenture, such failure is declared a "General Obligation Bond Default" under the Indenture. A General Obligation Bond Default shall not constitute an Event of Default under the Indenture and shall not affect the priority of the lien on and pledge granted to Owners of Bonds or Auxiliary Agreement Providers under the Indenture.

Upon the occurrence of a General Obligation Bond Default, the Trustee may and, upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, give 30 days notice in writing to the Authority of its intention to declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Owners of a majority in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, by notice in writing to the Authority, declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such General Obligation Bonds shall become and be immediately due and payable. In such event, there shall be due and payable on the General Obligation Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

At any time after the Aggregate Principal Amount of the General Obligation Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of the Outstanding General Obligation Bonds, shall) annul such declaration and its consequences with respect to any General Obligation Bonds not then due by their terms if (i) moneys shall have been deposited in the Related Authority Payment Account sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding General Obligation Bonds; and (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee. No such annulment shall extend to or affect any subsequent General Obligation Bond Default or impair any right consequent thereon.

Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the General Obligation Bondowners under the Act, the General Obligation Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified below, including but not limited to:

(i) Suit upon all or any part of the General Obligation Bonds;

(ii) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of General Obligation Bonds; and

(iii) Enforcement of any other right of the General Obligation Bondowners conferred by law or by the Indenture.

Regardless of the happening of a General Obligation Bond Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture; or (ii) to preserve or protect the interests of the Holders of the General Obligation Bonds, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of General Obligation Bonds not making such request.

The rights and remedies of Owners of General Obligation Bonds upon the occurrence of a General Obligation Bond Default shall be limited to the enforcement of the Authority's general obligation covenant with respect thereto and to the disbursement of amounts available to Owners of General Obligation Bonds from time to time in the Related Debt Service Fund, the Related Special Redemption Account and the Related Debt Service Reserve Fund after provision is made for, and after taking into account the rights of, Owners of Bonds other than General Obligation Bonds and the rights of Auxiliary Agreement Providers as provided in the Indenture. The exercise of remedies upon the occurrence of a General Obligation Bond Default shall not in any manner affect, disturb or prejudice the security and rights of such Owners of Bonds or Auxiliary Agreement Providers under the Indenture.

If the Authority shall fail to pay any amount on any Auxiliary Obligation which constitutes a General Obligation when due, provided that such failure shall not also constitute an Event of Default under the Master Indenture, such failure shall not constitute an Event of Default under the Indenture and shall not affect the priority of the lien and pledge on the Trust Estate granted to Owners of Bonds or Auxiliary Agreement Providers under the Indenture. The rights and remedies of Auxiliary Agreement Providers having Auxiliary Obligations which constitute General Obligations shall be governed by the Related Auxiliary Agreement; however, such rights and remedies shall be limited to the enforcement of the Authority's general obligation covenant with respect thereto and to the disbursement of amounts available with respect to Related Auxiliary Obligations from time to time in the Related Debt Service Fund, the Related Special Redemption Account and the Related Debt Service Reserve Fund based on the lien priority of such Auxiliary Obligation after provision is made for, and after taking into account the rights of, Owners of Bonds or Auxiliary Agreement Providers having a prior lien on the Trust Estate as provided in the Indenture and such exercise of remedies upon shall not in any manner affect, disturb or prejudice the security and rights of such Owners of Bonds or such Auxiliary Agreement Providers under the Indenture.

Modification of Indenture and Outstanding Bonds

The Indenture provides procedures whereby the Authority may amend the Indenture by execution and delivery of a Supplemental Indenture. Amendments that may be made without consent of Bondowners or the Trustee must be for only the following purposes: (a) to add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (b) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Indenture of the Revenues or of any other moneys, securities or funds; (d) to modify any provisions of the Indenture in any respect whatever, provided that the modification, in the sole judgment of the Authority, is reasonably necessary to assure that the interest on Tax-exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes; or (e) to provide for the issuance of Bonds pursuant to the Indenture and to provide for the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

With the consent of the Trustee, a Supplemental Indenture may be executed and delivered by the Authority: (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture, or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable, provided such action shall not adversely affect the interest of the Owners under the Indenture and are not contrary to or inconsistent with the Indenture theretofore in effect; (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owens or the Trustee; (c) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed by the Authority; (d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture, provided that the loss of such right, power or privilege shall not adversely impact the Revenues available to pay the Outstanding Bonds; (e) to include as pledged revenues or money under, and subject to the provisions of, the Indenture any additional revenues or money legally available therefor; (f) to provide for additional duties of the Trustee in connection with the Mortgage Loans; (g) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (1) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Authority of such Supplemental Indenture shall cease to be Outstanding, and (2) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution by the Authority of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; (h) to modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939; (i) to make any change as shall be necessary in order to maintain the rating(s) on any of the Bonds from any Rating Agency; or (j) to make any other amendment or change that will not materially adversely affect the interest of Owners of Outstanding Bonds.

Any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Bondowners, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Master Indenture of the Owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owners of all such Bonds, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all Bonds then Outstanding or shall change the provisions of the Indenture relating to the ability to declare the Aggregate Principal Amount of Bonds to be due and payable without the consent of the Owners of all Bonds then Outstanding or shall materially adversely affect the rights of the Owners of Class II Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class II Bonds Outstanding, or shall materially adversely affect the rights of the Owners of Class III Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class III Bonds then Outstanding, or shall materially adversely affect the rights of the Owners of Class IV Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class IV Bonds then Outstanding; or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. If any such modification or amendment will, by its terms not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. The Trustee, relying upon a Counsel's Opinion, may determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular maturity would be affected by any modification or amendment of the Indenture, and any such determination shall be binding and conclusive on the Authority and the Bondowners.

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Bondowners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture and if the Authority shall pay or cause to be paid to all Auxiliary Agreement Providers all amounts due and payable under all Auxiliary Agreements, then the pledge of any Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to or upon the order of the Authority all moneys or securities held by them pursuant to the Indenture that are not required for the payment of principal, or Redemption Price, if applicable, of or interest on Bonds not theretofore surrendered to them for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or the Paying Agent (through deposit by the Authority of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Outstanding Bonds shall be deemed, prior to the maturity or redemption date thereof, to have been paid within the meaning and with the effect expressed in the Master Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to transmit a notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Securities the principal of and the interest on which when due (whether at maturity or the prior redemption thereof at the option of the holder thereof) will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to transmit, as soon as practicable, a notice to the Bondowners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price of and interest on said Bonds, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Authority in an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority.

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APPENDIX B-1

The Outstanding Bonds and Auxiliary Obligations

The Outstanding Bonds

As of June 1, 2002, the Authority had issued the following Series of Bonds under the Master Indenture:

Title of Bonds	Principal Amount Issued	Outstanding Principal Amount
2001 Series AA:		
2001 Series AA-1 (Class I)	$50,000,000	$50,000,000
2001 Series AA-2 (Class I)	46,840,000	46,840,000
2001 Series AA-3 (Class I)	25,000,000	25,000,000
2001 Series AA-4 (Class II)	10,000,000	10,000,000
2002 Series A:		
2002 Series A-1 (Class I)	$41,000,000	$41,000,000
2002 Series A-2 (Class I)	12,990,000	12,990,000
2002 Series A-3 (Class I)	23,075,000	23,075,000
2002 Series A-4 (Class I)	4,545,000	4,545,000
2002 Series A-5 (Class II)	12,455,000	12,455,000
Total Class I Bonds:	$203,450,000	$203,450,000
Total Class II Bonds:	$22,455,000	$22,450,000
Total Class III Bonds:	None	None
Total Class IV Bonds:	None	None

The Outstanding Auxiliary Obligations

The Auxiliary Obligations under the Master Indenture are the obligations of the Authority for the payment of money under Interest Rate Contracts and Liquidity Facilities.

2001AA Auxiliary Obligations

2001AA Interest Rate Contracts. In connection with the issuance of the 2001AA Adjustable Rate Bonds, the Authority has previously entered into two interest rate swap agreements (the "**2001AA Interest Rate Contracts**") with Lehman Brothers Financial Products Inc. ("**LBFP**"). Any payments or receipts received by the Authority under the 2001AA Interest Rate Contracts are pledged under the Indenture as Revenues, as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Revenues." The Authority's obligation to make regular interest payments to LBFP under each of the 2001AA Interest Rate Contracts constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the 2001AA Interest Rate Contracts in the event of early termination is a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Initial 2001AA Liquidity Facility. The Authority has previously entered a Standby Bond Purchase Agreement relating to the 2001AA Adjustable Rate Bonds (the "**Initial 2001AA Liquidity Facility**") among the Authority, the Tender Agent and Landesbank Hessen-Thüringen Girozentrale. Coverage under the Initial 2001AA Liquidity Facility, unless extended or earlier terminated, is stated to expire on October 2, 2002.

2002A Auxiliary Obligations

2002A Interest Rate Contracts. In connection with the issuance of the Taxable 2002 Series A-1 Bonds, the Authority entered into an interest rate swap agreement (the "**Class I Taxable 2002 Series A-1 Swap Agreement**") with LBFP. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES." The Authority entered into an interest rate swap agreement (the "**Class I 2002 Series A-2 Swap Agreement**") with LBFP with respect to certain of the 2002 Series A-2 Bonds. The Class I Taxable 2002 Series A-1 Swap Agreement and the Class I 2002 Series A-2 Swap Agreement are referred to herein collectively as the "**2002A Interest Rate Contracts**." The Authority's obligation to make regular interest payments to LBFP under each of the 2002 Series A Interest Rate Contracts constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the 2002 Series A Interest Rate Contracts in the event of early termination is a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture.

Initial 2002A Liquidity Facility. The Authority has also previously entered a Standby Bond Purchase Agreement relating to the 2002 Series A Bonds (the "**Initial 2002A Liquidity Facility**") among the Authority, the Tender Agent and the Federal Home Loan Bank of Topeka. Coverage under the Initial 2002A Liquidity Facility, unless extended or earlier terminated, is stated to expire on April 25, 2007.

APPENDIX B-2

The Mortgage Loan Portfolio

As of April 30, 2002, Mortgage Loans with an outstanding aggregate principal balance of $127,831,221 had been purchased or originated in the Acquisition Account as a part of the Trust Estate. The following information with respect to such outstanding Mortgage Loans has been provided as of the dates so indicated:

INFORMATION CONCERNING THE MORTGAGE LOANS AS OF APRIL 30, 2002					
Series of Bonds	Outstanding Aggregate Principal Balance of Mortgage Loans	Aggregate Number of Outstanding Mortgage Loans	Average Principal Balance per Mortgage Loan	Average Coupon	Average Remaining Life in Years
2001AA	$118,458,939	1,766	$67,078	7.43%	20.91
2002A	$9,372,282	197	$47,575	7.33%	21.76
Total	$127,831,221	1,963			

MORTGAGE INSURANCE INFORMATION FOR MORTGAGE LOANS AS OF APRIL 30, 2002		
Type of Insurance	2001AA	2002A
VA-Guaranteed	7%	10%
FHA - Insured	49%	83%
RHCDS – Guaranteed	11%	4%
Private Mortgage Insurance	22%	1%
Uninsured	11%	2%
Total	100%	100%

INFORMATION CONCERNING PROPERTY TYPES FOR MORTGAGE LOANS AS OF APRIL 30, 2002		
Property Type	2001AA	2002A
Single Family Detached	75%	85%
Condo/Townhome	16%	12%
Other	9%	3%
Total	100%	100%

PAYMENT, FORECLOSURE AND DELINQUENCY STATISTICS FOR THE MORTGAGE LOANS*		
	2001AA	2002A
Loans Purchased (as of April 30, 2002)	1,970	198
Loans Prepaid in Full (as of April 30, 2002)	204	1
Loans Foreclosed to Date (as of April 30, 2002)	0	0
Loans Outstanding (as of April 30, 2002)	1,766	197
Delinquencies 30-90 Days (as of April 30, 2002)	$5,154,764	$432,720
Percentage of Total Loans	3.40%	4.57%
Loans in Foreclosure (as of April 30, 2002)	$444,787	$37,755
Percentage of Total Loans	0.68%	0.51%
Percentage of All Loans Delinquent	4.08%	5.08%

* Estimated

As of April 30, 2002, the following balances were held in the respective subaccounts under the Master Indenture:

Accounts:	**Amounts on Deposit (as of April 30, 2002)**
2001AA Subaccounts:	
Acquisition Account	$15,129,645
Revenue Fund	16,527,496
2002A Subaccount:	
Acquisition Account	78,702,316
	$110,359,457

APPENDIX C

Certain Terms of the Initial 2002B Liquidity Facility

This Appendix contains a brief summary of certain provisions of each of the Initial 2002B Liquidity Facilities to be entered with the 2002B Liquidity Facility Provider, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2002B Liquidity Facility are qualified by reference to such documents. Each of the Initial 2002B Liquidity Facilities may be amended at anytime without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2002B Liquidity Facility it is replacing.

For information regarding the 2002B Liquidity Facility Provider, see ***Appendix D.***

UNLESS OTHERWISE SPECIFIED HEREIN, ANY STATEMENT MADE WITH RESPECT TO AN INITIAL 2002B LIQUIDITY FACILITY SHALL BE TRUE FOR EACH OF THE INITIAL 2002B LIQUIDITY FACILITIES.

Pursuant to the Initial 2002B Liquidity Facility, the 2002B Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase the related 2002B Adjustable Rate Bonds which are tendered by the owners thereof to the Tender Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agent. The Initial 2002B Liquidity Facility will expire July 18, 2005, unless extended or terminated as described therein.

Certain Definitions

"*Available Commitment*" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

"*Available Interest Commitment*" means an amount equal to 184 days' interest on the related Available Principal Commitment for the 2002B Adjustable Rate Bonds based upon an assumed rate of interest of 12.00% per annum (in the case of the Taxable 2002 Series B-1 Bonds and the Taxable 2002 Series B-2 Bonds) and 10.00% per annum (in the case of the 2002 Series B-3 Bonds) and a 360-day year comprised of twelve 30-day months, as such amount shall be adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment.

"*Available Principal Commitment*" means initially the principal amount of the related series of 2002B Adjustable Rate Bonds Outstanding (as detailed on the cover page hereof) and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Initial 2002B Liquidity Facility;

(b) downward by the principal amount of any 2002B Adjustable Rate Bonds purchased by the Bank pursuant to the Initial 2002B Liquidity Facility; and

(c) upward by the principal amount of any 2002B Adjustable Rate Bonds theretofore purchased by the Bank pursuant to the Initial 2002B Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to the Initial 2002B Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the related Available Principal Commitment plus (ii) the aggregate principal amount of related Bank Bonds shall never exceed the original principal amount of such series of 2002B Adjustable Rate Bonds. Any adjustment to the Available Principal Commitment as described in clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"*Commitment Period*" means the period from the date of delivery of the Initial 2002B Liquidity Facility to and including the earliest of (i) July 18, 2005 (or to an extended date as may become effective under the Initial 2002B Liquidity Facility), (ii) the date on which no related 2002B Adjustable Rate Bonds are outstanding, (iii) the close of business on the date on which the related 2002B Adjustable Rate Bonds are converted to a Fixed Interest Rate or the SAVRS Rate, (iv) the close of business on the 30^{th} day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Tender Agent of a Notice of Termination Date, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment or other payment of all of the principal amount of the related 2002B Adjustable Rate Bonds or due to the delivery of an Alternate Liquidity Facility.

"*Purchase Date*" means a Business Day on which the related 2002B Adjustable Rate Bonds are subject to optional tender or mandatory purchase.

"*Purchase Price*" means, with respect to any related 2002B Adjustable Rate Bond that is deemed an "Eligible Bond" under the Initial 2002B Liquidity Facility, 100% of the principal amount of such 2002B Adjustable Rate Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however,* if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any 2002B Adjustable Rate Bond or any Defaulted Interest in the excess of any amount specified in the Initial 2002B Liquidity Facility.

THE INITIAL 2002B LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE RELATED 2002B ADJUSTABLE RATE BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2002B Liquidity Facility Provider

The obligation of the 2002B Liquidity Facility Provider to purchase 2002B Adjustable Rate Bonds on any particular Purchase Date under the related Initial 2002B Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2002B Liquidity Facility Provider: (i) that the 2002B Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in the related 2002B Initial Liquidity Facility, and (ii) that no Special Event of Default (as defined below) shall have occurred and be continuing.

Termination by 2002B Liquidity Facility Provider

In the case of any of the following Events of Default (each a "**Special Event of Default**"):

(i) failure by the Authority to pay principal of, or interest on, the related 2002B Adjustable Rate Bonds or any other Class I Bonds due to a default by the Authority under the Indenture;

(ii) (a) the Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or seeking to declare a moratorium with respect to the related 2002B Adjustable Rate Bonds, any other Bonds or General Obligations of the Authority, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts;

(iii) (a) any material provision of the Initial 2002B Liquidity Facility or any Related Document shall at any time for any reason cease to be valid and binding on the Authority as a result of federal or state legislative or administrative action, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable or (b) the validity or enforceability of the Initial 2002B Liquidity Facility, the Master Indenture or the 2002 Series B Indenture shall, in a judicial proceeding or any other official action commenced by the Authority, be contested by the Authority in said proceeding or action; or

(iv) the long-term rating by S&P or Moody’s of the related 2002B Adjustable Rate Bonds or any other Bonds and not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P or "Baa3" by Moody's other than as a result of debt maturity, redemption, defeasance, non-application and non-provision of information;

then, in any such event, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2002B Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the 2002B Liquidity Facility Provider. After such termination, the 2002B Liquidity Facility Provider shall deliver, within two (2) Business Days, to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

In the case of a failure by the Authority to pay any principal of, or interest on, any Class II Bond, Class III Bond (including a Bank Bond) or any General Obligation of the Authority (other than certain costs, taxes and fees owed to the 2002B Liquidity Provider) due to a default by the Authority under the Indenture (a "Suspension Event"), the obligation of the 2002B Liquidity Facility Provider to purchase Eligible Bonds under the Initial 2002B Liquidity Facility shall be immediately suspended without notice or demand and thereafter the 2002B Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the 2002B Liquidity Facility Provider shall notify the Authority, the Trustee, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the 2002B Liquidity Facility Provider shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Initial 2002B Liquidity Facility. If the Suspension Event created by the failure of the Authority to make a payment of any principal of, or interest on, any such Class II Bond, Class III Bond (including a Bank Bond) or any General Obligation of the Authority is not cured within thirty (30) days following such default, then the Available Commitment and the obligation of the 2002B Liquidity Facility Provider to purchase Eligible Bonds shall immediately terminate without notice or demand and thereafter the 2002B Liquidity Facility Provider shall be under no further obligation to purchase Eligible Bonds. If such default is remedied within thirty (30) days of the occurrence thereof and the Available Commitment has not otherwise expired or been suspended or terminated, then the Available Commitment and the obligation of the 2002B Liquidity Facility Provider to purchase Eligible Bonds shall be reinstated. In the case of each Suspension Event, the Trustee shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the 2002B Liquidity Facility Provider to purchase Eligible Bonds.

Upon the occurrence of other Events of Default not described as Special Events of Default or a Suspension Event above (including failure of the Authority to pay certain other amounts due to the 2002B Liquidity Facility Provider and the breach of covenants or representations made by the Authority in the Initial 2002B Liquidity Facility), the 2002B Liquidity Facility Provider may, among other remedies, give notice of such Event of Default and require the termination of the Initial 2002B Liquidity Facility to the Trustee, which would constitute a Liquidity Expiration Event under the Indenture and result in a mandatory tender of the related 2002 Series B Bonds. See "Part I – TERMS OF THE 2002 SERIES B BONDS – 2002B Adjustable Rate Bonds – Mandatory Tender."

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2002B Liquidity Facility Provider senior unsecured short-term obligations by Moody's or S&P below "P-1," "VMIG-1" or "A-1," respectively, or the default by the 2002B Liquidity Facility Provider in honoring its payment obligations under an Initial 2002B Liquidity Facility or the 2002B Liquidity Facility Provider seeking recovery of amounts described in an Initial 2002B Liquidity Facility for certain specified reasons, (ii) the payment to the 2002B Liquidity Facility Provider of all fees, expenses and other amounts payable under an Initial 2002B Liquidity Facility, and (iii) the payment to the 2002B Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate an Initial 2002B Liquidity Facility. In the event of such termination, the Authority may be required to replace such Initial

2002B Liquidity Facility with an Alternate Liquidity Facility. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Liquidity Facilities."

Alternate Liquidity Facility

The Authority may replace an Initial 2002B Liquidity Facility with a new Liquidity Facility (an "Alternate Liquidity Facility") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Liquidity Facilities."

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APPENDIX D

2002B Liquidity Facility Provider

The following information has been obtained from the 2002B Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

Lloyds TSB Bank plc (the "**2002B Liquidity Facility Provider**" and the "**Bank**") is the wholly-owned subsidiary of Lloyds TSB Group plc ("**LTSB Group**"). The Bank and its subsidiaries (the "**Bank's Group**") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2001, total assets of LTSB Group were £237 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 81,000.

The main business activities of the Bank's Group during 2001 are described below:

UK Retail Financial Services

UK Retail Financial Services encompasses three of the Bank's Group's main businesses – (i) UK Retail Banking, (ii) Mortgages and (iii) Insurance and Investments – which provide a wide range of banking and financial services to 16 million personal and small business customers in England, Scotland and Wales.

Wholesale Markets

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

International Banking

The Bank's Group provides banking, investment and other financial services overseas in three main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida), (ii) New Zealand and (iii) Europe and Offshore Banking.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered, a copy of (i) the most recently available annual Report and Accounts of LTSB Group for the fiscal year ended as at December 31, 2001, and (ii) Annual Report on Form 20F of LTSB Group for the fiscal year ended 31st December, 2001. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance.

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APPENDIX E

Form of 2002B Bond Counsel Opinion

July 18, 2002

Colorado Housing and Finance Authority
1981 Blake Street
Denver, Colorado 80202

Colorado Housing and Finance Authority
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-1
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-2
Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3
Single Family Mortgage Class II Bonds, 2002 Series B-4
Single Family Mortgage Class III Bonds, 2002 Series B-5
and
Single Family Mortgage Class I Bonds, 2002 Series B-6

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-1 (the "Taxable 2002 Series B-1 Bonds"), Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-2 (the "Taxable 2002 Series B-2 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3 (the "2002 Series B-3 Bonds"), Single Family Mortgage Class II Bonds, 2002 Series B-4 (the "2002 Series B-4 Bonds"), Single Family Mortgage Class III Bonds, 2002 Series B-5 (the "2002 Series B-5 Bonds") and Single Family Mortgage Class I Bonds, 2002 Series B-6 (the "2002 Series B-6 Bonds" and, together with the Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds, the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds and the 2002 Series B-5 Bonds, the "Bonds") in the aggregate principal amount of \$179,340,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The Bonds are authorized and issued pursuant to the Master Indenture of Trust dated as of October 1, 2001 (the "Master Indenture") as supplemented by the 2002 Series B Indenture dated as of July 1, 2002 (the "2002 Series B Indenture and, together with the Master Indenture, the "Indenture") between the Authority and Zions First National Bank, as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

The Bonds are special, limited obligations of the Authority payable solely from the sources provided in the Indenture.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute the valid and binding obligations of the Authority, and are entitled to the benefits and security of the Indenture.

2. The Indenture has been duly authorized by the Authority, duly executed and delivered by the authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes the legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

3. Interest on the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"); however, interest on the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2002 Series B-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

4. The Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the Bonds.

5. Interest on the Taxable 2002 Series B-1 Bonds and the Taxable 2002 Series B-2 Bonds is <u>not</u> excluded from gross income for federal income tax purposes.

The opinions expressed in this opinion letter above are subject to the following:

The obligations of the Authority pursuant to the Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that Lloyds TSB Bank plc, acting through its New York Branch, has delivered a Standby Bond Purchase Agreement with respect to the Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreement or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy or completeness of the Official Statement or any other statements made in connection with any sale of the Bonds or upon any federal or Colorado tax consequences arising from the receipt or accrual of interest on or the ownership of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to update or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX F

Class Asset Requirements for Bonds

The "*Class I Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts held in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the related series of Class I Bonds), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem the related series of Class I Bonds) and the related subaccount of the Debt Service Reserve Fund,

(b) in the case of certain series of Bonds, the amounts held in the respective subaccounts of the Accounts and Funds noted in clause (a) above that are unrelated to such series of Bonds (including amounts in such subaccounts of the Class I Debt Service Fund and the Redemption Fund only to the extent such amounts are required to be used to pay principal of or to redeem Class I Bonds) plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds 112.0% of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding, or such other different percentage as shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "Class I Asset Requirement" for any other series of Bonds Unrelated to such series of Bonds other than the Series of Bonds to which each respective "Class I Asset Requirement" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of related series of Class I Bonds then Outstanding, or such different percentage as shall be approved or required by each Rating Agency in writing.

The "*Class II Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccounts of the Class I Debt Service Fund and Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of the related series of Class I Bonds or Class II Bonds), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem the related series of Class I Bonds or Class II Bonds) and the related subaccount of the Debt Service Reserve Fund,

(b) the amounts held in the respective subaccounts of the Accounts and Funds listed in clause (a) above that are Unrelated to the such series of Bonds (including amounts in such subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund and the Redemption Fund only to the extent such amounts are required to be used to pay principal of or to redeem Class I Bonds or Class II Bonds) plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds 106.5% of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding plus 106.5% of the aggregate principal amount of the Class II Bonds of such series of Unrelated Bonds then Outstanding, or such other different percentages as shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "Class II Asset Requirement" for any other series of Bonds Unrelated to such series of Bonds other than the series of Bonds to which each respective "Class II Asset Requirement" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class I Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class II Bonds then Outstanding, or such different percentages as shall be approved or required by each Rating Agency in writing.

The "*Class III Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts held in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund, the related subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of related series of Class I Bonds and Class II Bonds) and the related subaccount of the Class III Debt Service Fund, the related subaccounts of the Redemption Fund and the related subaccount of the Debt Service Reserve Fund,

(b) the amounts held in the respective subaccounts of the Accounts and Funds listed in clause (a) above that are Unrelated to the such series of Bonds plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each Series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds 102% of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding plus 102% of the aggregate principal amount of the Class II Bonds of such series of Unrelated Bonds then Outstanding plus 102% of the aggregate principal amount of the Class III Bonds of such Series of Unrelated Bonds then Outstanding, or such other different percentages as shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "Class III Asset Requirement" for any other series of Bonds Unrelated to such series of Bonds other than the series of Bonds to which each respective "Class III Asset Requirement" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class I Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class II Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class III Bonds then Outstanding, or such different percentages as may be approved or required by each Rating Agency in writing.

The Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement, respectively, with respect to a series of Bonds shall include the percentages set forth in the Related Series Indenture. The percentages for the Class Asset Requirements for each of the 2001 Series AA Bonds, the

2002 Series A Bonds and the 2002 Series B Bonds approved at this time by each Rating Agency are 112% for the Class I Asset Requirement (except, with respect to the 2002 Series B-6 Bonds, the Class I Asset Requirement will be 100%), 106.5% for the Class II Asset Requirement and 102% for the Class III Asset Requirement. These percentages are subject to change and reevaluation upon the issuance of each series of Bonds and from time to time as reviewed by the Rating Agencies.

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APPENDIX G

Financial Statements and Additional Information of the Authority for the Fiscal Year ended December 31, 2001

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ARTHUR ANDERSEN

UNQUALIFIED OPINION ON GENERAL-PURPOSE

FINANCIAL STATEMENTS

To the Board of Directors of
Colorado Housing and Finance Authority:

We have audited the accompanying general-purpose statements of financial condition of the Colorado Housing and Finance Authority (the "Authority") as of December 31, 2001 and 2000 and the related statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These general-purpose financial statements and the accompanying supplemental financial information are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, which statements reflect total assets of $21,908,255 and $21,866,079 as of December 31, 2001 and 2000, respectively, total revenue of $7,221,960 and $6,771,536 and net income of $2,282,859 and $2,536,208 for the years ended December 31, 2001 and 2000, respectively, of the related totals. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, are based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2001 and 2000 and the statements of revenue, expenses and changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying statements of financial condition and statements of revenue, expenses and changes in retained earnings by program are presented for purposes of additional analysis and are not a required part of the Authority's general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the general-purpose financial statements taken as a whole.

Denver, Colorado,
February 22, 2002.

Arthur Andersen LLP

STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2001	(000's Omitted) 2000
Assets		
Cash and interest bearing accounts	$ 12,929	$ 7,315
Marketable securities:		
Short-term, at amortized cost which approximates market	411,581	329,128
Cash and cash equivalents	424,510	336,443
Marketable securities:		
Long-term, at fair value	113,916	124,162
Total cash and marketable securities	538,426	460,605
Loans receivable, net	1,405,707	1,392,805
Accrued interest receivable	16,838	17,535
Property and equipment, net:		
Corporate facilities	5,116	3,301
Rental operations	26,547	26,945
Deferred debt financing costs, net	17,908	16,962
Other real estate owned, net	7,146	5,822
Other assets	19,895	19,774
	$ 2,037,583	$ 1,943,749
Liabilities and Fund Equity		
Liabilities:		
Bonds payable, net	$ 1,710,972	$ 1,635,523
Notes payable	104,500	105,408
Accrued interest payable	25,224	23,413
Accounts payable and other liabilities	7,529	5,207
Federally assisted program advances	369	1,738
Deferred fee income	298	280
Escrow and refundable deposits	7,884	7,688
Total liabilities	1,856,776	1,779,257
Fund equity - retained earnings:		
Restricted	68,628	67,834
General Fund - Board designated	112,179	96,658
Total fund equity - retained earnings	180,807	164,492
	$ 2,037,583	$ 1,943,749

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

	Years Ended December 31, 2001	(000's Omitted)	Years Ended December 31, 2000
Interest and investment revenue:			
Loans receivable	$ 98,772		$ 90,606
Marketable securities	28,754		31,689
Net increase (decrease) in fair value of long-term marketable securities	(230)		2,603
Total interest and investment revenue	127,296		124,898
Interest expense - bonds and notes payable	103,793		101,105
Net interest and investment revenue	23,503		23,793
Other revenue:			
Rental operations	10,373		9,858
Fees and miscellaneous income	11,974		11,413
Total other revenue	22,347		21,271
Net revenue	45,850		45,064
Other expenses:			
Salaries and related benefits	9,892		9,356
General operating	11,155		9,300
Provision for losses	6,666		2,059
Other interest expense	1,822		2,249
Total other expenses	29,535		22,964
Net income	16,315		22,100
Retained earnings, beginning of year	164,492		142,392
Retained earnings, end of year	$ 180,807		$ 164,492

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2001	(000's Omitted)	2000
Operating activities:			
Net income	$ 16,315		$ 22,100
Adjustments to reconcile net income to net cash used by operating activities:			
(Increase) decrease in fair value of investments	230		(2,603)
Depreciation	1,752		1,545
Gain on sale of property and equipment	(303)		(1,476)
Accretion of capital appreciation term bonds	1,547		1,712
Amortization of:			
Deferred debt financing costs	1,144		1,420
Premiums and discounts on bonds, net	(5,704)		(4,675)
Premiums and discounts on long-term marketable securities, net	(26)		-
Deferred fee income	(1,585)		(2,328)
Deferred cash assistance expense	2,611		2,102
Mortgage yield recoupment income	(62)		(78)
Provision for losses	6,666		2,059
Principal repayments on loans receivable	290,863		138,942
Sales of other real estate owned	3,132		684
New loan fundings	(315,307)		(370,747)
Deferred fee income	1,296		1,949
Deferred cash assistance expense	(6,552)		(8,108)
Gain on sale of OREO	(294)		-
Changes in assets and liabilities:			
Accrued interest receivable	17		(2,291)
Other assets	2,627		4,334
Accrued interest payable	1,811		1,783
Accounts payable, federally assisted program advances and escrow and refundable deposits	1,149		(4,247)
Total adjustments	(14,988)		(240,023)
Net cash provided (used) by operating activities	$ 1,327		$ (217,923)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2001	(000's Omitted)	2000
Net cash provided (used) by operating activities	$ 1,327		$ (217,923)
Investing activities:			
Sales and maturities of long-term marketable securities	20,096		12,019
Purchases of long-term marketable securities	(10,053)		(7,322)
Sales of property and equipment:			
Corporate facilities	2		37
Rental operations	459		2,173
Purchases of property and equipment:			
Corporate facilities	(2,256)		(480)
Rental operations	(1,071)		(1,334)
Net cash provided by investing activities	7,177		5,093
Noncapital financing activities:			
Proceeds from issuance of bonds payable	366,060		400,107
Proceeds from issuance of notes payable	393,807		372,032
Debt financing costs	(3,732)		(4,076)
Repayments of bonds payable	(284,063)		(240,060)
Repayments of notes payable	(391,513)		(325,392)
Bond call premiums	(996)		(955)
Net cash provided by noncapital financing activities	79,563		201,656
Net increase (decrease) in cash and cash equivalents	88,067		(11,174)
Cash and cash equivalents, beginning of year	336,443		347,617
Cash and cash equivalents, end of year	$ 424,510		$ 336,443
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$ 106,734		$ 103,694
Supplemental schedule of non-cash operating,investing and financing activities:			
Transfer of mortgage loans to real estate owned	9,166		10,125
Transfer of loans receivable to other assets	2,748		4,235
Transfer of allowance on loans receivable to allowance on other real estate owned	2,719		4,817
Transfer of allowance on OREO to allowance on accrued interest receivable	340		-
Offset of note payable to OREO due to risk sharing settlement	3,514		-
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	1,575		1,377
Transfer of deferred fee income to deferred refunding (loans receivable)	247		550
Transfer of accrued interest payable to allowance for losses	-		449
Charge-offs of other real estate owned, loans receivable and other assets	4,453		232

The accompanying notes are an integral part of these statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). Operations of the Authority commenced in 1974.

The Authority was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for low and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises of small and moderate size.

In 2001, the Colorado state legislature repealed the limitation on the amount of debt that the Authority can issue. The bonds, notes and other obligations of the Authority do not constitute debt of the State of Colorado.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20 which, among other things, imposes restrictions on increases in revenue and expenditures of state and local governments. In the opinion of its bond counsel, the Authority qualifies as an enterprise under the amendment and therefore is exempt from its provisions.

(b) Reporting Entity

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has considered the inclusion of related entities in its financial statements. The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority.

Tanglewood Oaks Apartments Corporation ("Tanglewood"), Hyland Park Centre Corporation ("Hyland Park"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Tanglewood, Hyland Park and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. Financial information pertaining to the blended component units is presented in Note (1). Separate financial statements for the individual component units may be obtained through the Authority.

Management also has concluded that it is not a component unit of any other entity.

(c) Fund Accounting

The financial activities of the Authority are recorded in funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the bond resolutions are recorded in the General Fund.

The financial statements of the Authority are presented on the basis of the governmental proprietary fund accounting concept. All interfund and intercompany balances and transactions have been eliminated in the basic financial statements. Revenue and expenses are recognized on an accrual basis.

The Authority's Board of Directors (the "Board") has designated certain amounts of the retained earnings of the General Fund as of December 31, 2001 and 2000 for various purposes as follows:

(Amounts for all notes in tabular format are in thousands.)

(1) Organization and Summary of Significant Accounting Policies (continued)

	2001	2000
Appropriations for loan funds:		
Housing fund	$ 1,217	$ 13,019
Business Finance Fund	15,577	10,498
Housing Opportunity Fund	19,390	19,412
	36,184	42,929
Reserves:		
Debt service:		
General Obligation Bonds -		
Rental Housing and Commercial	12,159	7,548
General operating and working capital reserve	12,374	11,425
Unrealized appreciation of investments	473	763
	25,006	19,736
Restrictions for single and multi-family bonds	50,989	33,993
Total designated retained earnings	$ 112,179	$ 96,658

(c) Fund Accounting (continued)

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting".

The Authority is planning for the implementation of GASB Statement no. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". A key issue behind the statement is the improvement of operational accountability. The objectives of the statement are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity. Statement 34 is effective in three phases, which are based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Accordingly, the Authority is required to implement the statement as a Phase 1 government. Phase 1 requires that the statement be applied for periods beginning after June 15, 2001. Therefore, full implementation is planned to begin with the Authority's financial statements for the year ended December 31, 2002.

As permitted by GASB Statement 20, the Authority may adopt all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. As of December 31, 2001 no such FASB pronouncements have been adopted.

(d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance, the Executive Committee and Human Resources staff reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is presented with a draft in November, and a public hearing is conducted. Modifications are made reflecting Board input, and the final version is adopted by the Board in December. The Board may modify the budget at any point during the fiscal year, but has chosen to do so only twice in its history; in 2000 and in 1992.

The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. Funds remaining at the end of one year are budgeted again in the following year, if requested and approved.

(1) Organization and Summary of Significant Accounting Policies (continued)

e) Cash

Cash at December 31, 2001 and 2000, primarily includes market interest accounts of which approximately $1,418,000 and $1,694,000, respectively, is restricted for various General Fund program purposes.

(f) Marketable Securities

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2001 and 2000 is reflected in the income statement for the years presented.

The fair value of the Authority's investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are $99,754,000 and $112,867,000 at December 31, 2001 and 2000, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market, and generally mature within 90 days. For purposes of the statements of cash flows, the Authority considers all short-term investments to be cash equivalents. The Authority must authorize all purchases and sales of investments in writing.

(g) Loans Receivable

Mortgage loans are carried net of deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, mortgage loans bear interest at rates ranging from 5.00% to 14.00% per annum, payable monthly over terms from 15 to 40 years. Commercial loans bear interest at rates ranging from 4.00% to 11.00% per annum, payable monthly or annually over terms from 4 to 30 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions, on behalf of the Authority.

(h) Fee Income and Expense

Loan and commitment fees, net of related costs, are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans. Under the Authority's current Single Family Bond Program, the borrower is provided a cash assistance payment of generally 3% of the loan amount. These payments are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans.

(i) Mortgage Yield Recoupment Income

Income in excess of arbitrage limits under the U.S. Treasury regulations advanced to the Authority in connection with certain bond issues is accounted for as an adjustment of the yield on the respective mortgage loan portfolio to the yield permitted under the regulations. These amounts are classified as reductions of loans receivable, and deferred and amortized over the lives of the respective mortgage loans.

(j) Compensated Absences

Full-time employees accrue vacation leave at the rate of between ten days and twenty days per year, depending on length of service. Partial full-time employees accrue vacation at 80% of full time employees, while part-time employees accrue vacation at 50%. Sick leave accrues to full-time employees at the rate of 9 days per year, and 7.2 days for partial full-time staff. Personal leave accrues to full-time employees at the rate of 2 days per calendar year and part-time employees accrue at 1.6 days. Both sick leave and personal leave are non-vesting and cannot be carried over into the next calendar year. The liability for compensated absences is included in the financial statements.

(k) Allowance for Losses

The allowance for losses on loans, accrued interest receivable, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, accrued interest receivable, other real estate owned and other assets are shown net of an allowance for losses of $13,259,000, $340,000, $2,447,000, and $161,000, respectively, for 2001, and $9,387,000, $0, $4,406,000, and $201,000, respectively, for 2000.

(Amounts for all notes in tabular format are in thousands.)

(1) Organization and Summary of Significant Accounting Policies (continued)

(l) Property, Equipment and Rental Real Estate Operations

The office building, furniture and equipment are carried at $5,116,000 and $3,301,000 at December 31, 2001 and 2000, respectively, representing cost, net of accumulated depreciation of $3,913,000 and $3,479,000, respectively. The Authority purchased an adjacent office building and land in 2001, valued at $532,000 and $1,133,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty-five years.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the Operating Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in the component unit's equity.

As of December 31, 2001, the Authority owned a total of 13 RAP projects, including its three component units, containing 1,354 units. Selected balance sheet items of the RAP are presented below:

		2001		2000
RAP combined, including component units:				
Property, net of accumulated depreciation of $9,157,000 and $7,897,000	$	26,547	$	26,945
Total assets		35,785		35,169
Total debt		23,983		25,922
Equity		11,802		9,247
RAP component units only:				
Property, net of accumulated depreciation of $5,307,000 and $4,509,000	$	18,289	$	18,505
Total assets		21,908		21,866
Total debt		17,302		17,465
Equity		4,606		4,401

All revenue and expenses of these properties, including depreciation and interest, are reflected in the operating results of the Authority's Operating Fund. RAP revenues are recorded as components of other revenue-rental operations and fees and miscellaneous income which includes RAP interest income. Operating and other expenses are recorded in general operating expenses, and interest expense on notes payable and general obligation bond proceeds used to acquire the properties is recorded in other interest expense. A summary of the operating results of the RAP properties follows on a stand-alone basis before elimination of intercompany transactions.

(Amounts for all notes in tabular format are in thousands.)

(1) Organization and Summary of Significant Accounting Policies (continued)

(l) Property, Equipment and Rental Real Estate Operations (continued)

	2001	2000
RAP combined, including component units:		
Rental operations	$ 10,373	$ 9,858
Interest income	135	190
Gain on sale of property	303	1,476
General operating expenses	(4,019)	(3,696)
Depreciation expense	(1,562)	(1,157)
Interest expense	(1,822)	(1,917)
Net income	$ 3,408	$ 4,754

	2001	2000
RAP component units only:		
Rental operations	$ 7,112	$ 6,631
Interest income	110	140
General operating expenses	(2,878)	(2,174)
Depreciation expense	(798)	(710)
Interest expense	(1,264)	(1,351)
Net income	$ 2,282	$ 2,536

(m) Deferred Debt Financing Costs and Bond Discounts and Premiums

Costs of debt issuance are deferred and amortized over the expected average lives of the bond issues using the effective interest method. Discounts and premiums on bonds payable are deferred and amortized over the lives of the respective bond issues using the effective interest method.

(n)Other Real Estate Owned

Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is initially recorded at the lower of the investment in the loan or the estimated net realizable value. Subsequent losses are provided for through the allowance for losses.

(o)Other Assets

Included in other assets are escrows related to RAP and loans serviced by the Authority, unamortized costs of mortgage servicing rights, and investments in public/private partnerships and corporations designed to foster economic development. Where such investments represent a 20% to 50% ownership interest, the Authority uses the equity method of accounting. All other investments are recorded at cost. The carrying value of such investments is approximately $0 and $92,000 at December 31, 2001 and 2000, respectively.

(p)Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program, and in 2001, became a Performance-Based Contract Administrator ("PBCA"), in certain areas of the State of Colorado. Under these programs, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. These administrative fees, for HAP and PBCA are approximately $1,318,000 and $1,114,000 in 2001, respectively, and $1,276,000 and $0 in 2000, respectively, are recognized as other revenue when earned.

(q)Interest Rate Swap Agreements

The Authority enters into interest rate swap agreements with rated swap counterparties in order to manage the interest rate risk associated with the issuance

(Amounts for all notes in tabular format are in thousands.)

(1) Organization and Summary of Significant Accounting Policies (continued)

(q)Interest Rate Swap Agreements, (continued)

of certain variable rate bonds. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability.

(r) Other Revenue and Other Interest Expense

Other revenue includes rent income from RAP, administrative fees from HAP, tax credit program fees, servicing fees, and reimbursements and fees from other programs. Other interest expense includes actual interest costs on debt incurred to finance RAP projects and on borrowings incurred to finance the Authority's facilities and equipment.

(s) Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

(t) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures, purchased insurance and partial self insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials liability are all managed through purchased insurance. For excess risk exposure, all employee medical claims in excess of $25,000 per individual and $469,000 aggregate per year are also covered by the purchase of stop-loss insurance.

(u) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

(2) Cash and Marketable Securities

Investment of the Authority's monies is made in accordance with the Authority's investment guidelines, which have been approved by the Board and are in compliance with the Act and the laws of the State of Colorado.

Permitted investments under these investment guidelines include obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 or P-1, certificates of deposit, repurchase agreements, money market mutual funds and investment agreements.

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

At December 31, 2001 the Authority had cash deposits with a carrying value of $12,929,000. These balances are categorized as follows:

Risk Category	Cash Balance December 31, 2001
1	$ 585
2	12,344
3	-
TOTAL	$ 12,929

All of the Authority's marketable securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2001. Category 1 includes those investments which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with securities held by the

(Amounts for all notes in tabular format are in thousands.)

(2) Cash and Marketable Securities (continued)

counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments.

Short-term marketable securities are carried at amortized cost, which approximates market.

Long-term marketable securities are carried at fair value.

	Categories			
	1	2	3	Total
Categorized:				
U.S. government & agency obligations	$ 83,372	$ -	$ -	$ 83,372
Collateralized investment agreements	-	214,891	-	214,891
Repurchase agreements	2,915	-	-	2,915
	$ 86,287	$ 214,891	$ -	$ 301,178
Uncategorized:				
Treasury money market funds				83,914
Uncollateralized investment agreements				140,405
				$ 525,497

Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board in accordance with the Act. Such investments are held by financial institutions having the same or higher ratings as that of the applicable debt issue, and the agreements generally provide for collateralization of balances in the event of rating agency downgrade of the institution below the related bond ratings.

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of 102% of the cost of the repurchase agreement. The Authority's collateral interest in the underlying securities is perfected by delivery of the securities to the Authority's trustee.

The following schedule shows the Authority's net (decrease) increase in fair value of long-term marketable securities by fund, for the years ended December 31, 2001 and 2000:

Description	2001	2000
General Fund	$ 462	$ 167
Multi-family Housing Insured Mortgage Revenue	(105)	1,593
Multi-family / Project	(129)	553
Single Family Housing Revenue	(415)	27
Taxable Single-Family Mortgage Revenue	11	12
Single Family Revenue	(41)	186
Single Family Program Senior and Subordinate	(13)	65
TOTAL	$ (230)	$ 2,603

(Amounts for all notes in tabular format are in thousands.)

(3) Loans Receivable

Loans receivable at December 31, 2001 and 2000 consist of the following:

	2001	2000
General Fund	$ 206,832	$ 222,389
Multi-family bond programs:		
Housing Insured Mortgage Revenue	316,427	332,687
Mortgage Revenue	2,010	4,151
Project	115,350	85,049
Single Family bond programs:		
Housing Revenue	-	60,152
Taxable Revenue	8,089	11,005
Taxable Program Senior and Subordinate	2,630	3,539
Revenue Bonds	1,650	2,251
Program Bonds	17,164	19,196
Program Senior and Subordinate	623,173	639,524
Revenue Refunding	468	569
Mortgage	98,964	-
Total loans receivable	1,392,757	1,380,512
Deferred cash assistance expense	34,412	30,515
Deferred fee income	(8,181)	(8,752)
Deferred mortgage yield recoupment income	(22)	(83)
Allowance for loan losses	(13,259)	(9,387)
Total loans receivable, net	$ 1,405,707	$ 1,392,805

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 2001 and 2000, $14,449,000 and $19,932,000 of these loans (ACCESS program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Generally, the Authority's lien is secured at origination with collateral having a loan-to-value ratio of 45 to 50 percent. Additionally, at December 31, 2001 and 2000, $17,490,000 and $29,926,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

Multi-family bond program loans are collateralized by first mortgages on applicable real estate, and, in most cases, are further insured by an agency of the United States government.

Single family bond program loans are collateralized by first mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or more, are either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department, formerly Farmers Home Administration.

All loans receivable of the Authority are originated in the State of Colorado, with a majority of the underlying collateral in the Front Range and Denver metropolitan areas. Single family program loans are made to low and moderate income families. Multi-family housing borrowers are non-profit and for-profit developers, while commercial borrowers are generally for-profit entities, doing business throughout Colorado.

(Amounts for all notes in tabular format are in thousands.)

(3) Loans Receivable (continued)

At December 31, 2001 and 2000, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2001	2000
Recycled funds loans (single family mortgage prepayments)	$ -	$ 32,139
Single family mortgage program	143,650	48,756
Multi-family mortgages and projects	32,942	40,195
	$ 176,592	$ 121,090

These amounts exclude single family mortgage loans warehoused in the Authority's General Fund of $92.8 million and $114.8 million, at December 31, 2001 and 2000, respectively.

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2001 and 2000 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date		Interest rate (%)	2001	2000
General Fund:				
General Obligation Bonds:				
1992 Series A	2002-2030	9.125	$ 3,285	$ 3,305
1998 Series A	2002-2017	4.35 to 5.25	1,465	1,515
ACCESS Programs:				
1991 Series A	2002-2011	8.90 to 9.15	6,890	6,890
1991 Series B	2002-2011	8.50 to 9.40	5,970	6,020
1995 Series A	2002-2015	7.67	5,292	5,505
1997 Series A	2002-2018	7.22	5,533	6,149
1999 Series A	2002-2018	6.49	4,176	6,832
QIC Program:				
1993 Series A		7.87	-	2
1994 Series A	2002-2020	6.51	96	799
1994 Series B	2002-2021	6.53	-	1,800
1995 Series A	2002-2020	7.60	868	2,549
1997 Series A	2002-2023	6.56	1,043	2,402
1999 Series A	2002-2024	5.71	6,534	9,926
2000 Series A	2002-2025	6.755	7,048	9,985
SMART Program				
2000 Series A	2002-2020	6.152	8471	8,707
Taxable Mortgage Revenue				
2000 Series A	2002-2020	6.914	11,905	13,476
2000 Series B	2002-2020	6.675	4,572	5,154
2001 Series A PERA	2002-2021	6.135	23,175	-
2001 Series A VECTRA	2002-2021	6.625	6,703	-

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2001	2000
Multi-family Mortgage Revenue Bond:				
1994 Series A	2002	7.25	$ 60	$ 127
			103,086	91,143
Multi-family Housing Insured				
Mortgage Revenue Bonds:				
1982 Series A	2002-2025	9.00	18,550	18,550
1982 Series B	2002-2025	6.00	11,645	11,645
1984 Series A		7.50	-	4,940
1991 Series A	2002-2026	7.35	2,485	2,495
1992 Series A	2002-2023	8.00 to 8.30	77,335	78,830
1993 Series A	2002-2029	5.125 to 5.90	16,305	16,490
1995 Series A	2002-2037	5.65 to 6.80	11,850	11,940
1995 Series B	2002-2037	5.45 to 6.75	14,135	14,220
1995 Series C	2002-2015	5.10 to 7.00	12,790	12,870
1996 Series A	2002-2037	4.80 to 7.20	35,540	36,620
1996 Series B	2002-2037	5.75 to 8.00	8,780	8,860
1996 Series C	2002-2038	5.10 to 8.10	15,100	15,195
1997 Series A	2002-2038	4.60 to 7.125	19,365	19,595
1997 Series B	2002-2038	4.40 to 7.25	23,410	23,615
1997 Series C	2002-2039	4.60 to 6.75	53,450	54,180
1998 Series A	2002-2039	5.35 to 6.70	20,465	20,605
1998 Series B	2002-2040	5.45 to 7.00	7,260	7,280
1999 Series A	2002-2041	4.65 to 6.65	34,705	34,865
1999 Series B	2002-2041	5.25 to 5.85	5,550	5,580
1999 Series C	2002-2041	4.70 to 7.93	18,115	18,140
			406,835	416,515
Multi-family Mortgage Revenue Bonds				
(Principal and interest payable monthly):				
Series 1978-3	2002-2017	6.50	1,264	1,297
Series 1980-1	2002-2021	10.50	746	757
Series 1981-1		11.00	-	2,097
			2,010	4,151
Multi-family/Project Bonds				
2000 Series A	2002-2032	Variable	94,030	95,875
2000 Series B	2002-2042	Variable	31,875	31,875
2001 Series A	2002-2043	Variable	38,050	-
			163,955	127,750

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2001	2000
Single Family Housing Revenue Refunding Bonds:				
1991 Refunding				
Series A		6.70 to 7.25	$ -	$ 46,451
1995 Refunding				
Series A		4.60 to 5.65	-	7,910
1996 Refunding				
Series AA		4.80 to 5.625	-	34,495
			-	88,856
Taxable Single Family Mortgage Revenue Bonds:				
1998 Issue I	2002-2018	6.65	8,670	11,440
Taxable Single Family Program				
Senior and Subordinate Bonds:				
1993 Issue A	2002-2011	7.625	1,600	2,565
Single Family Revenue Bonds:				
1985 Series A	2014	11.125	760	797
1985 Series B	2017	8.75	1,475	2,085
1993 Refunding				
Series A	2005-2014	7.00	4,161	4,550
			6,396	7,432
Single Family Program Bonds:				
1998 Series C	2002-2029	4.50 to 5.625	17,082	19,265
Single Family Program Senior and Subordinate Bonds:				
1991 Series A		6.70 to 9.40	-	1,915
1991 Series B		6.70 to 9.00	-	5,195
1991 Series C		6.60 to 9.075	-	8,365
1991 Series D		6.30 to 8.65	-	6,770
1992 Series A	2002-2024	6.30 to 8.70	10,010	12,570
1994 Series B	2002-2024	5.75 to 7.50	2,250	3,025
1994 Series C	2002-2024	6.00 to 7.90	2,295	3,390
1994 Series D-I	2002-2024	5.40 to 8.00	1,955	2,950
1994 Series D-II	2002-2025	5.65 to 8.125	1,725	2,505
1994 Series E	2002-2024	5.60 to 8.125	2,255	3,375
1994 Series F	2002-2025	6.75 to 8.625	1,080	1,980
1995 Series A	2002-2025	5.70 to 8.00	5,520	8,670

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2001	2000
Single Family Program Senior and Subordinate Bonds, continued:				
1995 Series B	2002-2025	5.50 to 7.90	$ 6,115	$ 8,835
1995 Series C	2002-2025	5.15 to 7.65	8,685	11,945
1996 Series D	2002-2026	5.20 to 7.38	19,470	23,750
1996 Series A	2002-2027	4.80 to 7.40	18,895	25,730
1996 Series B	2002-2027	5.10 to 7.65	15,900	24,190
1996 Series C	2002-2027	5.00 to 7.55	17,840	25,025
1997 Series A	2002-2027	4.55 to 7.25	24,050	32,590
1997 Series B	2002-2028	4.80 to 7.00	23,425	31,580
1997 Series C	2002-2028	5.00 to 6.875	24,035	34,415
1998 Series A	2002-2029	4.75 to 6.60	35,885	43,940
1998 Series B	2002-2029	4.625 to 6.55	36,228	44,782
1998 Series D	2002-2029	4.25 to 6.35	47,655	54,635
1999 Series A	2002-2030	4.25 to 6.45	42,695	48,450
1999 Series B	2002-2030	4.875 to 6.80	52,485	59,165
1999 Series C	2002-2031	4.70 to 7.20	61,035	69,140
2000 Series A	2002-2031	5.40 to 7.54	41,000	50,000
2000 Series B	2002-2031	5.10 to 7.47	36,550	40,000
2000 Series C	2002-2031	5.10 to 8.40	49,550	54,765
2000 Series D	2002-2032	5.15 to 7.43	40,000	40,000
2000 Series E	2002-2032	5.15 to 7.10	35,000	35,000
2001 Series A	2002-2032	5.00 to 6.50	40,000	-
2001 Series B	2002-2033	4.125 to 6.55	55,490	-
2001 Series C	2002-2033	4.00 to 6.375	61,365	-
			820,443	818,647
Single Family Revenue Refunding Bonds:				
1994 Series A	2002-2011	5.00 to 5.30	420	515
Single Family Mortgage Bonds:				
2001 Series AA	2002-2041	Variable	131,840	-
Mortgage notes:				
September 4, 2020		1.00	837	878
June 22, 2025		1.00	742	770
July 1, 2004		4.50	732	750
June 30, 2001		5.37	-	1,224
April 1, 2002		11.47	49	50
March 31, 2003		-	85	128
November 30, 2005		-	70	70
May 1, 2005		7.25	-	9,282
Lines of credit:				
January 31, 2002		2.00	5,659	4,070
February 1, 2002		1.90	87,000	87,860
February 1, 2002		2.45	9,133	-

(Amounts for all notes in tabular format are in thousands.)

Description and due date	Interest rate (%)	2001	2000
Unsecured notes payable			
June 30, 2003	Variable	$ 89	$ -
August 23, 2003	Variable	104	76
October 28, 2002	Variable	-	250
		104,500	105,408
Total bonds and notes payable		1,766,837	1,693,687
Discounts / premiums, net		53,112	49,329
Deferred refunding amounts		(4,477)	(2,085)
Total bonds and notes payable, net		$ 1,815,472	$ 1,740,931

Included in several of the bond issues shown above are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity and as reflected in the accompanying statements of financial condition at December 31, 2001 and 2000 are as follows:

Description, due date and type		Interest rate (%)	Appreciated Balances Maturity	2001	2000
Single Family Revenue Bonds:					
1985 Series A	2014 CATB	11.125	$ 2,995	$ 760	$ 797
1993 Refunding Series A	2014 CATB	7.00	9,945	4,161	4,550
Single Family Housing Revenue Bonds:					
1991 Refunding Series A		6.70 to 7.00	-	-	15,576
Single Family Senior and Subordinate Bonds:					
1998 Series B	2029 CATB	5.5	6,940	1,533	1,452
Single Family Program Bonds:					
1998 Series C	2029 CATB	5.625	16,285	3,477	3,290

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 2001 are as follows:

	2002	2003	2004	2005	2006
Bonds:					
General Fund:					
General Obligation	$ 3,449	$ 4,401	$ 4,551	$ 4,822	$ 4,955
Multi-family Mortgage Revenue	60	-	-	-	-
Multi-family:					
Housing Insured Mortgage Revenue	5,025	5,375	5,755	6,145	6,530
Mortgage Revenue	58	62	67	72	78
Project	1,650	520	640	6,140	1,735
Single Family:					
Housing Revenue Refunding	-	-	-	113	385
Program	360	375	395	420	640
Program Senior and Subordinate	14,320	11,145	13,185	17,975	14,625
Revenue Refunding	25	30	45	75	50
Mortgage	3,350	4,390	5,145	5,175	4,865
Notes Payable	101,981	334	773	111	71
Total Bonds and Notes Payable	$ 130,278	$ 26,632	$ 30,556	$ 41,048	$ 33,934
Interest Due	99,489	97,476	97,913	96,350	94,447
Total Annual Debt Service	$ 229,767	$ 124,108	$ 128,469	$ 137,398	$ 128,381

Aggregate maturities of bonds and notes payable subsequent to the year 2006 are approximately $1,504,389,000.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2001 and 2000, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2001 and 2000, the Authority had a $49,000 and $50,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations, which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to $100,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. As of December 31, 2001 and 2000, the outstanding borrowings under this agreement were $87,000,000 and $87,860,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to $30,000,000. Amounts drawn under the agreement bear interest fixed at .52% per annum above the London Interbank Offered Rates (LIBOR). The line of credit agreement terminates on July 25, 2002. As of December 31, 2001 and 2000, the

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

outstanding borrowings under this agreement were $9,133,000 and $0.

During 2001, the Authority has an agreement with another bank for a secured line of credit authorizing borrowings of up to $6,000,000. The agreement provides for the Authority to borrow an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under the agreement bear interest fixed at 2% per annum, and are invested with the bank in a money market savings account. The line of credit agreement terminates on April 30, 2002. As of December 31, 2001, the outstanding borrowings under this agreement were $5,659,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2001, $180,209,000 and $47,470,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2000 were $182,640,000 and $59,625,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(5) Interest Rate Swaps

The Authority has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Authority makes periodic fixed interest rate payments in exchange for receiving variable rate payments. The swap agreements are used to create synthetic fixed rates on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with the scheduled and/or anticipated reductions in the related bond liability. The table below contains the terms of the interest rate swap agreements with the associated bond issues:

Associated Bond Issue		Outstanding Notional Amount	Issue Date	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
Multi-Family/Project Bonds:						
2000 Series A	A-1, Class I	$ 12,750	03/21/00	5.235%	VRDO's Rate[1]	10/01/20
2000 Series A	A-1, Class III	18,500	03/21/00	5.225%	VRDO's Rate[1]	04/01/25
2000 Series A	A-2, Class I	11,545	03/21/00	5.800%	VRDO's Rate[1]	04/01/15
2000 Series B	B-1, Class I	7,780	10/19/00	7.390%	LIBOR[2], plus .25%	07/01/20
Single Family Mortgage Bonds:						
2001 Series AA	AA-1, Class I	50,000	10/04/01	5.290%	VRDO's Rate[1]	11/01/13
2001 Series AA	AA-2, Class I	46,840	10/04/01	4.600%	VRDO's Rate[1]	05/01/31

1 Variable rate demand obligation
2 London inter-bank offered rates

The Authority is potentially exposed to loss in the event of nonperformance by the counterparties under the agreements, or from early termination of the swap agreements. However, the Authority does not anticipate such nonperformance and expects to hold the swap agreements to the stated termination dates.

(6) Debt Refundings

On October 4, 2001, the Authority issued its Single Family Mortgage Bonds 2001 Series AA, in the aggregate principal amount of $131,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Housing Revenue Refunding Bonds, 1991 Series A and 1996 Series AA in the amount of $81,840,000. The refunding resulted in an increase in the aggregate debt service requirement of $9,447,000 and an approximate economic gain to the Authority of $21,917,000.

On August 2, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series C, in the aggregate principal amount of $61,365,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series C and D in the amount of $11,625,000. The refunding resulted in a decrease in the aggregate debt service requirement of $3,178,000 and an approximate economic gain to the Authority of $2,245,000.

On May 30, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series B, in the aggregate principal amount of $55,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series A and B in the amount of $6,210,000. The refunding resulted in a decrease in the aggregate debt service requirement of $1,243,000 and an approximate economic gain to the Authority of $1,196,000.

On June 15, 2000, the Authority issued its Single Family Program Senior and Subordinate Bonds, 2000 Series C, in the aggregate principal amount of $55,035,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1990 Series A,B, and C in the amount of $10,415,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of $1,127,000 and an approximate economic gain to the Authority of $848,000.

On March 21, 2000, the Authority issued its Multi-Family/Project Bonds, 2000 Series A, in the aggregate principal amount of $96,580,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B and General Obligation Bonds, 1986, 1991 and 1994 Series A in the amount of $95,585,000. Included in the multi-family issue are variable rate bonds with interest ranging from a weekly high of 5.75% which could result in an increase in aggregate debt service requirements of $4,514,000 and an approximate economic gain to the Authority of $18,762,000, to a weekly low of 1.9% which could result in a substantial decrease in aggregate debt service requirements of $41,929,000 and an approximate economic gain to the Authority of $43,209,000.

Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2001 and 2000 refunding transactions are being amortized over the estimated remaining lives of the old debt.

(Amounts for all notes in tabular format are in thousands.)

(6) Debt Refundings (continued)

	2001	2000
Single Family Housing Revenue Refunding Bonds 1991 Series A and 1996 Series AA:		
Deferred fee income	$ 44	$ -
Deferred debt financing costs	1,345	-
Call premium	617	-
Single Family Program Senior and Subordinate Bonds, 1991 Series C and D:		
Deferred fee income	(205)	-
Deferred debt financing costs	155	-
Call premium	233	-
Single Family Program Senior and Subordinate Bonds, 1991 Series A and B:		
Deferred fee income	(86)	-
Deferred debt financing costs	76	-
Call premium	146	-
Single Family Program Senior and Subordinate Bonds, 1990 Series A, B, and C:		
Deferred fee income	-	(216)
Deferred debt financing costs	-	210
Call premium	-	208
Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B:		
Gain on Sale of Investments	-	(71)
Deferred fee income	-	(334)
Deferred debt financing costs	-	681
General Obligation Bonds, 1986, 1991, and 1994, Series A:		
Deferred debt financing costs	-	519
Unamortized discount	-	93
Call premium	-	747
Total deferred amount	$ 2,325	$ 1,837

(Amounts for all notes in tabular format are in thousands.)

(7) Selected Financial and Operating Data

Selected financial and operating data of the various program funds of the Authority as of December 31, 2001 are as follows:

	Total Assets	Bonds and Notes Payable	Fund Equity
General Fund	$ 353,547	$ 224,414	$ 112,179
Multi-family:			
Housing Insured Mortgage Revenue	422,616	398,500	16,372
Mortgage Revenue	2,037	2,010	-
Project	166,317	161,356	3,564
Single Family:			
Taxable Revenue	10,975	8,670	2,113
Taxable Program Senior and Subordinate	2,978	1,600	1,368
Revenue	12,883	6,396	6,444
Program Senior and Subordinate	908,080	880,774	13,807
Program Bonds	18,268	17,131	1,023
Revenue Refunding	601	420	180
Mortgage	156,215	131,029	23,757
Intercompany Eliminations	(16,934)	(16,828)	-
	$ 2,037,583	$ 1,815,472	$ 180,807

	Total Revenue	Interest Expense	Net Income (Loss)
General Fund	$ 48,186	$ 12,599	$ 15,521
Multi-family:			
Housing Insured Mortgage Revenue	30,857	26,965	662
Mortgage Revenue	296	296	-
Project	8,320	6,369	(628)
Single Family:			
Taxable Revenue	861	678	154
Taxable Program Senior and Subordinate	292	101	189
Revenue	1,075	534	530
Program Senior and Subordinate	54,770	52,448	890
Program	932	941	(16)
Revenue Refunding	40	24	12
Mortgage	5,278	5,924	(999)
Intercompany Eliminations	(1,264)	(1,264)	-
	$ 149,643	$ 105,615	$ 16,315

Certain multi-family insured mortgage revenue bonds are secured by insured mortgage loans receivable from the Authority's instrumentalities, whose assets and operations are accounted for within the General Fund. For financial statement purposes, all transactions between the General Fund and the Bond Funds are eliminated.

(8) Retirement Plans

Employees of the Authority are members of the Public Employees' Retirement Association of Colorado ("PERA"), which is a cost-sharing, multiemployer public employee retirement system plan.

Generally all employees are required to participate in PERA. Under the plan, State statute provides that members are eligible for full retirement benefits at age 50 with at least 30 years service with a participating employer, at age 55 with at least 25 years of service, at age 65 with at least 5 years service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 50 with at least 25 years service, at age 55 with at least 20 years of service, and at age 60 with at least 5 years service. Additionally, disability and survivors benefits are available. Benefits are vested after five years of service.

On May 6, 1997, the Governor signed into law House Bill 97-1082. This legislation changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service had their benefit recalculated. Benefit payments dated July 31, 1997, and later reflect this new calculation. The legislation also establishes a two-tier disability retirement program applicable to members who apply for disability on or after January 1, 1999.

House Bill 00-1458, passed in the 2000 legislative session, changed the retirement eligibility for members who are 55 years of age or older and retiring June 1, 2000, or later, with age plus years of service totaling 80 or more. These members may retire without a reduction for early retirement. The reduction for early retirement for some members with age plus years of service totaling less than 80 was also lowered. In addition, beginning March 1, 2000, the annual increase for PERA benefits was 3.5% compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute requires the Authority and participating employees to contribute 9.43% and 8% for 2001, respectively, and 10% and 8% for 2000, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was $7,585,000 and $6,649,000 for 2001 and 2000, respectively. Contributions by the Authority and employees approximated $715,000 and $605,000, respectively, for 2001, while for 2000 the amounts were $665,000 and $534,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 2000, the date of the latest available audited information, the total actuarial accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were $1,514,014,000 and $1,740,454,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2001.

PERA, as a separate entity, issues its own annual financial statements, included in which is historical ten-year trend information for all contributions to the retirement system.

Included in the Authority's general obligation debt are bonds payable to PERA of $78,713,000 and $73,286,000 at December 31, 2001 and 2000, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 2% of the employee's gross salary.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees. This defined contribution plan is qualified under Section 457 of the Internal Revenue Code. The plan is administered by an independent trustee.

STATEMENTS OF FINANCIAL CONDITION BY PROGRAM

Years Ended December 31,

(000s Omitted)	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals 2001	Memorandum Totals 2000
ASSETS						
Cash	$ 12,765	$ -	$ 164	$ -	$ 12,929	$ 7,315
Marketable securities:						
Short-term	94,412	230,169	87,000	-	411,581	329,128
Long-term, at fair value	16,628	47,866	49,422	-	113,916	124,162
Total cash and marketable securities	123,805	278,035	136,586		538,426	460,605
Loans receivable, net	200,075	781,284	441,176	(16,828)	1,405,707	1,392,805
Accrued interest receivable	1,616	9,523	5,805	(106)	16,838	17,535
Property and equipment, net:						
Corporate facilities	5,116	-	-	-	5,116	3,301
Rental operations	26,547	-	-	-	26,547	26,945
Deferred debt financing costs, net	1,050	13,477	3,381	-	17,908	16,962
Other real estate owned, net	-	929	6,217	-	7,146	5,822
Other assets	18,149	(88)	1,834	-	19,895	19,774
Due from (to) other funds	(22,811)	26,840	(4,029)	-	-	-
Total Assets	$ 353,547	$ 1,110,000	$ 590,970	$ (16,934)	$ 2,037,583	$ 1,943,749
LIABILITIES AND FUND EQUITY						
Liabilities:						
Bonds and notes payable, net	$ 224,414	$ 1,046,020	$ 561,866	$ (16,828)	$ 1,815,472	$ 1,740,931
Accrued interest payable	1,959	15,284	8,087	(106)	25,224	23,413
Accounts payable and other liabilities	6,444	4	1,081	-	7,529	5,207
Federally assisted program advances	369	-	-	-	369	1,738
Deferred fee income	298	-	-	-	298	280
Escrow and refundable deposits	7,884	-	-	-	7,884	7,688
Total liabilities	241,368	1,061,308	571,034	(16,934)	1,856,776	1,779,257
Fund equity - retained earnings:						
Restricted	-	48,692	19,936	-	68,628	67,834
General Fund - Board designated	112,179	-	-	-	112,179	96,658
Total fund equity - retained earnings	112,179	48,692	19,936	-	180,807	164,492
	$ 353,547	$ 1,110,000	$ 590,970	$ (16,934)	$ 2,037,583	$ 1,943,749

See notes to financial statements

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS BY PROGRAM

Years Ended December 31,

(000s Omitted)	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals 2001	Memorandum Totals 2000
Interest and investment revenues						
Loans receivable	$ 16,987	$ 49,701	$ 33,348	$ (1,264)	$ 98,772	$ 90,606
Marketable securities	3,135	18,371	7,248	-	28,754	31,689
Net increase (decrease) in fair value of marketable securities	473	(469)	(234)	-	(230)	2,603
Total interest and investment revenue	20,595	67,603	40,362	(1,264)	127,296	124,898
Interest expense - bonds and notes payable	11,267	60,650	33,630	(1,754)	103,793	101,105
Net interest revenue	9,328	6,953	6,732	490	23,503	23,793
Other revenues (expenses):						
Rental operations	10,373	-	-	-	10,373	9,858
Fees and miscellaneous income	11,679	1	294	-	11,974	11,413
Program fees (expenses)	5,539	(4,356)	(1,183)	-	-	-
Total other revenue	27,591	(4,355)	(889)	-	22,347	21,271
Net revenue	36,919	2,598	5,843	490	45,850	45,064
Other expenses:						
Salaries and related benefits	9,892	-	-	-	9,892	9,356
General operating	10,280	312	563	-	11,155	9,300
Provision for losses	953	198	5,515	-	6,666	2,059
Other interest expense	1,332	-	-	490	1,822	2,249
Transfers	(1,059)	1,328	(269)	-	-	-
Total other expenses	21,398	1,838	5,809	490	29,535	22,964
Net income	15,521	760	34	-	16,315	22,100
Retained earnings, beginning of year	96,658	47,932	19,902	-	164,492	142,392
Retained earnings, end of year	$ 112,179	$ 48,692	$ 19,936	$ -	$ 180,807	$ 164,492

See notes to financial statements

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APPENDIX H

Book-Entry System

The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee ("Cede") or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the 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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct in Participants' accounts. This eliminates 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 a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiary of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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. Beneficial Owners are, however, 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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to Bonds, unless authorized by a Direct Participant in accordance with DTC Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in 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, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider 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 Cede, or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Trustee or the Authority, 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.

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

THE AUTHORITY, THE TRUSTEE, THE TENDER AGENT, THE LIQUIDITY FACILITY PROVIDER, AND THE REMARKETING AGENT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE BONDS, INCLUDING ANY

NOTICE OF REDEMPTION, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE LIQUIDITY FACILITY PROVIDER, THE TENDER AGENT, THE REMARKETING AGENT AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE BONDS AND (4) THE SELECTION OF BONDS FOR REDEMPTION.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Trustee and the Liquidity Facility Provider. The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

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APPENDIX I

Mode Chart for Adjustable Rate Bonds

MODE PERIODS

	DAILY MODE	WEEKLY MODE	MONTHLY MODE	QUARTERLY MODE	SEMIANNUAL MODE	TERM MODE	SAVRS RATE MODE
Interest Payment Date	May 1 and November 1 of each year	May 1 and November 1 of each year	May 1 and November 1 of each year	May 1 and November 1 of each year	May 1 and November 1 of each year	May 1 and November 1 of each year	The Business Day next succeeding the expiration of any auction period
Rate Determination Date	Each Business Day by 9:30 a.m. New York City time	First Business Day preceding Effective Rate Date by 11:00 a.m., New York City time	First Business Day preceding Effective Rate Date by 11:00 a.m., New York City time	First Business Day preceding Effective Rate Date by 11:00 a.m., New York City time	First Business Day preceding Effective Rate Date by 11:00 a.m., New York City time	First Business Day preceding Effective Rate Date by 11:00 a.m., New York City time	SAVRS Rate determined not later than 4:00 p.m. New York City time on the auction date
Effective Rate Date	Daily	Wednesday following the Rate Determination Date	First day of each calendar month	February 1, May 1, August 1 and November 1 of each year	May 1 and November 1 of each year	As determined by the Authority	First Business Day of each auction period
Statement of Effective Rate	Trustee to provide or cause to be provided to Owner monthly statement of Daily Effective Rates for prior month within 7 Business Days of end of each Calendar month	Trustee to provide or cause to be provided to Owner monthly statement of Weekly Effective Rates for prior month within 7 Business Days of end of each Calendar month	Trustee to provide or cause to be provided to Owner notice of Effective Rate for each month within 7 Business Days following each Rate Determination Date	Trustee to provide or cause to be provided to Owner notice of Effective Rate within 7 Business Days following the respective Rate Determination Dates	Trustee to provide or cause to be provided to Owner notice of Effective Rate within 7 Business Days following the respective Rate Determination Dates	Trustee to provide or cause to be provided to Owner notice of Effective Rate within 7 Business Days following the respective Rate Determination Dates	Broker-Dealer advises existing and potential owner as to SAVRS Rate determined on auction date

	DAILY MODE	WEEKLY MODE	MONTHLY MODE	QUARTERLY MODE	SEMIANNUAL MODE	TERM MODE	SAVRS RATE MODE
Irrevocable Notice of Tender by Owner to Remarketing Agent or Tender Agent/Purchase Date (Within Mode Period)	Notice by Owner to Remarketing Agent prior to 10:30 a.m. on any Business Day, which day shall also be the Purchase Date	Notice by Owner to Remarketing Agent not later than 5:00 p.m. on any Business Day at least 7 calendar days prior to the Purchase Date, which shall be any Business Day, and shall be set forth in the Tender Notice	Notice by Owner to Remarketing Agent not later than 5:00 p.m. on the Business Day 7 days prior to next Effective Rate Date, which date is the Purchase Date and shall be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 5:00 p.m. on the Business Day 13 days prior to next Effective Rate Date, which date is the Purchase Date and shall be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 5:00 p.m. on the Business Day 15 days prior to next Effective Rate Date, which date is the Purchase Date and shall be set forth in the Tender Notice	Notice by Owner to Tender Agent not later than 5:00 p.m. on the Business Day 15 days prior to next Effective Rate Date, which date is the Purchase Date and shall be set forth in the Tender Notice	No optional tender of Bonds in SAVRS Mode Period.
Written Mode Change Notice and Notice of Mandatory Tender	Authority to give notice to Notice Parties of Mode Change Date 20 days prior to change to Weekly Mode, and 45 days prior to change to Monthly or longer Mode Trustee to give notice to Owners 15 days prior to change to Weekly Mode and 30 days prior to change to Monthly or longer Mode	Authority to give notice to Notice Parties of Mode Change Date 20 days prior to change to Daily Mode, and 45 days prior to change to Monthly or longer Mode Trustee to give notice to Owners 15 days prior to change to Daily Mode and 30 days prior to change to Monthly or longer Mode	Authority to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date Trustee to give notice to Owners 30 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date Trustee to give notice to Owners 30 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date Trustee to give notice to Owners 30 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date Trustee to give notice to Owners 30 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date at least 30 days prior to Mode Change Date Trustee to give notice to Owners on or before third Business Day after receipt of Authority's notice

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APPENDIX J

Certain Definitions with Respect to Adjustable Rate Bonds

"Alternate Liquidity Facility" means any Liquidity Facility providing liquidity for a Series of Adjustable Rate Bonds delivered by the Agency pursuant to the terms of the Related Series Indenture other than the Initial Liquidity Facility for such Series; provided, however, that the delivery of any such Alternate Liquidity Facility shall result in a short-term rating on the Adjustable Rate Bonds of not less than "A-1+" or "VMIG-1" (in the case of S&P and Moody’s, respectively), as evidenced by rating letters delivered when each such Alternate Liquidity Facility is delivered.

"Bank Bonds" means Adjustable Rate Bonds purchased with funds provided by a Liquidity Facility Provider pursuant to the Liquidity Facility.

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

"BMA Index" means the rate determined on the basis of an index based upon the weekly interest rate resets of tax-exempt variable issues included in a database maintained by Municipal Market Data which meet specific criteria established by The Bond Market Association, formerly known as the Public Securities Association.

"Conversion Date" means the Business Day on which the interest rate on any of the Adjustable Rate Bonds is Converted to a Fixed Interest Rate.

"Convert", "Converted" or "Conversion", as appropriate, means the conversion of the interest rate on any of the Adjustable Rate Bonds to Fixed Interest Rates as described in the Related Series Indenture.

"Effective Rate" means the rate of interest (which rate shall be less than or equal to the Maximum Rate) payable on any of the Adjustable Rate Bonds prior to Conversion, as determined for each Effective Rate Period pursuant to the Related Series Indenture.

"Effective Rate Date" means each date on which any of the Adjustable Rate Bonds begin to bear interest at the applicable Effective Rate as described in the Mode Period Chart.

"Effective Rate Period" means, with respect to any Adjustable Rate Bonds, each period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date.

"Fixed Interest Rate" means a long-term interest rate fixed to maturity of any Adjustable Rate Bond, established in accordance with the Related Series Indenture.

"Initial Liquidity Facility" means the Agreement, by and among the Authority, the Liquidity Facility Provider and the Tender Agent entered in connection with a particular Series of Adjustable Rate Bonds.

"Liquidity Expiration Event" means either (i) the Authority has determined to terminate (other than in connection with an Alternate Liquidity Facility) the Liquidity Facility in accordance with its terms, or (ii) the Trustee has received notice from the Liquidity Facility Provider that an event (not including any Special Event of Default, as may be defined in the Liquidity Facility) with respect to the Liquidity Facility has occurred which gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice, or (iii) the Trustee has not received notice from the Liquidity Facility Provider or, in the case of the replacement of the Liquidity Facility, the Authority, on or prior to 30 days prior to the scheduled expiration of the Liquidity Facility that such Liquidity Facility will be extended, renewed or replaced.

"Liquidity Facility" means, for purposes of any Series of Adjustable Rate Bonds, any Liquidity Facility delivered pursuant to the Related Series Indenture by the Authority, including the Initial Liquidity Facility and any Alternate Liquidity Facility.

"Mandatory Tender Date" means each date on which any of the Adjustable Rate Bonds are subject to mandatory tender pursuant to the Related Series Indenture. (See **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS".)

"Maximum Rate" means 10% per annum in the case of Adjustable Rate Tax-Exempt Bonds while covered by the Initial Liquidity Facility (if such Bonds are covered by an Alternate Liquidity Facility, the Authority may direct that such rate be increased up to a maximum of 15% per annum) and 12% per annum in the case of Adjustable Rate Taxable Bonds while covered by the Initial Liquidity Facility (if such Bonds are covered by an Alternate Liquidity Facility, the Authority may direct that such rate be increased up to a maximum of 25% per annum) or, with respect to Bank Bonds, the lesser of (A) the maximum non-usurious lawful rate of interest permitted by applicable law and (B) 25% per annum.

"Mode" means the manner in which the interest rate on any of the Adjustable Rate Bonds is determined on each Rate Determination Date, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Term Rate or SAVRS Rate.

"Mode Change" means a change in Mode Period.

"Mode Period" means each period beginning on the first Effective Rate Date for any of the Adjustable Rate Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode with respect to such Adjustable Rate Bonds. (See **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS".)

"Notice Parties" means the Authority, the Remarketing Agent, the Liquidity Facility Provider, the Tender Agent and the Trustee.

"One-Month LIBOR" means the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market that appear on the Telerate Page 3750 as of approximately 11:00 a.m., London time, on the second Business Day immediately preceding the Rate Determination Date. If at least two such quotations appear, One-Month LIBOR will be determined at approximately 11:00 a.m., London time, on such calculation date on the basis of the rate at which deposits in United States dollars having a maturity of one month are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Remarketing Agent and in a principal amount of not less than U.S. $1,000,000 and that is representative for a single transaction in such market at such time. The Remarketing Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two quotations are provided, One-Month LIBOR will be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of the rates quoted at approximately 11:00 a.m., New York City time, on the second Business Day immediately preceding the

Rate Determination Date by three major banks in New York, New York, selected by the Remarketing Agent for loans in United States dollars to leading European banks having a comparable maturity as the duration of then existing Mode of the Bonds and in a principal amount equal to an amount of not less than U.S. $1,000,000 and that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, One-Month LIBOR will be One-Month LIBOR in effect for the immediately preceding Weekly Mode Period.

"Rate Determination Date" means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined, as described in **Appendix I** – "MODE CHART FOR ADJUSTABLE RATE BONDS."

"Remarketing Agent" means the remarketing agent duly appointed in accordance with the applicable Series Indenture for a Series of Adjustable Rate Bonds.

"SAVRS Mode Period" means any period of time during which any of the Adjustable Rate Bonds are in a SAVRS Rate Mode.

"SAVRS Rate" means the rate of interest to be borne by any of the Adjustable Rate Bonds as provided in the 2001 Series AA Indenture on and after a SAVRS Rate Conversion Date.

"SAVRS Rate Bonds" means any of the Adjustable Rate Bonds in any period which such Adjustable Rate Bonds are in a SAVRS Rate Mode.

"SAVRS Rate Conversion Date" means the date on which any of the Adjustable Rate Bonds are converted to SAVRS Rate Bonds, which date shall be an Interest Payment Date.

"SAVRS Rate Mode" means the Mode during which any of the Adjustable Rate Bonds bear interest at rates determined by auction procedures described in the Supplemental Indenture to be entered in connection with the SAVRS Rate Conversion Date.

"Tender Agent" means Zions First National Bank, a national banking association organized and existing under the laws of the United States of America, and its successors and assigns.

"Term Mode Period" means each period of time, not less than 180 days as designated by the Authority, during which any of the Adjustable Rate Bonds bears interest a Term Rate.

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APPENDIX K

Insurance and Guarantee Programs; Foreclosure

The Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. For a description of the requirements of a particular Series Indenture, see "Part I – CERTAIN PROGRAM ASSUMPTIONS." The following is a description of the various insurance and guarantee programs which may be applicable in connection with certain Mortgage Loans. The following also includes a description of the Colorado foreclosure procedures which may apply to a Mortgage Loan in the case of a Mortgagor default.

FHA Insurance

The National Housing Act (the "NHA") of 1934, as amended, provides for various FHA mortgage insurance programs. The regulations governing the single family programs under which the FHA-insured Mortgage Loans are insured provide that a Mortgage Loan will be considered to be in default if the Mortgagor fails to make any payment or perform any other obligation under the Mortgage, and such failure continues for a period of thirty days. Insurance benefits are payable to the Mortgagee upon acquisition of title (through foreclosure or otherwise) and conveyance of the Eligible Property to HUD.

HUD requires Mortgagees to explore alternatives to foreclosure. These may include a forbearance or modification agreement, a pre-foreclosure sale, or a deed in lieu of foreclosure. Utilization of certain alternatives to foreclosure may result in quicker receipt of the FHA insurance claim because the time required to complete a foreclosure is eliminated. Attempts to utilize alternatives to foreclosure which are unsuccessful may delay receipt of the FHA insurance claim due to a delay in commencement of foreclosure proceedings.

The FHA insurance claim for a Mortgage Loan will be paid in an amount equal to the outstanding principal balance plus allowable interest and, in most cases, approximately seventy-five percent (75%) of the permitted costs and expenses of acquiring title to the Eligible Property. Interest is allowed (except for two months which is disallowed) at the HUD debenture rate which may be less than the Mortgage Loan interest rate.

Payment for insurance claims may include reimbursement to the Mortgagee for tax, insurance, and similar advances made by the Mortgagee, as well as deductions for amounts received or retained by the Mortgagee after default. Under most FHA insurance programs for single-family residences, the Federal Housing Commissioner has the option of paying insurance claims in cash or in debentures. The HUD debenture rate may be less than the interest rate on the Mortgage Loans, and any debentures would mature 20 years after the date of issue, pay interest semiannually and may be redeemable at par at the option of HUD. Current FHA policy, which is subject to change at any time, is to pay insurance claims in cash.

Except in limited circumstances as approved by HUD properties conveyed to HUD upon completion of the foreclosure process or other acquisition of title must be conveyed vacant. In some circumstances it may be necessary to evict a tenant or Mortgagor upon the completion of the foreclosure proceedings before the Eligible Property can be conveyed to HUD and the FHA insurance claim can be filed.

FHA insurance claims may be denied or curtailed in limited circumstances. An FHA insurance claim may be denied if there was fraud in the origination of the Mortgage Loan or if the Mortgagee is unable to deliver marketable title to HUD. Claims may be curtailed if the Authority, as servicer of the Mortgage Loans, fails to process the foreclosure in accordance with the FHA requirements or fails to adequately protect the Eligible Property. The Authority relies on the warranties and representations of the originating Mortgage Lenders with respect to proper origination of the Mortgage Loans. If an insurance claim is denied or curtailed due to an error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

VA Guaranty

The Veteran's Benefits Act of 1957, Public Law 85-857, as amended, permits a veteran (or in certain circumstances a veteran's spouse) to obtain a mortgage loan guaranty to finance the purchase of a one-to-four unit family dwelling at interest rates permitted by the VA.

Claims for the payment of a VA guaranty may be submitted when any default of the Mortgagor continues for a period of three months. A guaranty may be paid without the Mortgagee instituting foreclosure proceedings or otherwise acquiring title. A Mortgagee intending to institute foreclosure proceedings cannot do so until 30 days after notifying the Administrator of Veteran Affairs of this intention by registered mail. The guaranty provisions for mortgage loans generally are as follows: (i) for home and condominium loans of $45,000 or less, 50% of the loan is guaranteed; (ii) for home and condominium loans above $45,000 but not more than $56,250, $22,500 of the loan is guaranteed; (iii) for home and condominium loans above $56,250 but not more than $144,000, the lesser of $36,000 or 40% of the loan is guaranteed; and (iv) for home and condominium loans above $144,000, the lesser of $50,750 or 25% of the loan is guaranteed. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness. Notwithstanding the dollar and percentage limitations of the guaranty, a Mortgagee will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of any foreclosure sale of an Eligible Property is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a Mortgagee of unsatisfied indebtedness on a Mortgage upon the Mortgagee's obtaining title and assigning it to the VA.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Rural Housing Service Guarantee

Under the Rural Housing Service's Rural Housing Loan Guarantee Program, a Mortgagor may obtain a Mortgage Loan guaranteed by the Rural Housing Service ("RHS") covering mortgage financing of the purchase of an Eligible Property located in a RHS-designated rural area at interest rates permitted by the RHS. The RHS Rural Housing Loan Guarantee program will be limited to only certain rural areas of the State. Mortgagor and Mortgage Loan eligibility for such guarantees is subject to certain income, purchase price and other limitations in addition to the limitations applicable to all Mortgagors and Mortgage Loans.

The amount of the RHS loan guarantee is 90% of the principal amount of the mortgage loan. The maximum loss payment under the RHS guarantee will be the lesser of: (i) any loss of an amount equal to 90% of the principal amount actually advanced to the Mortgagor, or (ii) any loss sustained by the Mortgagee of an amount up to 35% of the principal amount actually advanced to the Mortgagor, plus any additional loss sustained by the Mortgagee of an amount up to 85% of the remaining 65% of the principal amount actually advanced to the Mortgagor. Loss includes only: (a) principal and interest evidenced by the promissory note; (b) any Mortgage Loan subsidy due and owing; and (c) any principal and interest indebtedness on RHS-approved protective advances for protection and preservation of the Eligible Property. Interest (including any subsidy) will be covered by the RHS guarantee to the date of the final loss settlement when the Mortgagee conducts liquidation of the Eligible Property in an expeditious manner in accordance with RHS regulations.

When a Mortgage Loan becomes three payments delinquent, the Mortgagee may proceed with foreclosure of the Mortgage Loan unless extenuating circumstances exist. The RHS encourages Mortgagees to explore an acceptable alternative to foreclosure. If the Mortgagee proposes a method of liquidation other than foreclosure, then the Mortgagee must obtain RHS's approval of such method.

Payment of loss is made within 60 days after the Mortgagee files a claim. A claim must be filed within 30 days after liquidation of the Eligible Property. Loss is determined by the difference between the unpaid principal balance of the mortgage loan, unpaid interest and advances approved by RHS and net proceeds from the Eligible Property. Normal costs of liquidation are also included in the loss payment. If the Mortgagee acquires title to the Eligible Property from the foreclosure sale, the Mortgagee must submit a disposition plan to RHS for RHS concurrence. The Mortgagee has six months from the date the Mortgagee acquires title to sell the Eligible Property. If the Eligible Property is sold in accordance with the plan, the actual net proceeds from the sale of the Eligible Property will be used to calculate the loss payment. If the Eligible Property is not sold within 6 months (which period may be extended for 30 days with RHS approval to permit the closing on an offer received near the end of the 6 month period) RHS will obtain a liquidation value appraisal of the Eligible Property which will be used to determine net proceeds for calculation of the loss payment.

If a third party acquires title to the Eligible Property from the foreclosure sale or as a result of a sale by the Mortgagor to cure or avoid a default, the actual net proceeds from the sale will be used to calculate the loss payment. In some circumstances, the Mortgagee may be required to enforce a deficiency judgment against the Mortgagor before the loss payment will be paid. This may substantially delay payment. Any recovery on the mortgage loan by the Mortgagee after receipt of a loss payment must be shared with RHS in proportion to the loss borne by RHS and the Mortgagee.

RHS claims may be denied or curtailed in limited circumstances. A claim may be denied if there was fraud or misrepresentation that the Mortgagee knew about, participated in or condoned. Claims may be curtailed as a result of violation of usury laws, negligent servicing or failure to obtain required collateral.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Private Mortgage Insurance and Uninsured Mortgage Loans

Private Mortgage Insurance

Under each Series Indenture, the Authority is authorized in certain circumstances to purchase PMI Mortgage Loans which are insured by a private mortgage insurance company approved by the Authority, which is qualified to do business in the State and qualified to provide insurance on mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association and which is rated by the agency then rating the Bonds at least as high as the rating on the Bonds at the time the Mortgage Loan is purchased.

The amount of private mortgage insurance plus the Eligible Borrower's down payment must at least equal the amount by which the PMI Mortgage Loan exceeds 80% of the appraised value (at the time of origination) or purchase price, whichever is less, of the mortgaged property securing such PMI Mortgage Loan. Federal law requires the Authority to terminate private mortgage insurance in the following circumstances. If requested by the mortgagor, the Authority shall terminate insurance on the date when, based on the original amortization schedule, the principal balance of the Mortgage Loan is scheduled to be reduced to 80% of the original value of the mortgaged property, provided the Mortgagor has a "good" payment history and the value of the mortgaged property has not declined. The Authority will be required to automatically terminate private mortgage insurance, on the date when, based on the original amortization schedule, the principal balance of the Mortgage Loan is scheduled to reach 78% of the original value of the mortgaged property if the mortgagor is current on the Mortgage Loan. In addition to the foregoing, the Authority will be required to terminate private mortgage insurance, if not already terminated, on the first day of the month immediately following the midpoint of the amortization period for the Mortgage Loan if the mortgagor is current. Mortgage insurance premiums, which are generally ¼ of 1% of the outstanding principal balance of the PMI Mortgage Loan, are payable periodically by the mortgagee, who may be reimbursed therefore by the mortgagor.

Generally, delinquencies must be reported to the Private Insurer within four months of default, and proceedings to recover title are required to commence within nine months of default. It is also required that prior to presenting a claim under the PMI, title to the mortgaged property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor, must be acquired and tendered to the Private Insurer. Private mortgage insurance policies may provide that the Private Insurer, upon taking title to the mortgaged property securing a PMI Mortgage Loan, must pay the mortgagee the unrecovered balance of its loss but may permit mortgagee to retain such title and pay a claim equal to the difference between the original principal amount of such Mortgage Loan and 75% of the appraised value (at the time or origination) or purchase price of such mortgaged property, whichever is less. The amount of the claim payable also generally consists of usual and customary attorneys' fees, real estate taxes, hazard and private mortgage insurance premiums necessarily advanced by the insured, expenses incurred in preservation and maintenance of the mortgaged property, and other costs and expenses incurred to acquire the mortgaged property. Private Insurers may require or permit the mortgagee to forbear from foreclosing a defaulted Mortgage Loan or enter into an agreement modifying the terms of a Mortgage Loan in certain circumstances.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If an insurance claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Uninsured Mortgage Loans

Each Series Indenture also permits the Authority in certain circumstances to make or purchase Uninsured Mortgage Loans which are neither governmentally-guaranteed or insured nor insured by a private mortgage insurance company, as long as the outstanding principal balance of each such Uninsured Mortgage Loan is less than or equal to 80% of the appraised value (at the time of origination of such Mortgage Loan) or the purchase price, whichever is less, of the mortgaged property securing such Uninsured Mortgage Loan.

Colorado Foreclosure Law and Procedure

The following discussion reflects Colorado laws in effect as of July 1, 2002. The Mortgage Loans are evidenced by promissory notes and secured by deeds of trust encumbering the mortgaged property. The Colorado form of deed of trust is a unique three-party instrument that involves a public rather than a private trustee. The parties to a deed of trust are the borrower (i.e., the mortgagor), the public trustee of the county in which the mortgaged property is located and the Mortgage Lender (generally referred to in a deed of trust as the beneficiary and herein as the mortgagee). A deed of trust creates a lien in favor of the mortgagee to secure repayment of the indebtedness. The public trustee's duties are generally limited to foreclosure of the deed of trust, issuance of certificates of purchase and deeds following foreclosure, release of deeds of trust, and related matters.

The public trustee will rarely have notice of a deed of trust until the mortgagee elects to have the public trustee foreclose the deed of trust. Public trustees do not have discretionary or decision-making authority like judges. Rather, they perform the ministerial and procedural acts necessary to complete foreclosures in accordance with Colorado law.

A mortgagor's failure to perform a material covenant of the deed of trust (like failure to pay taxes or failure to pay the indebtedness) generally constitutes a default entitling the mortgagee to accelerate the indebtedness and foreclose. To start foreclosure proceedings the mortgagee must present to the public trustee the original promissory note or evidence of indebtedness (or a lost instruments bond if the note or evidence of indebtedness has been lost), the original or certified copy of the deed of trust and a Notice of Election and Demand for Sale. Certain types of mortgagees, which include the Authority, may commence foreclosure by presenting a copy of the original evidence of debt instead of the original instrument or a bond. If the mortgagee presents a copy of the evidence of debt the mortgagee is liable to a person incurring a loss if the original evidence of debt is subsequently presented for payment. The mortgagee or its attorneys must also prepare and submit to the public trustee other required notices, certificates and affidavits and a mailing list for the notices. The public trustee must record the Notice of Election and Demand for Sale in the appropriate clerk and recorder's office within ten working days after receipt. The public trustee then causes a Notice of Sale to be published and posted. The Notice of Sale must be published once a week for five successive weeks in a newspaper of general circulation in the county where the mortgaged property is located. Copies of the published Notice of Sale must be sent to the persons designated by statute within twenty days after the first publication.

The mortgagee may elect to preserve certain junior interests (like easements or leases) that would otherwise be extinguished by the foreclosure by omitting them from the mailing list for the Notice of Sale and filing a Notice to Affirm prior to the expiration of the owner's redemption period.

Within twenty days after recording the Notice of Election and Demand for Sale, the public trustee must also mail a notice of Right to Redeem and Cure to the persons designated by statute. A right to redeem inures to the owner of the mortgaged property, certain holders of recorded junior interests, and any other person liable for a deficiency. A right to cure inures to the owner of the mortgaged property, parties liable on the indebtedness and with respect to deeds of trust recorded on or after October 1, 1990, junior lienholders, lessees, easement holders and installment land contract buyers. For deeds of trust recorded prior to October 1, 1990, cure rights inure only to owners and parties liable on the debt.

Unless the mortgagee requests a postponement, a public trustee foreclosure sale must occur no less than 45 days and no more than 60 days after the date of recording the Notice of Election and Demand for Sale. Prior to the foreclosure sale the mortgagee must obtain an Order Authorizing Sale in an appropriate Colorado District Court pursuant to Rule 120 of the Colorado Rules of Civil Procedure. Notice of a Rule 120 hearing must be provided to the persons designated by statute. The hearing must be scheduled not less than 20 nor more than 30 days after filing the Notice. The hearing must also be at least eight days prior to the date of the foreclosure sale or the mortgagee must continue the sale. An order authorizing the public trustee foreclosure sale will be issued if the court determines there is a reasonable probability that a default has occurred and no interested party is entitled to protection of the Federal Soldiers' and Sailors' Civil Relief Act of 1940, as amended (the "Relief Act"). The scope of the Rule 120 hearing is limited to determining the existence of a default, whether under the deed of trust foreclosure is authorized and determination of issues related to the Relief Act.

Mortgagors called to active duty after obtaining a Mortgage Loan are entitled to benefit of the Relief Act. Under the Relief Act a mortgagor may be granted certain relief from the mortgage obligations during active military service. Such relief includes: (i) reduction of the Mortgage Loan interest rate to six percent (6%); (ii) a stay of foreclosure proceedings; and (iii) a stay of the redemption period. Such relief may reduce revenues received by the Authority during such period.

When foreclosure is initiated due to the nonpayment of sums due under the promissory note or deed of trust (such as principal, interest or real estate taxes), parties entitled by statute to cure who wish to exercise such cure rights must preserve the right to cure by filing a Notice of Intent to Cure with the public trustee at least fifteen days prior to the date of the foreclosure sale. The Public Trustee is then required to promptly request the amount required to cure the default from the mortgagee. If the mortgagee does not provide the amount required to cure by noon on the 7th calendar day prior to the sale the foreclosure will be withdrawn. The party wishing to cure the default must pay the public trustee all delinquent principal, interest and other amounts due plus the costs and expense of the foreclosure, including attorneys' fees, on or before noon of the day prior to the foreclosure sale to effectuate the cure. After the default is cured the mortgagee must terminate the foreclosure proceedings. The mortgagee may but is not obligated to accept a cure and terminate the foreclosure proceedings even if the statutory requirements are not met.

If the Mortgage Loan is not cured, the public trustee will sell the mortgaged property at the foreclosure sale to the highest bidder. Anyone may bid at the sale. There is no obligation for the mortgagee to bid any amount in excess of the outstanding indebtedness. Any bid by the mortgagee which is less than the outstanding indebtedness must be a good faith estimate of the fair market value of the mortgaged property (less unpaid taxes, the amount of senior liens and estimated reasonable costs and expenses net of income, of holding, marketing and selling such property). The failure of the mortgagee to bid a good faith estimate of the fair market value of the mortgaged property will not affect the validity of the foreclosure sale but may be raised as a defense by a person sued on a deficiency. The public trustee will issue a Certificate of Purchase to the successful bidder.

The owner of the mortgage property and anyone liable on the Mortgage Loan have a right to redeem it from the foreclosure sale for a period of 75 days after the sale if the mortgaged property is non-agricultural property. If the mortgaged property is agricultural property the owner's redemption period is six months. "Non-agricultural property" is property any part of which was recorded on the date the deed of trust was recorded or on the date of the foreclosure sale was recorded and had one or more of the following characteristics: (i) it is located in a platted subdivision, (ii) is located within an incorporated city or town, or (iii) it is not valued and assessed as agricultural land. If the owner or other person liable on the Mortgage Loan does not redeem, the most senior junior lienholder may redeem within ten days after expiration of the owner's redemption period and each subsequent junior lienholder has (in order of priority) five days to redeem. If more than three consensual liens are recorded after recording of the notice of election and demand and not less than 15 calendar days prior to the end of the owners redemption period, only the holder of the three most senior liens are entitled to redeem. To preserve the right to redeem, a junior lienholder must file a notice of intent to redeem and other documents with the public trustee within 15 calendar days prior to the expiration of the owner's redemption period. If no redemption is made by the owner or a junior lienholder, title will vest in, and the public trustee will issue a deed to, the holder of the Certificate of Purchase. The public trustee's deed will convey the mortgaged property free of all junior interests except junior interests the mortgagee elected to affirm or which were not sent proper notices of the foreclosure as required by statute. Special rules apply with respect to junior liens which are held by the IRS or other federal agencies.

Judicial foreclosure may be required or advisable in certain circumstances including where there are defects in title, where there is a need to reform the Mortgage Loan documents to correct an error or where there is a dispute about the priority of the deed of trust. Generally a judicial foreclosure will take substantially longer and be significantly more expensive than a public trustee's foreclosure.

In addition to the statutory requirements with respect to a foreclosure in Colorado, other restrictions may be imposed by the Mortgage Loan documents or by the VA, FHA, RHS or a Private Insurer. VA and FHA encourage Mortgage Lenders to avoid foreclosure wherever possible. VA and FHA also have special programs for certain borrowers whose defaults are caused by circumstances outside of their control, as described in "VA Guaranty" and "FHA Insurance" under this caption. Certain loan documents for the Mortgage Loans may incorporate restrictions from the FNMA/FHLMC Colorado Uniform Security Instrument which require the mortgagee to give the Mortgagor thirty days' notice prior to accelerating the Mortgage Loan unless the default is violation of the due-on-sale clause.

In the event a Mortgagor files a bankruptcy petition, the foreclosure proceedings are automatically stayed until the mortgagee is granted relief from stay or the bankruptcy action is dismissed. The mortgagee may not be granted relief from stay in certain cases. If a bankruptcy petition is filed after all publications of notice of the sale as required by Colorado law have been completed, the Mortgagee may continue the sale for as long as the automatic stay is in effect. Upon obtaining relief from stay or upon dismissal of the bankruptcy, the sale can be held at the next available sale date. If a bankruptcy petition is filed prior to completion of the publication of all notices of the sale as required by Colorado law, the remaining notices must be cancelled. If the mortgagee obtains relief from stay or the bankruptcy is dismissed, the mortgagee must rerecord the Notice of Election and Demand for Sale and all required notices must be given before a foreclosure sale may be held.

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APPENDIX L

Form of Continuing Disclosure Undertaking

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "Authority"), in connection with the issuance of the Authority's Single Family Mortgage Bonds, ____ Series ___ (the "Series Bonds"). The Series Bonds are being issued pursuant to a Master Indenture of Trust dated as of October 1, 2001, as amended (the "Master Indenture") and pursuant to a ____ Series ______ Indenture dated as of _________ 1, 200__ (the "Series Indenture" and, together with the Master Indenture, the "Indenture") between the Authority and Zions First National Bank, Denver, Colorado, as trustee. The Authority may issue additional series of bonds under the Master Indenture upon satisfaction of the conditions set forth in the Master Indenture. All bonds issued under the Master Indenture, including the Series Bonds are referred to herein as the "Bonds." Capitalized terms used but not defined herein shall have meanings ascribed thereto in the Indenture. The Authority covenants and agrees as follows:

<u>BACKGROUND</u>

1. The Series Bonds are being issued to provide funds to be used to pay at maturity or redeem prior to maturity certain outstanding obligations of the Authority, to provide funds to finance the purchase of mortgage loans under the Authority's Single Family Mortgage Program (as defined in the Official Statement), to establish necessary reserves, and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (as defined in the Rule defined below) of the Series Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR § 240.15c2-12) as amended to the date hereof (the "Rule" or "Rule 15c2-12"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Series Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

<u>AUTHORITY COVENANTS AND AGREEMENTS</u>

Section 1. <u>Definitions</u>.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Authority and any loan program financed under the Master Indenture, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, substantially similar to the type set forth in the final Official Statement as described in Exhibit A hereto, including but not limited to such financial information and operating data set forth in (i) "Part I – CERTAIN PROGRAM ASSUMPTIONS," **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS" and **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO," and (ii) the section of the final Official Statement captioned "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

(b) "Audited Financial Statements" means the annual financial statements for the Authority, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Events" means any of the events listed in Section 2(d) hereof.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

(e) "NRMSIR" means a nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12. As of the date hereof, such NRMSIRs include Standard & Poor's J.J. Kenny Repository, 55 Water Street, 45th Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means (i) each such NRMSIR and (ii) any SID.

(h) "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Lehman Brothers Inc., 4th Floor, 745 Seventh Avenue, New York, New York 10019.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information form all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

Section 2. Provision of Annual Information and Reporting of Events.

(a) Commencing with the fiscal year ending December 31, 200__ and annually while the Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

i. Annual Financial Information; and

ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided not later than 240 days after the end of each fiscal year for the Authority (i.e., each December 31). If not provided at the same time as the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific reference to other documents, including information reports and official statements relating to other debt issues of the Authority, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

(d) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of the occurrence of any of the following Events with respect to the Series Bonds, if material (provided, that any event under clauses (ix) or (xi) will always be deemed to be material):

i. Principal and interest payment delinquencies with respect to the Series Bonds;

ii. Non-payment related defaults with respect to the Series Bonds;

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. Any event adversely affecting the tax-exempt status of the Series Bonds;

vii. Modifications to the rights of the owners of the Series Bonds;

viii. Bond calls (other than mandatory sinking fund redemption);

ix. Defeasance;

x. Release, substitution or sale of property securing repayment of the Series Bonds; and

xi. Rating changes.

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of any failure of the Authority to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. <u>Method of Transmission</u>. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. <u>Enforcement</u>. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or to any other owners or beneficial owners of the Series Bonds; provided, that any owner or beneficial owner of Series Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of Authority hereunder shall not constitute an Event of Default under the Trust Document and none of the rights and remedies provided by the Trust Document shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include in any future annual filing or Event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture; (ii) the date that the Authority shall no longer constitute an "obligated person" with respect to the Series Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority, including by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Series Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will 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. The Authority shall provide notice of such amendment or waiver to each Repository and the Senior Manager.

Section 8. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriter and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of __________ 1, 200__.

COLORADO HOUSING AND FINANCE AUTHORITY

By:___________________________________
Executive Director

EXHIBIT A

The Authority's Annual Financial Information shall contain or include by reference tables setting forth the following information, as of the end of the Authority's fiscal year (December 31):

(i) For each maturity of each series of Bonds outstanding under the Master Indenture: (i) the maturity date of such Bonds, Bond type (serial or term), the interest rate on such Bonds, principal redemptions, original aggregate principal amount of such Bonds and the principal amount of such Bonds remaining Outstanding; and (ii) a list of unscheduled redemptions including the date of call, amount and type of call.

(ii) During the period for the acquisition of Mortgage Loans with the proceeds of the Series Bonds, the original amount of funds available for the acquisition of Mortgage Loans, the total amount of funds committed by the Authority for individual Mortgage Loans, and the total principal amount of Mortgage Loans purchased by the Authority. This information will not be provided after the period for the acquisition of Mortgage Loans with the proceeds of the Series Bonds.

(iii) The amount and type of assets (and, if applicable, the rate and maturity date of such assets) credited to the Acquisition Account, the Revenue Account, the Loan Recycling Account, the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund, the Class IV Debt Service Fund (as applicable), the Redemption Fund, the Short Term Bond Account and the various subaccounts in each of the above-referenced funds or accounts; and the original amount and current amount of assets credited to the Debt Service Reserve Fund and its various subaccounts.

(iv) With respect to each Series of Bonds, the outstanding aggregate principal balance of Mortgage Loans, the aggregate number of outstanding Mortgage Loans, the average principal balance per Mortgage Loan, average coupon and average remaining life in years (assuming a pre-payment rate of 100% PSA) .

(v) With respect to each Series of Bonds, a breakdown of the type of housing, expressed as a percentage of Mortgage Loans outstanding, showing the extent to which: (i) the housing is single family detached, condominium/townhomes or other (specify); (ii) the housing is new construction or existing homes; and (iii) the housing is insured by the FHA, insured by private mortgage insurance, insured by the Rural Housing Service, guaranteed by the VA or uninsured.

(vi) With respect to each Series of Bonds, the number of loans purchased, the number of loans prepaid in full, the number of loans foreclosed to date, the number of loans outstanding, the number of delinquent 30-90 days, the percentage of total loans delinquent 30-90 days, the number of delinquencies 90 or more days, the percentage of total loans delinquent 90 or more days, the number of loans in foreclosure, the percentage of total loans in foreclosure and the percentage of all loans delinquent.

(vii) With respect to each Series of Bonds, the amount of total assets, the amount of total liabilities and the amount of surplus or deficit.