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 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 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 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 Bonds (the "Tax Code"), and 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 2001 Series AA-1 Bonds is not excluded from gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel, the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 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 2001 Series AA Bonds. See "TAX MATTERS."

$131,840,000
COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Mortgage Bonds

$50,000,000	$46,840,000	$25,000,000	$10,000,000
Taxable Class I Adjustable Rate Bonds 2001 Series AA-1	**Class I Adjustable Rate Bonds 2001 Series AA-2 (non-AMT)**	**Class I Adjustable Rate Bonds 2001 Series AA-3 (non-AMT)**	**Class II Bonds 2001 Series AA-4 (non-AMT)**

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

The 2001 Series AA Bonds are being issued by the Colorado Housing and Finance Authority in the four series shown above as fully registered bonds pursuant to a Master Indenture of Trust and a 2001 Series AA Indenture, each dated as of October 1, 2001 between the Authority and Zions First National Bank, Denver, Colorado, as Trustee. The proceeds of the 2001 Series AA Bonds, together with other legally available funds of the Authority, will be (i) deposited to certain funds established under the Indenture, (ii) used to refund and redeem certain of the Authority's outstanding bonds, 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 2001 Series AA-1 Bonds and the 2001 Series AA-2 Bonds initially will bear interest at respective weekly rates (each, the "**Weekly Rate**") determined prior to the date of delivery of the 2001 Series AA 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. The 2001 Series AA-3 Bonds initially will bear interest at a term rate (the "**Term Rate**") determined prior to the date of delivery of the 2001 Series AA Bonds to be effective to and including September 17, 2002. Following the first Interest Period, the interest rate on the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds or the 2001 Series AA-3 Bonds, respectively, may be adjusted at the election of the Authority to a Daily Rate, Weekly 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 2001 Series AA-4 Bonds will bear interest at the fixed interest rate shown below. Interest on the 2001 Series AA Bonds will be payable on each May 1 and November 1, commencing on May 1, 2002,on any redemption date, on any mandatory tender date, and at maturity.

While the Taxable 2001 Series AA-1 Bonds and the 2001 Series AA-2 Bonds are in a Weekly Mode Period and while the 2001 Series AA-3 Bonds are in a Term Mode Period, holders of any such 2001 Series AA 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 such 2001 Series AA Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a Standby Bond Purchase Agreement (referred to herein as the "**Initial Liquidity Facility**") among the Authority, Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the "**Liquidity Facility Provider**") and Zions First National Bank, as Tender Agent. Coverage under the Initial Liquidity Facility, unless extended or earlier terminated, is stated to expire on October 2, 2002.

The 2001 Series AA Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2001 Series AA 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 2001 Series AA Bonds will be registered in the name of Cede & Co. Individual purchases of 2001 Series AA Bonds will be made in book-entry form only, and beneficial owners of the 2001 Series AA Bonds will not receive physical delivery of bond certificates representing their interest in the 2001 Series AA 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 2001 Series AA Bonds. Payments of principal of and interest on the 2001 Series AA 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 2001 Series AA Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Maturity Schedule

$50,000,000 Taxable Class I Adjustable Rate Bonds, 2001 Series AA-1 due May 1, 2041- Price: 100%
$46,840,000 Class I Adjustable Rate Bonds, 2001 Series AA-2 due May 1, 2031 - Price: 100%
$25,000,000 Class I Adjustable Rate Bonds, 2001 Series AA-3 due May 1, 2036 - Price: 100%
$10,000,000* of 5.25% Class II Bonds, 2001 Series AA-4 due May 1, 2036 - Price: 100%

Certain of the 2001 Series AA 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 2001 Series AA Bonds are being issued as Class I and II Bonds. The Class I 2001 Series AA Bonds (comprised of the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds) and the 2001 Series AA-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 Indenture as described herein. Additional Bonds or Auxiliary Obligations may be issued or incurred by the Authority under the Master Indenture in each of the four Classes 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 2001 Series AA 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.**

The 2001 Series AA 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 and Risk Management, and by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Liquidity Facility Provider by King & Spalding, New York, New York, and German counsel to the Liquidity Facility Provider. The Underwriters are being represented in connection with their purchase and placement of the 2001 Series AA 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 2001 Series AA Bonds. For details of the Underwriters' compensation, see "UNDERWRITING AND PLACEMENT" herein. It is expected that the 2001 Series AA Bonds will be delivered (through DTC) in New York, New York on or about October 4, 2001.

LEHMAN BROTHERS†

George K. Baum & Company **A.G. Edwards & Sons, Inc.** **Dain Rauscher Incorporated**

This Official Statement is dated September 19, 2001.

† Remarketing Agent for Adjustable Rate Bonds
* The 2001 Series AA-4 Bonds are being purchased directly from the Authority by an institutional investor.

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 2001 Series AA 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 act, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

THE PRICE AT WHICH THE 2001 SERIES AA BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELD RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICE APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICE TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001 SERIES AA BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2001 Series AA 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.

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$131,840,000

COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Mortgage Bonds

$50,000,000	**$46,840,000**	**$25,000,000**	**$10,000,000**
Taxable Class I Adjustable Rate Bonds	**Class I Adjustable Rate Bonds**	**Class I Adjustable Rate Bonds**	**Class II Bonds**
2001 Series AA-1	**2001 Series AA-2**	**2001 Series AA-3**	**2001 Series AA-4**
	(non-AMT)	**(non-AMT)**	**(non-AMT)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of $50,000,000 aggregate principal amount of the Authority's Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-1 (the "**Taxable 2001 Series AA-1 Bonds**"), $46,840,000 aggregate principal amount of the Authority's Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-2 (the "**2001 Series AA-2 Bonds**"), $25,000,000 aggregate principal amount of the Authority's Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-3 (the "**2001 Series AA-3 Bonds**") and $10,000,000 aggregate principal amount of the Authority's Single Family Mortgage Class II Bonds, 2001 Series AA-4 (the "**2001 Series AA-4 Bonds**"). Collectively, the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 Bonds are referred to herein as the "2001 Series AA Bonds." The Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds are collectively referred to herein as the "**Adjustable Rate Bonds**," and the 2001 Series AA-4 Bonds are also referred to herein as the "**Fixed Interest Rate Bonds**." The 2001 Series AA Bonds are being issued pursuant to the Master Indenture of Trust (the "**Master Indenture**") and the 2001 Series AA Indenture (the "**2001 Series AA Indenture**," and together with the Master Indenture, the "**Indenture**"), each dated as of October 1, 2001 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 B** hereto.

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 cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2001 Series AA Bonds to potential investors is made only by means of the entire Official Statement.

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 "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date." The 2001 Series AA Bonds are being offered, among other things, to provide funds to purchase and originate Mortgage Loans under the Authority's 2001AA Single Family Mortgage Program. Proceeds of the 2001 Series AA Bonds may not be used to finance any activities of the Authority other than the 2001AA Single Family Mortgage Program. See "THE 2001AA 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 A**.*

Authority for Issuance

The 2001 Series AA 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 2001 Series AA Bonds are being issued and secured under the Indenture.

Purposes of the 2001 Series AA Bonds

Proceeds of the 2001 Series AA Bonds will be used on November 2, 2001 to refund the Authority's Single-Family Housing Revenue Refunding Bonds, 1991 Series A (the "**1991 Series A Bonds**") maturing on November 1, 2014 and on November 1, 2031 (the "**1991 Series A Bonds (2014 and 2031)**"), as described in "PLAN OF FINANCING – Refunding of 1991 Series A Bonds (2014 and 2031)." Such proceeds will be held on deposit in the 2001 Series AA subaccount of the Acquisition Account between the date of delivery of the 2001 Series AA Bonds and the refunding on November 2, 2001. Proceeds of the 2001 Series AA Bonds will also be exchanged on November 1, 2001 and November 2, 2001, in accordance with a funds exchange agreement, for certain revenues available under the resolution (the "**Prior Resolution**") relating to the 1991 Series A Bonds and the Authority's outstanding Single Family Housing Revenue Refunding Bonds, 1996 Series AA (the "**1996 Series AA Bonds**") and will be used to pay at maturity or redeem the outstanding 1991 Series A Bonds other than the 1991 Series A Bonds (2014 and 2031) (referred to herein as the "**Funds Exchange 1991 Series A Bonds**") and the 1996 Series AA Bonds, as more fully described in "PLAN OF FINANCING – Funds Exchange Refunding." Prior to such exchanges on November 1, 2001 and November 2, 2001, such proceeds of the 2001 Series AA Bonds will be held on deposit in certain Funds under the Indenture as part of the Trust Estate securing the 2001 Series AA Bonds. Amounts exchanged for such proceeds (the "**exchanged amounts**"), together with certain proceeds of the Taxable 2001 Series AA-1 Bonds, will be (i) deposited to the 2001 Series AA subaccount of the Acquisition Account and used to purchase or originate Mortgage Loans, as described in "The 2001 Series AA Mortgage Loans" under this caption and (ii) used to fund the 2001 Series AA subaccount of the Debt Service Reserve Fund. It is expected that legally available funds of the Authority will be used to pay costs of issuance associated with the 2001 Series AA Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds."

The 2001 Series AA Mortgage Loans

Upon refunding and redemption of the 1991 Series A Bonds and the 1996 Series AA Bonds on November 2, 2001, the mortgage loans currently held in the trust estate for the 1991 Series A Bonds and the 1996 Series AA Bonds as further described herein (the "**Prior Mortgage Loans**") will be transferred to the 2001 Series AA subaccount of the Acquisition Account and pledged to secure the 2001 Series AA Bonds. See "SECURITY FOR THE 2001 SERIES AA BONDS – The Mortgage Loans – Prior Mortgage Loans." In addition, amounts in the 2001 Series AA subaccount of the Acquisition Account will be used (i) to purchase certain Mortgage Loans previously originated or purchased and held by the Authority in its General Fund (the "**Authority Mortgage Loans**") and (ii) to originate new mortgage loans under the Authority's 2001AA Single-Family Mortgage Program (the "**New 2001 Series AA Mortgage Loans**") as further described herein. See "THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM" and "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Single-Family Mortgage Programs."

The Prior Mortgage Loans, the Authority Mortgage Loans and the New 2001 Series AA Mortgage Loans are collectively referred to herein as the **"2001 Series AA Mortgage Loans."** The Mortgage Loans pledged under the Master Indenture will include the 2001 Series AA Mortgage Loans and any Mortgage Loans financed or refinanced with proceeds of Additional Bonds under the Master Indenture (**"Additional Mortgage Loans"**). The Mortgage Loans are required by the Indenture to be secured by Mortgages constituting valid liens on single-family, owner-occupied housing located within Colorado. The Master Indenture provides that the Mortgage Loans will be subject to such mortgage insurance or guaranty as required by any Series Indenture. The 2001 Series AA Indenture requires that 2001 Series AA Mortgage Loans (i) be subject to insurance or guaranty by a governmental insurer (**"GMI"**), (ii) be subject to private mortgage insurance (**"PMI"**), (iii) have an original principal amount less than 80% of the appraised value or purchase price or (iv) not satisfy (i), (ii) or (iii) subject to receipt of a Rating Agency confirmation. The 2001 Series AA Indenture further provides that the percentages of each type of Mortgage Loan in the aggregate Mortgage Loan portfolio shall be percentages that each Rating Agency confirms will not adversely affect the then current rating by such Rating Agency on any Bonds (including the 2001 Series AA Bonds). See "SECURITY FOR THE 2001 SERIES AA BONDS – Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations," "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS" and **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Acquisition Account."

Description of the 2001 Series AA Bonds

Interest Rates and Payments

The Taxable 2001 Series AA-1 Bonds and the 2001 Series AA-2 Bonds initially will bear interest at respective Weekly Rates determined prior to the date of delivery to be effective to and including October 9, 2001, and thereafter determined on each Tuesday by the Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. The 2001 Series AA-3 Bonds initially will bear interest at a Term Rate determined prior to the date of delivery to be effective to and including September 17, 2002. Following the first Interest Period, the interest rate on each series of the Adjustable Rate Bonds, respectively, may be adjusted at the election of the Authority to a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Term Rate or SAVRS Rate to be determined by the Remarketing Agent, as described herein, or may be converted to bear interest at Fixed Interest Rates. Interest on the Adjustable Rate Bonds will be payable on each May 1 and November 1, commencing on May 1, 2002, on any redemption date, on any Mandatory Tender Date and on the maturity date. Interest on the Taxable 2001 Series AA-1 Bonds or 2001 Series AA-2 Bonds while in a Weekly Mode will be computed on the basis of a 365/366 day year for the actual number of days elapsed. Interest on the 2001 Series AA-3 Bonds while in a Term Mode will be computed on the basis of a 360-day year of twelve 30-day months. The Adjustable Rate Bonds will mature on the dates and in the amounts shown on the cover page hereof (unless redeemed prior to maturity). See "TERMS OF THE 2001 SERIES AA BONDS – Adjustable Rate Bonds."

Interest on the 2001 Series AA-4 Bonds is payable at the rate shown on the front cover hereof on May 1, 2002 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. Principal of the 2001 Series AA-4 Bonds is payable in the amount and on the date as shown on the front cover hereof, subject to prior redemption. See "TERMS OF THE 2001 SERIES AA BONDS – Fixed Interest Rate Bonds."

Redemption and Tender

Certain of the 2001 Series AA Bonds are subject to special, optional and sinking fund redemption, and the Adjustable Rate Bonds are also subject to optional and mandatory tender for purchase, prior to maturity as described under "TERMS OF THE 2001 SERIES AA BONDS."

For a more complete description of the 2001 Series AA Bonds and the Indenture pursuant to which such 2001 Series AA Bonds are being issued, see "TERMS OF THE 2001 SERIES AA BONDS" and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Security and Sources of Payment

All Bonds and Auxiliary Obligations under the Master Indenture (which may be outstanding as Class I, Class II, Class III or Class IV Obligations) 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 "The Mortgage Loans" under this caption. The Trust Estate is pledged under the Master Indenture to secure first the Class I Obligations and, second, the Class II Obligations, as described in "SECURITY FOR THE 2001 SERIES AA BONDS – Pledge of Trust Estate." Additional Bonds and Auxiliary Obligations may be issued and incurred by the Authority and secured by the Trust Estate under the Master Indenture in each of the four classes and on a parity with each class of the Outstanding Bonds and Auxiliary Obligations upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture and described in "SECURITY FOR THE 2001 SERIES AA BONDS – Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations." Any Class III Obligations will be secured under the Master Indenture by a third priority lien on the Trust Estate. In accordance with the Master Indenture, Class III Obligations may also be general obligations of the Authority.

The 2001 Series AA Bonds as described on the front cover hereof are being issued as Class I Obligations and Class II Obligations pursuant to the Indenture and will be payable and secured by the Trust Estate as described above. No 2001 Series AA Bonds are being issued as Class III or Class IV Obligations. The 2001 Series AA Bonds will also be secured by amounts deposited to the Debt Service Reserve Fund established under the Indenture. **In no event shall the 2001 Series AA 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. See "SECURITY FOR THE 2001 SERIES AA BONDS."**

Upon delivery of the 2001 Series AA Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the Adjustable Rate Bonds (the "**Initial Liquidity Facility**") with Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, as the initial standby bond purchaser (referred to herein as the "**Liquidity Facility Provider**"). Any Adjustable Rate Bond (other than in a SAVRS Rate Mode) tendered for purchase will be payable (i) from the proceeds of the remarketing thereof; and (ii) to the extent remarketing proceeds are not available therefor, from amounts available under the Initial Liquidity Facility by the Liquidity Facility Provider. **The obligation of the Liquidity Facility Provider to purchase Adjustable Rate Bonds tendered for purchase under the Initial Liquidity Facility is subject to the condition that no Special Event of Default (as defined in the Initial Liquidity Facility) shall have occurred or be continuing.** Coverage under the Initial Liquidity Facility, unless extended or earlier terminated, is stated to expire on October 2, 2002. To the extent of any principal of Bank Bonds which is payable in advance of the maturity or sinking fund redemption dates set forth in the Indenture, such portion of Bank Bonds will constitute Class III Bonds under the Master Indenture and will also constitute general obligations of the Authority. See **Appendix E** – "CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY" and **Appendix F** – "LIQUIDITY FACILITY PROVIDER."

Upon delivery of the 2001 Series AA Bonds, the Authority also plans to execute certain interest rate swap agreements, as described in "SECURITY FOR THE 2001 SERIES AA BONDS – Interest Rate Contracts." The purpose of these interest rate contracts is to place the aggregate net obligation of the Authority with respect to a portion of the Adjustable Rate Bonds on an approximately fixed basis. Payments made to the Authority by the providers of such interest rate contracts are pledged as Revenues under the Indenture. The Authority's obligation to make regular interest payments under such interest rate contracts will be a Class I Obligation under the Master Indenture, although the Authority's obligation to make certain payments due upon early termination of such interest rate contracts is a general obligation of the Authority and not an Obligation under the Master Indenture. See "COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Professionals Involved in the Offering

In connection with the issuance and sale of the 2001 Series AA Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver an opinion in the form included as **Appendix C** hereto. Certain legal matters relating to the 2001 Series AA 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 and Risk Management, James A. Roberts, Esq. and its Disclosure Counsel, Hogan & Hartson, L.L.P., and for the Liquidity Facility Provider by King & Spalding and German counsel to the Liquidity Facility Provider. See "CERTAIN LEGAL MATTERS." The Authority's financial statements for the year ended December 31, 2000 have been audited by Arthur Andersen LLP and are included as **Appendix A** hereto. See "FINANCIAL STATEMENTS OF THE AUTHORITY." Zions First National Bank, Denver, Colorado, will act as Trustee for the 2001 Series AA Bonds and Tender Agent for the Adjustable Rate Bonds under the Indenture. Lehman Brothers Inc. will act as the Remarketing Agent for the Adjustable Rate Bonds as described in "REMARKETING AGENT."

Availability of Continuing Information

In connection with issuance of the Fixed Interest Rate Bonds and the 2001 Series AA-3 Bonds while in a Term Mode Period greater than nine months, the Authority will deliver a Continuing Disclosure Undertaking in which it will agree, for the benefit of the Bondowners and Beneficial Owners, to file annually with each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934 (the "**Rule**") such ongoing information concerning the Authority and to provide notice of certain enumerated events as described in "CONTINUING DISCLOSURE UNDERTAKING" and **Appendix D** hereto. **The Authority has <u>not</u> agreed to provide continuing financial or other information for the benefit of the owners of the Adjustable Rate Bonds while in any Daily, Weekly, Monthly, Quarterly or Semiannual Mode or Term Mode equal to or less than nine months. If the interest rate on any series of the Adjustable Rate Bonds is adjusted to the SAVRS Mode or a Term Mode of greater than nine months or is converted to bear interest at Fixed Interest Rates and thereby makes such Adjustable Rate Bonds subject to the Rule, the Authority will agree at the time of such adjustment or conversion to provide continuing information with respect thereto to the extent required by the Rule.**

Investment Considerations

The purchase and ownership of the 2001 Series AA Bonds involve investment risks. Prospective purchasers of the 2001 Series AA Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2001 Series AA Bonds, see "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS."

Other Information

A summary of certain provisions of the Indenture is attached as **Appendix B** hereto. Information regarding the Initial Liquidity Facility and the Liquidity Facility Provider is contained in **Appendices E and F**, respectively. These summaries do not purport to be complete or definitive and are qualified by reference to each such document, copies of which are on file with the Authority. See "MISCELLANEOUS."

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. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the 2001 Series AA Bonds, except as described in "SECURITY FOR THE 2001 SERIES AA BONDS." 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.

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
Jo Ellen Davidson, Chair (1)	Housing and Community Development Consultant; Denver, Colorado	June 30, 2005
Joseph B. Blake, Chair, pro tem (1)	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John R. Davidson, Secretary/Treasurer (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2003
J. David Barba	Colorado State Auditor; Denver, Colorado	June 30, 2006 (2)
M. Michael Cooke	Executive Director; Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
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
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 26, 2001.
(2) Mr. Barba has been appointed to serve as Colorado State Auditor through June 30, 2006.

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.

Colleen A. Schwarz, the Deputy Executive Director for Production & Lending Programs, joined the staff in January 1986. Prior to appointment as Deputy Executive Director as of January 1, 2001, Ms. Schwarz had served as Director of Home Finance since July 1, 1999. Ms. Schwarz had previously served in various capacities within the Commercial Programs Division, including Director. Ms. Schwarz has a Master's Degree in Business Administration from Arizona State University Graduate School of Business and a Bachelor's Degree in Management with a concentration in accounting and finance from Oakland University in Rochester, Michigan. Ms. Schwarz held various management and financial positions at several large financial institutions and a regional construction company prior to joining the Authority.

Cris A. White, the Deputy Executive Director for Asset Management & Business Support Services and Director of Asset Management, joined the staff in 1988, where he served in various capacities until January 1996. Mr. White 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, and was appointed Deputy Executive Director as of January 1, 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 and Risk Management, 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.

Programs to Date

The following is a brief summary of the housing and loan programs currently operated by the Authority and the bonds, notes or other obligations which have been issued to date to provide funds for such programs. In support of certain of its lending programs and for other corporate purposes, the Authority has not only issued revenue bonds but has also issued general obligation bonds or pledged its general obligation as described below. 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 2001 Series AA Bonds. See "SECURITY FOR THE 2001 SERIES AA BONDS."**

Single-Family Mortgage Programs

Generally. Under its Single-Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings (one to four units) directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. However, under the Authority's current Rules and Regulations and Procedural Guide for its Single-Family Mortgage Programs, the Authority generally does not make direct loans and its purchases are limited to mortgage loans on owner-occupied single unit residences. The Authority presently purchases mortgage loans under two programs – the Qualified Single-Family Mortgage Program and its recently introduced Non-Qualified Single-Family Mortgage Program.

Qualified Single-Family Mortgage Program. Under its Qualified Single-Family Mortgage Program, the Authority may make mortgage loans for 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 its Qualified Single-Family Mortgage Program, the Authority has previously issued numerous series of its Single-Family Housing Revenue Bonds, the aggregate principal amount of which outstanding as of March 31, 2001 was $980,366,354. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are general obligations of the Authority. **All of these revenue bonds previously issued in connection with the Qualified Single-Family Mortgage Program of the Authority are secured separately from and are not on parity with the 2001 Series AA Bonds and are issued and secured under resolutions or indentures of the Authority other than the Indenture.**

Non-Qualified Single-Family Mortgage Program. 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 expects to use proceeds (and amounts exchanged therefor) of the 2001 Series AA Bonds to finance its acquisition of certain mortgage loans under the Non-Qualified Single-Family Mortgage Program. See "THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM."

Multi-Family Loan Programs

Multi-Family Housing Facility Loan Program. 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 made to § 501(c)3 non-profit corporations, public housing authorities and for-profit borrowers ("**Uninsured Loans**"); and (iii) uninsured mortgage loans made with funds from the Authority's Housing Opportunity Fund ("**Uninsured HOF Loans**").

Insured Loans made by the Authority under its Multi-Family Housing Facility Loan Program 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 by the Authority 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, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after final settlement of such claim. See "General Obligations of the Authority" under this caption. As of March 31, 2001, the Authority had made Insured Loans outstanding in the aggregate principal amount of over $430,838,243. The Authority has in the past financed its Insured Loans with proceeds of Multi-Family Housing Insured Mortgage Revenue Bonds issued under an existing general resolution (the "**1977 General Resolution**"). As of March 31, 2001, the Authority had issued twenty-three series of its Multi-Family Housing Insured Mortgage Revenue Bonds in the aggregate principal amount of $678,660,000 under the 1977 General Resolution, nineteen series of which were outstanding in the aggregate principal amount of $411,430,000. The Authority has also issued, for purposes of providing amounts to finance Insured Loans and Uninsured Loans as described in the next paragraph, two series of its Multi-Family/Project Bonds (the "**Multi-Family/Project Bonds**") under a Master Indenture of Trust for Multi-Family/Project Bonds between the Authority and Norwest Bank Colorado, National Association, dated as of March 1, 2000 (the "**Multi-Family/Project Master Indenture**"). As of March 31, 2001, Multi-Family/Project Bonds were outstanding in the aggregate principal amount of $127,750,000.

As a component of its Multi-Family Housing Facility Loan Program, the Authority also provides Uninsured Loans to finance rental housing facilities. Uninsured Loans have been made by the Authority to §501(c)(3) nonprofit corporations, public housing authorities and for-profit borrowers. Such Uninsured Loans in principal amounts under $1 million are at present generally made as a part of the Authority's SMART (Small Affordable Rental Transactions) program. As of March 31, 2001, the Authority had outstanding approximately $32.3 million aggregate principal amount of Uninsured Loans made to §501(c)(3) nonprofit corporations and public housing authorities, other than those made in connection with the SMART program. Certain of the Authority's Uninsured Loans have been financed with the proceeds of the Authority's general obligation bonds, outstanding as of March 31, 2001 in the aggregate principal amount of $4,820,000. The Authority has also issued its Multi-Family/Project Bonds for the purpose, in part, of providing amounts to finance acquisition of Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities. As of March 31, 2001, the Authority also had outstanding $8,623,115 aggregate principal amount of Uninsured Loans made to borrowers for rental housing facilities in connection with the SMART program. Many of such Uninsured Loans under the SMART program have been made by the Authority from available amounts in its General Fund. The Authority has also financed such Uninsured Loans to for-profit borrowers by means of certain taxable bonds which constitute general obligations of the Authority, outstanding as of March 31, 2001 in the aggregate principal amount of $8,591,000.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from the Authority's 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 March 31, 2001, the Authority had outstanding approximately $5,096,852 aggregate principal amount of such Uninsured HOF Loans. The Authority has used amounts in its General Fund allocated to the Housing Opportunity Fund to fund such Uninsured HOF Loans.

The Authority has also made Uninsured Loans, which have been financed by the proceeds of (i) the Authority's Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (ii) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

Rental Acquisition Program. 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. The Authority expects in the future to finance the acquisition of facilities under the RAP Program as Authority Projects under the Multi-Family/Project Master Indenture.

Commercial Programs

The Authority offers an ACCESS Program and a direct loan program under which it finances commercial and industrial loans (or participation interests therein) by means of certain bonds. The Project Loan Participation Purchase Bonds and Refunding Bonds and Project Loan ACCESS Program Bonds, outstanding as of March 31, 2001 in the aggregate principal amount of $31,059,000, 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.

The Authority has also implemented a Quality Investment Capital ("**QIC**") Program, a Quality Agricultural Loan ("**QAL**") Program and a Business & Industry Program II ("**B&I II**") under which it finances participation interests in commercial and industrial loans by means of SBA Guaranteed Loan Participation Purchase Bonds. Interests in the QIC loans are guaranteed by the U.S. Small Business Administration, interests in the QAL loans are guaranteed by the Farm Services Agency and interests in B&I II Loans are guaranteed by Rural Business –Cooperative Service. As of March 31, 2001, $26,712,000 of such SBA Guaranteed Loan Participation Purchase Bonds were outstanding. These bonds 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.

In addition, the Authority has implemented its Rural Development Loan Program, under which it finances project or working capital loans or participations therein for small businesses in rural areas. As of March 31, 2001, the Authority had issued promissory notes payable to the Rural Business – Cooperative Service in the aggregate principal amount of $2,801,100 (the "**RBCS Notes**"), of which $416,263 had been drawn and $2,384,837 of loans were outstanding. The RBCS Notes constitute general obligations of the Authority payable from unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

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. The bonds previously issued by the Authority in connection with its Ventures Program are supported by letters of credit. In addition, the Authority has financed real estate projects for non-profit organizations through its Special Projects area, certain of which have been financed through general obligation bonds of the Authority. See "General Obligations of the Authority" under this caption.

The Authority has also implemented a loan program for businesses involved in the recycling and waste diversion industries ("**RENEW Program**"). Funding for the RENEW Program is received from the Colorado Department of Local Affairs. As of March 31, 2001, such loans in the aggregate principal amount of $5,330,470 were outstanding.

The Authority introduced its Business and Industry Loan I ("**B&I I**") Program that provides funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business – Cooperative Service. The Authority originates and services these loans. As of March 31, 2001, loans in an aggregate amount of $865,500 had been funded by the Authority under the B&I I Program.

General Obligations of the Authority

The Authority has issued general obligations, payable from the unencumbered assets and available income of the Authority, in connection with the financing of its various programs. In connection with its Single-Family Mortgage Program, the Authority previously issued $3,535,000 of its General Obligation Bonds (1986) Issue A, none of which was outstanding as of March 31, 2001. In addition, the Authority has pledged its general credit to secure various Subordinate Bonds supporting Senior Bonds issued in connection with its Qualified Single-Family Mortgage Program, outstanding as of March 31, 2001 in the aggregate principal amount of $17,330,000 (as described in "Programs to Date – Single-Family Mortgage Programs – Qualified Single-Family Mortgage Program" under this caption). The Authority anticipates issuing additional general obligation bonds to finance mortgage loans made under the Authority's Non-Qualified Single-Family Mortgage Program as described in "Programs to Date – Single-Family Mortgage Programs – Non-Qualified Single-Family Mortgage Program" under this caption.

Under its Multi-Family Housing Facility Loan Program, in order to finance Uninsured Loans to §501(c)3 non-profit corporations and public housing authorities, the Authority has issued eleven series of general obligation bonds, two series of which remained outstanding as of March 31, 2001 in the aggregate principal amount of $4,820,000. The Authority also plans to issue taxable general obligation bonds under its SMART program to finance Uninsured Loans to for-profit borrowers. See "Programs to Date – Multi-Family Housing Facility Loan Program" under this caption. 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 March 31, 2001 equaled $185,062,113.

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 "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. In addition, a mortgage loan outstanding in the aggregate principal amount of $8.38 million (the "**Allied Loan**") is presently in default. As a result, it is the Authority's present plan (which may change based on any change in information) to file a full insurance claim for the Allied Loan as soon as is permitted in accordance with the procedures and notice process required by FHA. It is likely that the Authority will also incur a risk sharing liability in connection with the Allied Loan. At this time, the Authority believes that such risk sharing liability with respect to the Allied Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established.

In January of 1998, general obligation bonds in the aggregate principal amount of $1,610,000 were issued to finance a loan to the Colorado Municipal League under the Authority's Special Projects financing program described in "Programs to Date – Commercial Program" under this caption. The Authority has also undertaken, as general obligations its Project Loan Participation Purchase Bonds and Refunding Bonds, Project Loan ACCESS Program Bonds, Guaranteed Loan Participation Purchase Bonds and the promissory notes to the Rural-Business Cooperative Service, described in "Programs to Date – Commercial Programs" under this caption.

The Authority has also pledged its full faith and credit to secure certain of the Multi-Family/Project Bonds, outstanding as of March 31, 2001 in the aggregate principal amount of $18,870,000, and other obligations relating thereto.

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 $100,000,000. 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 March 31, 2001, $88,254,126 in borrowings were outstanding under those agreements.

Moody's Investors Service ("**Moody's**") has assigned an "A1" rating and Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc. ("**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.

TERMS OF THE 2001 SERIES AA BONDS

General Terms

Payment

The principal or redemption price of the 2001 Series AA Bonds is payable at the corporate trust office of Zions First National Bank, the Paying Agent and the Trustee for the 2001 Series AA Bonds. Interest on the 2001 Series AA Bonds will be payable on the Interest Payment Dates to Cede & Co.

Book-Entry System

DTC will act as securities depository for the 2001 Series AA Bonds. The ownership of one fully registered Bond for each maturity as set forth on the 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 G**. **So long as the 2001 Series AA Bonds are registered in the DTC book-entry form described in Appendix G, each Beneficial Owner of a 2001 Series AA Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2001 Series AA Bonds.**

Additional Bonds and Auxiliary Obligations

The Master Indenture permits the Authority to issue additional Bonds and to incur obligations of the Authority for the payment of money under the Interest Rate Contracts and Liquidity Facilities (the "**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. See "SECURITY FOR THE 2001 SERIES AA BONDS – Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations."

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 2001 Series AA 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 2001 Series AA Bonds at the maturity or redemption thereof. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."

Fixed Interest Rate Bonds

The Fixed Interest Rate Bonds, to be dated as of the date of delivery thereof, will bear interest at the rate, and will mature, subject to prior redemption as described below, in the amount and on the date set forth on the front cover of this Official Statement. Interest on the Fixed Interest 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, 2002, and at Maturity, subject to prior redemption thereof. The Fixed Interest Rate Bonds will be issued as fully registered bonds without coupons. Purchases of the Fixed Interest Rate Bonds are to be made in book entry only form in denominations of $5,000 or any integral multiple thereof.

Adjustable Rate Bonds

Generally

The 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 set forth on the front cover of this Official Statement. The Taxable 2001 Series AA-1 Bonds and 2001 Series AA-2 Bonds initially will bear interest at respective Weekly Rates determined prior to the date of delivery by Lehman Brothers Inc., as the Remarketing Agent, and the initial Effective Rate Period therefor shall commence on the date of delivery thereof and end on October 9, 2001 (both dates inclusive). The 2001 Series AA-3 Bonds initially will bear interest at a Term Rate determined prior to the date of delivery thereof by the Remarketing Agent, and the initial Effective Rate Period therefor shall commence on the date of delivery thereof and end on September 17, 2002 (both dates inclusive). At any time following the first Effective Rate Period for each series of Adjustable Rate Bonds, the Authority may elect to adjust the interest rate on the respective 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, as described herein. While the 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, 2002, 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 Adjustable Rate Bonds will be calculated on the basis of a 365/366 day year for the actual number of days elapsed. The 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 Adjustable Rate Bonds in a SAVRS Rate Mode will 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 Adjustable Rate Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months and such Adjustable Rate Bonds may be purchased in denominations of $5,000, or any integral multiples thereof.

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

Determination of Interest Rate

General. The 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 Adjustable Rate Bonds are converted, in which case such Bonds shall bear interest at Fixed Interest Rates until their respective maturities or prior redemption. Reference is made to **Appendix I** – "CERTAIN DEFINITIONS WITH RESPECT TO ADJUSTABLE RATE BONDS" for a description of certain of the terms defined below. The Mode of the Taxable 2001 Series AA-1 Bonds and the 2001 Series AA-2 Bonds from the delivery date until further designation by the Authority will be the Weekly Mode Period. The Mode of the 2001 Series AA-3 Bonds from the delivery date to and including September 17, 2002 will be a Term Mode Period. Thereafter, unless Conversion has occurred, the Authority may designate an Alternate Mode Period with respect to any of the Adjustable Rate Bonds as described in "Interest on the Adjustable Rate Bonds other than SAVRS Rate Bonds Prior to Conversion " under this caption. The interest rate on the Adjustable

Rate Bonds (other than when in a SAVRS Rate Mode) is to be determined by the Remarketing Agent in accordance with the Indenture as described below. The interest on the 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 Adjustable Rate Bonds such that all of the Adjustable Rate Bonds bear interest at a rate other than a Weekly Rate or a Term Rate (in the case of the 2001 Series AA-3 Bonds during the initial Term Mode Period) would result in a termination of the Initial Liquidity Facility. See ***Appendix E*** *– "CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY."*

Interest on the Adjustable Rate Bonds other than SAVRS Rate Bonds Prior to Conversion. From the date of initial authentication and delivery of the Adjustable Rate Bonds to and including the day preceding the next Effective Rate Date, the Taxable 2001 Series AA-1 Bonds and the 2001 Series AA-2 Bonds shall bear interest at the Weekly Rate and the 2001 Series AA-3 Bonds shall bear interest at the Term Rate determined in advance by the Remarketing Agent. Thereafter, the 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 Adjustable Rate Bonds that are held by the Liquidity Facility Provider which, in accordance with the Initial Liquidity Facility, shall bear interest at the Bank Interest Rate). In no event shall the interest rate borne by such Adjustable Rate Bonds exceed the Maximum Rate.

From time to time, by notice to the Notice Parties as required under the 2001 Series AA Indenture, the Authority may designate an alternate Mode Period with respect to all or any portion of a Series of the 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 H**. During each Mode Period, the Effective Rate with respect to the tax-exempt Adjustable Rate Bonds and the Effective Rate with respect to the Taxable Adjustable Rate Bonds shall be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the tax-exempt Adjustable Rate Bonds and Taxable 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 Adjustable Rate Bonds and the Effective Rate with respect to the Taxable Adjustable Rate Bonds shall be determined separately.

The 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 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 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 Adjustable Rate Bonds.

The determination by the Remarketing Agent of the Effective Rate to be borne by the Adjustable Rate Bonds (other than SAVRS Rate Bonds and other than Adjustable Rate Bonds that are held by the Liquidity Facility Provider, which, in accordance with the Initial Liquidity Facility, shall bear interest at the Bank Interest Rate) shall be conclusive and binding on the Owners of such Adjustable Rate Bonds and the other Notice Parties except as otherwise provided in the 2001 Series AA Indenture. Failure by the 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 Adjustable Rate Bonds or the rights of the Owners thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the Effective Rate on the tax-exempt 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 Remarketing Agent is vacant or the Remarketing Agent fails to act, the Effective Rate on the Taxable 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 Liquidity Facility Provider to purchase any 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 Liquidity Facility Provider or the date of delivery of an Alternate Liquidity Facility, (A) the tax-exempt 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 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 2001 Series AA Indenture provides that the Authority has the option to convert all or a portion of the Adjustable Rate Bonds on any Effective Rate Date to Fixed Interest 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 Adjustable Rate Bonds, the Trustee must deliver a notice to the Owners thereof 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 2001 Series AA Indenture is lawful under the Act, is permitted by the 2001 Series AA Indenture and will not cause interest on the tax-exempt 2001 Series AA 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 Adjustable Rate Bonds shall continue to bear interest at the Effective Rate. Upon any Conversion, the 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 Adjustable Rate Bonds (other than SAVRS Rate Bonds) may elect to tender their Adjustable Rate Bonds, which, if so tendered upon proper notice at the times and in the manner set forth in **Appendix H** – "MODE CHART FOR ADJUSTABLE RATE BONDS," will be purchased on the next Effective Rate Date (or, in the case of 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 Adjustable Rate Bonds by the Owners thereof will be in writing and irrevocable once such notice is given to the Remarketing Agent while in a Daily, Weekly or Monthly Mode Period (in which event the 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 2001 Series AA Indenture and described in **Appendix H** – "MODE CHART FOR ADJUSTABLE RATE BONDS."

Holders of Adjustable Rate Bonds may not elect to tender their Bonds from and after a failure by the Liquidity Facility Provider to purchase any 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 Adjustable Rate Bonds in a SAVRS Mode Period may not elect to tender their Adjustable Rate Bonds.

Failure of Standby Bond Purchaser to Purchase Adjustable Rate Bonds

Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the purchase price of 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 Adjustable Rate Bonds or from the Initial Liquidity Facility Provider. The Authority is not responsible for any failure by a Liquidity Facility Provider to purchase Adjustable Rate Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the 2001 Series AA Indenture. Failure to purchase an 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 2001 Series AA Indenture does not constitute an Event of Default under the Indenture.

Mandatory Tender

The Adjustable Rate Bonds or any portion thereof, as applicable, are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date, (ii) with respect to a Liquidity Expiration Event, on a date not less than 5 days prior to the scheduled expiration of the Initial 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 2001 Series AA Indenture. Upon any such event, the Trustee promptly shall deliver a notice of mandatory tender to Owners stating the reason for the mandatory tender, the date of mandatory tender, and that all Owners of Adjustable Rate Bonds subject to such mandatory tender shall be deemed to have tendered their Adjustable Rate Bonds upon such date. **So long as all of the Adjustable Rate Bonds are registered in the name of Cede & Co., as nominee for DTC, such notice will be delivered to DTC or its nominee as registered owner of such Adjustable Rate Bonds. DTC is responsible for notifying Participants, and Participants (and indirect participants in DTC) are responsible for notifying beneficial owners of the Adjustable Rate Bonds. Neither the Trustee nor the Authority is responsible for sending notices to beneficial owners. The Trustee shall give notice of any Mandatory Tender Date to Moody's, Fitch and S&P at least 15 days prior to such date.**

On each date on which Adjustable Rate Bonds (other than SAVRS Rate Bonds) are required to be tendered and purchased, the Remarketing Agent is to use its best efforts as described herein to sell such 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 Remarketing Agent is unable to remarket the Adjustable Rate Bonds so tendered, the Liquidity Facility Provider, subject to certain conditions precedent, will purchase such Bonds in accordance with the Initial Liquidity Facility. See "SECURITY FOR THE 2001 SERIES AA BONDS – Initial Liquidity Facility."

Payment of Tendered Adjustable Rate Bonds

Adjustable Rate Bonds that are tendered or deemed tendered under the terms of the 2001 Series AA Indenture are to be purchased by the Remarketing Agent or the Tender Agent, as appropriate, upon surrender of such 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 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 Adjustable Rate Bonds furnished to the Remarketing Agent by the purchasers thereof pursuant to the 2001 Series AA Indenture; and

(b) moneys furnished to the Tender Agent pursuant to the 2001 Series AA Indenture, representing the proceeds of a draw under the Initial Liquidity Facility.

On any Purchase Date, the Remarketing Agent is to offer for sale and use its best efforts to sell all such Adjustable Rate Bonds tendered or deemed tendered at a price equal to 100% of the principal amount thereof plus accrued interest. The Adjustable Rate Bonds so sold shall bear interest from the date of sale at the Effective Rate. The Remarketing Agent shall, not later than 11:30 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 Adjustable Rate Bonds that have been sold and the aggregate principal amount of Adjustable Rate Bonds that will be tendered but have not been sold.

On each Purchase Date, in the event that any Adjustable Rate Bonds tendered for purchase on such date are not remarketed, the Tender Agent shall, by no later than 12:30 p.m., New York City time, give the Liquidity Facility Provider electronic notice of the aggregate Purchase Price of the tendered Adjustable Rate Bonds less the proceeds received from the Remarketing Agent pursuant to the 2001 Series AA Indenture, if any, required to be purchased by the Tender Agent pursuant to the 2001 Series AA Indenture, and the amount of principal and interest, respectively, comprising such Purchase Price. As soon as the Liquidity Facility Provider makes such funds available to the Tender Agent for purchase of such 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 Liquidity Facility Provider, that portion of the tendered Adjustable Rate Bonds for which immediately available funds are not otherwise then available for such purchases under the 2001 Series AA Indenture.

Prior Redemption

Special Redemption

Unexpended Amounts in Acquisition Account. The 2001 Series AA 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 2001 Series AA 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 2001 Series AA subaccount of the Acquisition Account (equal to or greater than $50,000) to the 2001 Series AA subaccounts of the Redemption Fund. Moneys will be so transferred which the Authority certifies from time to time will not be used to purchase 2001 Series AA Mortgage Loans, upon notice as provided in the Indenture. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Acquisition Account" and "PLAN OF FINANCING – Sources and Uses of Funds." See also "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2001 Series AA subaccounts of the Redemption Fund as described above shall be applied to redeem 2001 Series AA Class I Bonds and 2001 Series AA Class II Bonds as follows: first, there shall be transferred to the 2001 Series AA subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2001 Series AA Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2001 Series AA subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2001 Series AA Class II Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2001 Series AA subaccount of the Class I Special Redemption Account and the 2001 Series AA subaccount of the Class II Special Redemption Account on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2001 Series AA Class I Bonds and the Aggregate Principal Amount of Outstanding 2001 Series AA Class II Bonds, respectively, to the Aggregate Principal Amount of all 2001 Series AA Bonds Outstanding.

If less than all of the 2001 Series AA Class I Bonds are to be redeemed in accordance with the provisions described in the preceding two paragraphs, 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 2001 Series AA Bonds, the 2001 Series AA Class I Bonds shall be redeemed on a pro rata by maturity basis.

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. The 2001 Series AA Bonds of a particular Class are also subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2001 Series AA Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, without premium, from Revenues (including Prepayments) deposited to, and from amounts in excess of the 2001 Series AA Debt Service Reserve Fund Requirement transferred to, the 2001 Series AA subaccount of the Class I Special Redemption Account and the 2001 Series AA subaccount of the Class II Special Redemption Account, respectively. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Debt Service Reserve Fund."

If less than all of the 2001 Series AA 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 related to the 2001 Series AA Bonds, the 2001 Series AA Class I Bonds shall be redeemed on a pro rata by maturity basis.

It is anticipated that moneys will be available to redeem a substantial portion of the Adjustable Rate Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority has been filed by the Authority with and is available from the nationally recognized municipal securities information repositories.

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 B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Redemption Fund." Each such Authority Request is 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. 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 B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *The Authority currently expects to transfer certain Prepayments or Mortgage Prepayments to the Acquisition Fund to finance Mortgage Loans, although it is free to transfer such Prepayments or Mortgage Prepayments to the Redemption Fund at any time in accordance with the Master Indenture.*

Optional Redemption

Prior to Conversion. Prior to any conversion, the 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 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, the Authority shall direct the Class, term, series, maturity or maturities and amounts thereof, so to be redeemed.

Fixed Rate Bonds. The 2001 Series AA-4 Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, including without limitation the proceeds of refunding bonds, on or after November 1, 2011, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the 2001 Series AA-4 Bonds to be so redeemed, plus accrued interest to the date of redemption. In the event of an optional redemption in part, the Authority shall direct the Class, tenor, series, maturity or maturities, and the amounts thereof so to be redeemed.

Sinking Fund Redemption

Adjustable Rate Bonds. The 2001 Series AA-2 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2001 Series AA Class I Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2001 Series AA 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 2001 Series AA-2 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2001 Series AA-2 Bonds

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
2014	$ 940,000	2014	$ 960,000
2015	975,000	2015	995,000
2016	1,015,000	2016	1,035,000
2017	1,055,000	2017	1,080,000
2018	1,100,000	2018	1,120,000
2019	1,145,000	2019	1,165,000
2020	1,190,000	2020	1,215,000
2021	1,235,000	2021	1,260,000
2022	1,285,000	2022	1,310,000
2023	1,340,000	2023	1,365,000
2024	1,390,000	2024	1,420,000
2025	1,450,000	2025	1,475,000
2026	1,505,000	2026	1,535,000
2027	1,565,000	2027	1,600,000
2028	1,630,000	2028	1,660,000
2029	1,695,000	2029	1,730,000
2030	1,765,000	2030	1,800,000
2031 (1)	1,835,000 (1)	--	--

(1) Maturity Date

Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2001 Series AA-2 Bonds for which 2001 Series AA Class I Sinking Fund Installments have been established, there shall be credited toward each 2001 Series AA Class I Sinking Fund Installment thereafter to become for such Bonds due an amount bearing the same ratio to such 2001 Series AA Class I Sinking Fund Installment as (i) the total principal amount of such Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such Bonds Outstanding prior to such redemption or purchase.

Fixed Rate Bonds. The 2001 Series AA-4 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2001 Series AA Class II Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2001 Series AA 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 2001 Series A-4 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2001 Series AA-4 Bonds

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
--	$ --	2031	$ 890,000
2032	910,000	2032	935,000
2033	960,000	2033	985,000
2034	1,010,000	2034	1,035,000
2035	1,065,000	2035	1,090,000
2036 (1)	1,120,000 (1)	--	--

(1) Maturity Date

If the amount on deposit in the 2001 Series AA subaccount of the Class II Debt Service Fund is not sufficient on any Payment Date to pay the scheduled 2001 Series AA Class II Sinking Fund Installment for such date, the amount of the insufficiency is to be added to the next scheduled 2001 Series AA Class II Sinking Fund Installment, until paid. Failure to pay a 2001 Series AA Class II Sinking Fund Installment is not an Event of Default under the Indenture if sufficient moneys for such payment are not available in the 2001 Series AA subaccount of the Class II Debt Service Fund.

Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2001 Series AA-4 Bonds for which 2001 Series AA Class II Sinking Fund Installments have been established, there shall be credited toward each 2001 Series AA Class II Sinking Fund Installment thereafter to become for such Bonds due an amount bearing the same ratio to such 2001 Series AA Class II Sinking Fund Installment as (i) the total principal amount of such 2001 Series AA-4 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2001 Series AA-4 Bonds Outstanding prior to such redemption or purchase.

Redemption Procedures

Selection of Bonds within a Maturity

If less than all of the 2001 Series AA Class I Bonds or 2001 Series AA Class II Bonds, respectively, of like maturity are to be redeemed, the particular 2001 Series AA Bonds or respective portions thereof to be redeemed within such maturity 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 any Bank Bonds shall be redeemed prior to any other 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 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 2001 Series AA Bonds or portions of 2001 Series AA Bonds to be redeemed at such registered owner's last address appearing on the registration records of the Bond Registrar. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the registered owners of such 2001 Series AA Bonds shall have actually received such notice. Receipt of such notice by the registered owner of any 2001 Series AA 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 2001 Series AA Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2001 Series AA Bonds to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2001 Series AA 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 2001 Series AA Bond to be redeemed shall not affect the validity of the redemption of such Bond. See Appendix G –"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 2001 Series AA Bonds of any particular tenor and maturity, the Authority may direct the Trustee or the Paying Agent to purchase such 2001 Series AA 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 2001 Series AA Bonds.

SECURITY FOR THE 2001 SERIES AA BONDS

Pledge of Trust Estate

All Bonds and Auxiliary Obligations outstanding under the Master Indenture 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.

No Bonds or Auxiliary Obligations are presently outstanding under the Master Indenture. The 2001 Series AA Bonds are being issued in the following Classes: Class I 2001 Series AA Bonds (which include the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds); and the 2001 Series AA-4 Bonds being issued as Class II Bonds. To the extent of any principal of Bank Bonds which is payable in advance of the maturity or amortization dates set forth in the Initial Liquidity Facility, such portion of Bank Bonds will constitute Class III Bonds. The Authority's obligation to make regular interest payments under the Interest Rate Contracts in "Interest Rate Contracts" under this caption will be a Class I Obligation and the Authority's obligation to make certain payments due upon early termination of any such Interest Rate Contract is expected to be a general obligation of the Authority and not an Auxiliary Obligation 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 and "TERMS OF THE 2001 SERIES AA BONDS – General Terms – Additional Bonds and Auxiliary Obligations."

Under the Master Indenture, the Trust Estate pledged to secure the Bonds and Auxiliary Obligations (including the 2001 Series AA Bonds and additional Bonds incurred by the Authority under the Master Indenture) 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 2001 Series AA 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.

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 B** 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 B** – "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 applicable to the 2001 Series AA Bonds, see Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Class Asset Requirements."**

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 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. The Mortgage Loans include the 2001 Series AA Mortgage Loans (comprised of the Prior Mortgage Loans, the Authority Mortgage Loans and the New 2001 Series AA Mortgage Loans) and any Additional Mortgage Loans, as described 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 "THE 2001AA 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 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. The 2001 Series AA Indenture requires that 2001 Series AA 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 " THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM" and **Appendix J** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE." The 2001 Series AA Indenture provides that percentages of each type of Mortgage Loan 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 2001 Series AA Bonds).

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, lightening 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 "THE 2001AA 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 B** – "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. *For a further description of the terms under which 2001 Series AA Mortgage Loans are expected to be purchased by the Authority, see "THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM."*

Prior Mortgage Loans

The Mortgage Loans securing the 2001 Series AA Bonds and any other Bonds and Auxiliary Obligations under the Master Indenture will include the Prior Mortgage Loans described below, to be transferred on November 2, 2001 to the 2001 Series AA subaccount of the Acquisition Account from the trust estates for the Series 1991 Bonds and the Series 1996AA Bonds upon refunding of the 1991 Series A Bonds (2014 and 2031), redemption of the Funds Exchange 1991 Series A Bonds and redemption of the Series 1996AA Bonds. See "PLAN OF FINANCING." Until the time of such refunding, redemption and transfer, proceeds of the 2001 Series AA Bonds will remain on deposit in the 2001 Series AA subaccount of the Acquisition Fund and will secure repayment of the Bonds as part of the Trust Estate. The following information has been provided based on information as of the dates so indicated, and may be significantly different at the time that such Prior Mortgage Loans are transferred to the Acquisition Account:

INFORMATION CONCERNING THE PRIOR MORTGAGE LOANS AS OF AUGUST 10, 2001

	Outstanding Aggregate Principal Balance	Aggregate Number of Outstanding Prior Mortgage Loans	Average Principal Balance per Mortgage Loan	Average Coupon	Average Remaining Life in Years
Total/Average	$52,751,479	1,356	$38,902	7.204%	6.871

INFORMATION CONCERNING PROPERTY TYPES FOR PRIOR MORTGAGE LOANS JUNE 30, 2001

Property Type	
Single Family Detached	75%
Condo/Townhome	13%
Other	12%
Total	100%

MORTGAGE INSURANCE INFORMATION FOR PRIOR MORTGAGE LOANS AUGUST 10, 2001		
Type of Insurance	Percentage	Amount
Private Mortgage Insurance	19.836%	$10,463,843.23
VA-Guaranteed	7.894%	4,164,330.62
FHA – Insured	45.032%	23,755,005.08
RHS-Guaranteed	15.525%	8,189,601.75
Uninsured	11.713%	6,178,698.48
Total	100%	$52,751,479.16

PAYMENT, FORECLOSURE AND DELINQUENCY STATISTICS FOR THE PRIOR MORTGAGE LOANS*	
Loans Purchased (as of June 30, 2001)	6,703
Loans Prepaid in Full (as of June 30, 2001)	4,674
Loans Foreclosed to Date (as of June 30, 2001)	649
Loans Outstanding (as of June 30, 2001)	1,380
Delinquencies 30-90 Days (as of June 30, 2001)	60
Percentage of Total Loans	4.35%
Delinquencies 90 or More Days (as of June 30, 2001)	8
Percentage of Total Loans	0.58%
Loans in Foreclosure (as of June 30, 2001)	9
Percentage of Total Loans	0.65%
Percentage of All Loans Delinquent	5.58%

*Estimated

Authority Mortgage Loans

The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture, including the 2001 Series AA Bonds, are expected to include Authority Mortgage Loans, which are currently owned by the Authority and will be purchased from the Authority at a price equal to 102% of the aggregate principal balance thereof and transferred to the 2001 Series AA subaccount of the Acquisition Account upon delivery of the 2001 Series AA Bonds. The following information has been provided with respect to the Authority Mortgage Loans identified to date by the Authority and is based on information as of the dates so indicated with respect to such Authority Mortgage Loans. This information may be significantly different at the time that Authority Mortgage Loans are purchased and deposited to the Acquisition Account:

INFORMATION CONCERNING THE AUTHORITY MORTGAGE LOANS AS OF AUGUST 31, 2001				
Outstanding Aggregate Principal Balance	Aggregate Number of Authority Mortgage Loans	Average Principal Balance per Mortgage Loan	Average Coupon	Average Remaining Life in Years
$43,391,384 (1)	353	$122,921.77	7.55%	29.45

(1) The Authority Mortgage Loans will be purchased from the Authority using amounts in the Acquisition Account for a price equal to 102% of the aggregate principal balance thereof in order to amortize the 2% cash assistance provided at the time of loan origination.

MORTGAGE INSURANCE INFORMATION FOR AUTHORITY MORTGAGE LOANS AUGUST 31, 2001		
Type of Insurance	Percentage	Amount
Private Mortgage Insurance	7.93%	$ 3,260,312
VA-Guaranteed	4.54%	2,144,126
FHA - Insured	86.12%	37,632,145
RHS-Guaranteed	0.28%	68,398
Uninsured	1.13%	286,403
Total	100%	$43,391,384

INFORMATION CONCERNING PROPERTY TYPES FOR AUTHORITY MORTGAGE LOANS AUGUST 31, 2001	
Property Type	
Single Family Detached	261
Condo/Townhome	85
Other	7
Total	353

FORECLOSURE AND DELINQUENCY STATISTICS FOR AUTHORITY MORTGAGE LOANS*	
Delinquencies 30-90 Days (as of August 31, 2001)	9
Percentage of Total Authority Mortgage Loans	2.55%
Delinquencies 90 or More Days (as of August 31, 2001)	3
Percentage of Total Authority Mortgage Loans	0.85%
Loans in Foreclosure (as of August 31, 2001)	2
Percentage of Total Authority Mortgage Loans	0.57%
Percentage of All Authority Mortgage Loans Delinquent	3.97%

*Estimated

New 2001 Series AA Mortgage Loans

The Mortgage Loans securing the 2001 Series AA Bonds and any other Bonds and Auxiliary Obligations under the Master Indenture will also include Mortgage Loans to be originated by the Authority, or by Mortgage Lenders and thereafter purchased by the Authority, using amounts on deposit in the 2001 Series AA subaccount of the Acquisition Account and transferred to the Trustee (referred to herein as the "**New 2001 Series AA Mortgage Loans**"). Upon transfer of any New 2001 Series AA Mortgage Loans by the Authority to the Trustee, the Trustee is to reimburse the Authority for its costs of purchasing such New 2001 Series AA Mortgage Loans using amounts on deposit in the 2001AA subaccount of the Acquisition Account. The New 2001 Series AA Mortgage Loans must satisfy the requirements described in "Mortgage Loan Requirements" under this caption. See "PLAN OF FINANCING," **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Acquisition Account" and "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS – Program Assumptions – Mortgage Loan Rates."

Additional Mortgage Loans

The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture, including the 2001 Series AA Bonds, will also 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 2001 Series AA Indenture establishes a 2001 Series AA subaccount of the Debt Service Reserve Fund for the 2001 Series AA Bonds. The Debt Service Reserve Fund Requirement for the 2001 Series AA Bonds, as of each determination date, is required to be an amount equal to 5% of the aggregate principal amount of all 2001 Series AA Bonds then outstanding. Upon the issuance of the 2001 Series AA Bonds, the Debt Service Reserve Fund Requirement for the 2001 Series AA Bonds is expected to be funded by a deposit of proceeds in the amount of $6,592,000 to the 2001 Series AA subaccount of the Debt Service Reserve Fund. On November 2, 2001, certain of such proceeds will be exchanged for revenues available under the Prior Resolution as described in "Funds Exchange Refunding." Such exchanged amounts will be redeposited in the Debt Service Reserve Fund.

At any time while the 2001 Series AA Bonds are outstanding, the Authority may withdraw moneys in the 2001 Series AA subaccount of the Debt Service Reserve Fund and may fund the Debt Service Reserve Fund Requirement for the 2001 Series AA Bonds by the deposit of a Qualified Surety Bond as permitted by the Indenture. Additional moneys are to be transferred into the 2001 Series AA subaccount 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 B** – "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 B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE –Debt Service Reserve Fund."

Initial Liquidity Facility

Payment of the purchase price of the Adjustable Rate Bonds (other than Adjustable Rate Bonds owned by or held on behalf of the Authority or any affiliate of the Authority) bearing the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Term Rate or Semiannual Rate is required by the Indenture to be supported by a standby bond purchase agreement, which shall initially be an agreement (the "**Initial Liquidity Facility**") among the Authority, the Tender Agent and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the "**Liquidity Facility Provider**"). The Initial Liquidity Facility expires on October 2, 2002, unless extended or terminated as described herein. To the extent of any principal of Bank Bonds which is payable in advance of the maturity or sinking fund redemption dates set forth in the Indenture, such portion of Bank Bonds will constitute Class III Bonds under the Master Indenture and will also constitute general obligations of the Authority. For additional information concerning the terms of the Initial Liquidity Facility, see **Appendix E** – "CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY." For information about the Liquidity Facility Provider, see **Appendix F** – "LIQUIDITY FACILITY PROVIDER." Under the Indenture, the Authority may provide for delivery to the Trustee of an Alternate Liquidity Facility with respect to the Adjustable Rate Bonds. See "Alternate Liquidity Facility" under this caption. The Authority is not required to deliver a standby bond purchase agreement upon adjustment of Adjustable Rate Bonds to a SAVRS Mode or upon conversion of Adjustable Rate Bonds to bear interest at Fixed Interest Rates. *The Initial Liquidity Facility does not provide security for the payment of principal of or interest or premium, if any, on the 2001 Series AA Bonds and the funds drawn thereunder may not be used for such purposes.* **The obligation of the Liquidity Facility Provider to purchase Adjustable Rate Bonds tendered for purchase under the Initial Liquidity Facility is subject to the condition that no Special Event of Default (as defined in the Initial Liquidity Facility) shall have occurred and be continuing. See Appendix E – "CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY."**

Alternate Liquidity Facility

The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with an Alternate Liquidity Facility. The Authority shall 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 such delivery. Upon receipt of such notice, if the Alternate Liquidity Facility is to be provided by an entity other than the provider of the then current Liquidity Facility, the Tender Agent will 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, at least 30 days prior to delivery of the Alternate Liquidity Facility.

The Authority will use its best efforts to obtain an Alternate Liquidity Facility to replace the Initial Liquidity Facility or cause the Adjustable Rate Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility in the event (i) the Liquidity Facility Provider shall decide not to extend the Expiration Date pursuant to the terms of the Initial Liquidity Facility, (ii) the Authority terminates the Initial Liquidity Facility pursuant to the terms of the Initial Liquidity Facility, or (iii) the Liquidity Facility Provider furnishes a Termination Notice to the Trustee.

The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Bonds at par plus interest (at the Bank Rate, if applicable) through the date purchased. On such date any and all amounts owed to the Liquidity Facility Provider pursuant to the terms of the Liquidity Facility, the Indenture or the Adjustable Rate Bonds shall be payable in full to the Liquidity Facility Provider.

Interest Rate Contracts

In connection with the issuance of the Adjustable Rate Bonds, the Authority expects to enter into an interest rate swap agreement (the "**Class I Taxable 2001 Series AA-1 Swap Agreement**") with Lehman Brothers Financial Products Inc. (the "**Counterparty**") with respect to the Taxable 2001 Series AA-1 Bonds. See "CERTAIN RELATIONSHIPS OF PARTIES." The Authority also expects to contract to enter into an interest rate swap agreement (the "**Class I 2001 Series AA-2 Swap Agreement**") with the Counterparty with respect to the 2001 Series AA-2 Bonds. The Class I Taxable 2001 Series AA-1 Swap Agreement and the Class I 2001 Series AA-2 Swap Agreement are referred to herein collectively as the "**Interest Rate Contracts.**" 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 interest payments to the Counterparty under each of the Interest Rate Contracts will 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 expected to be a general obligation of the Authority and not an Obligation under the Master Indenture. See "COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations

No Bonds other than the 2001 Series AA Bonds will be outstanding under the Master Indenture upon delivery of the 2001 Series AA Bonds. However, the Master Indenture permits the Authority to issue additional Bonds and/or Refunding Bonds and to incur Auxiliary Obligations from time to time without limitation, upon satisfaction of the terms and conditions of the Master Indenture, as described in "TERMS OF THE 2001 SERIES AA BONDS – General Terms – Additional Bonds and Auxiliary Obligations." The Authority expects, but is not obligated, to issue additional Bonds and to incur other Auxiliary Obligations under the Master Indenture.

PLAN OF FINANCING

Sources and Uses of Funds

The following are the sources and estimated uses of funds (excluding accrued interest) relating to the 2001 Series AA Bonds.

	Estimated Amounts
SOURCES OF FUNDS:	
Bond proceeds:	
Taxable 2001 Series AA-1 Bonds	$ 50,000,000
2001 Series AA-2 Bonds	46,840,000
2001 Series AA-3 Bonds	25,000,000
2001 Series AA-4 Bonds	10,000,000
Exchanged amounts (1)	50,965,000
Legally available funds of the Authority (2)	955,000
TOTAL SOURCES OF FUNDS	$183,760,000
USES OF FUNDS:	
For refunding of 1991 Series A Bonds (2014 and 2031) (3)	$30,875,000
For redemption of Funds Exchange 1991 Series A Bonds and 1996 Series AA Bonds (4)	50,965,000
For origination of New 2001 Series AA Mortgage Loans (5)	94,373,000
For deposit to 2001 Series AA Subaccount of the Debt Service Reserve Fund (6)	6,592,000
For costs of issuance and Underwriters' compensation (7)	955,000
TOTAL USES OF FUNDS	$183,760,000

(1) Such funds will be exchanged for proceeds of the 2001 Series AA Bonds as described in "Funds Exchange Refunding" under this caption.

(2) Such funds will be legally available to the Authority as a result of the refunding and redemption of the 1991 Series A Bonds and the 1996 Series AA Bonds on November 2, 2001. See "Refunding of 1991 Series A Bonds (2014 and 2031)" and "Funds Exchange Refunding."

(3) Proceeds which will be used to refund the 1991 Series A Bonds (2014 and 2031) on November 2, 2001 will be on deposit in the 2001 Series AA subaccount of the Acquisition Account until November 2, 2001. See "Refunding of 1991 Series A Bonds (2014 and 2031)" under this caption.

(4) Proceeds will be exchanged on November 1, 2001 and November 2, 2001 for revenues under the Prior Resolution as described in "Funds Exchange Refunding" and used to pay at maturity and redeem the Funds Exchange 1991 Series A Bonds and the 1996 Series AA Bonds. Such proceeds will be on deposit until November 2, 2001 in the 2001 Series AA subaccount of the Acquisition Fund and in the Debt Service Reserve Fund and will be invested during that period in an investment agreement as described in "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS – Program Assumptions – Investment Agreements."

(5) Proceeds will be deposited to the 2001 Series AA subaccount of the Acquisition Account and used to originate New 2001 Series AA Mortgage Loans. Certain amounts exchanged for proceeds on November 2, 2001 as described in footnote (4) will also be deposited to the Acquisition Fund and used to originate New 2001 Series AA Mortgage Loans. See "Funds Exchange Refunding" and "2001AA SINGLE FAMILY MORTGAGE PROGRAM." See also "Uses of Proceeds in Acquisition Account" and "TERMS OF THE 2001 SERIES AA BONDS – Prior Redemption – Special Redemption – Unexpended Amounts in Acquisition Account." Such proceeds and exchanged amounts while on deposit in the 2001 Series AA subaccount of the Acquisition Fund will be invested in an investment agreement as described in "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS – Program Assumptions – Investment Agreements."

(6) Proceeds will be deposited to the 2001 Series AA subaccount of the Debt Service Reserve Fund. A portion of such proceeds so deposited will be exchanged on November 1, 2001 and November 2, 2001 for revenues as described in "Funds Exchange Refunding" under this caption and will be used to redeem the Funds Exchange 1991 Series A Bonds and the 1996 Series AA Bonds as described in footnote (4). Amounts exchanged for such proceeds will be redeposited to the Debt Service Reserve Fund. See "SECURITY FOR THE 2001 SERIES AA BONDS – Debt Service Reserve Fund." Such deposit of proceeds (and thereafter exchanged amounts and proceeds) are expected to be invested in an investment agreement and in other permitted investments under the Indenture as described in "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS – Program Assumptions – Investment Agreements." Under the Indenture, the Authority may at any time replace such cash on deposit with a Qualified Surety Bond.

(7) Legally available funds of the Authority shall be deposited to the Costs of Issuance Account in the Program Fund on November 2, 2001 and used to pay costs of issuance and Underwriters' compensation relating to the 2001 Series AA Bonds. See "UNDERWRITING AND PLACEMENT."

Refunding of 1991 Series A Bonds (2014 and 2031)

The Authority has previously issued its Single-Family Housing Revenue Refunding Bonds, 1991 Series A (the "**1991 Series A Bonds**"). Proceeds of the 2001 Series AA Bonds will be used on November 2, 2001 to refund and pay principal, 2% premium and interest due on all the 1991 Series A Bonds maturing on November 1, 2014 and on November 1, 2031 which will be then outstanding in the aggregate principal amount of $30,875,000 (the "**1991 Series A Bonds (2014 and 2031)**") to and including their prior redemption date, as provided in the 2001 Series AA Indenture. From the date of delivery of the 2001 Series AA Bonds until November 2, 2001, such proceeds will remain on deposit in the 2001 Series AA subaccount of the Acquisition Account and will be pledged as part of the Trust Estate for the Bonds.

Funds Exchange Refunding

Certain proceeds of the 2001 Series AA Bonds will be exchanged, pursuant to a funds exchange agreement (the "**Funds Exchange Agreement**") among the Trustee and the Authority and the trustee for the 1991 Series A Bonds and the 1996 Series AA Bonds, for revenues available under the Prior Resolution relating to the 1991 Series A Bonds and the 1996 Series AA Bonds. Proceeds exchanged for such revenues will be used to pay at maturity and redeem the Authority's 1991 Series A Bonds other than the 1991 Series A Bonds (2014 and 2031) which will be then outstanding in the aggregate principal amount of $16,475,343 (referred to herein as the "**Funds Exchange 1991 Series A Bonds**") and to redeem the Authority's outstanding Single Family Housing Revenue Refunding Bonds, 1996 Series AA (the "**1996 Series AA Bonds**") on November 1, 2001 and November 2, 2001. Until such funds exchange refunding is completed, such proceeds of the 2001 Series AA Bonds will remain on deposit in the 2001 Series AA subaccount of the Acquisition Account and in the Debt Service Reserve Fund, and will be pledged as part of the Trust Estate for the Bonds. The amounts exchanged for such proceeds on November 1, 2001 and November 2, 2001 in accordance with the Funds Exchange Agreement will be deposited to (i) the 2001 Series AA subaccount of the Acquisition Account and used to originate New 2001 Series AA Mortgage Loans as described in "Use of Proceeds in Acquisition Account" under this caption, and (ii) the Debt Service Reserve Fund as described in "SECURITY FOR THE 2001 SERIES AA BONDS – Debt Service Reserve Account."

Transfer of Prior Mortgage Loans

On November 2, 2001, (i) the 1991 Series A Bonds (2014 and 2031) will be refunded as discussed in "Refunding of 1991 Series A Bonds (2014 and 2031)" under this caption, (ii) the Funds Exchange 1991 Series A Bonds and the 1996 Series AA Bonds will then be redeemed pursuant to the Funds Exchange Agreement as described in "Funds Exchange Refunding" under this caption, and (iii) the Prior Mortgage Loans will be transferred to the Trustee and pledged as part of the Trust Estate to secure Bonds and Auxiliary Obligations under the Master Indenture, including the 2001 Series AA Bonds. See "SECURITY FOR THE 2001 SERIES AA BONDS – The Mortgage Loans – Prior Mortgage Loans."

Use of Amounts in Acquisition Account

Upon closing, certain proceeds of the Taxable 2001 Series AA-1 Bonds and, on November 1, 2001 and November 2, 2001, certain exchanged amounts resulting from the funds exchange refunding described in "Funds Exchange Refunding" under this caption, will be deposited to the 2001 Series AA subaccount of the Acquisition Account of the Program Fund and used to acquire Authority Mortgage Loans and to originate New 2001 Series AA Mortgage Loans. See "SECURITY FOR THE 2001

SERIES AA BONDS – The Mortgage Loans – Authority Mortgage Loans," "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS" and "THE 2001AA SINGLE-FAMILY MORTGAGE PROGRAM."

PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS

Program Assumptions

Generally

As described in "PLAN OF FINANCING," the Prior Mortgage Loans will be transferred on November 2, 2001 to the Trustee and pledged as part of the Trust Estate. In addition, the amounts deposited to the 2001 Series AA subaccount of the Acquisition Account in accordance with the Indenture will be available (i) on the date of delivery of the Bonds to acquire Authority Mortgage Loans, and (ii) to purchase New 2001 Series AA Mortgage Loans to be originated. After transfer of such Prior Mortgage Loans, acquisition of such Authority Mortgage Loans and origination and acquisition of such New 2001 Series AA Mortgage Loans, the Bonds and Auxiliary Obligations outstanding under the Master Indenture (including the 2001 Series AA Bonds) will be secured by, among other moneys, rights and interests, the Revenues derived from such Prior Mortgage Loans, Authority Mortgage Loans and New 2001 Series AA Mortgage Loans. Such Revenues are expected by the Authority to be sufficient to pay the debt service on the 2001 Series AA Bonds.

Certain 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 2001 Series AA 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) Mortgage Loans are not purchased at the times anticipated by the Authority, or are not purchased at all, (ii) Mortgage Loans purchased by the Authority 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 2001 Series AA 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 revenue. All 2001 Series AA Mortgage Loans are assumed to amortize as thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest taken together. The weighted average of the interest rates borne by the Prior Mortgage Loans is 7.204% per annum. See "SECURITY FOR THE 2001 SERIES AA BONDS – The Mortgage Loans – Prior Mortgage Loans." The weighted average of the interest rates borne by the Authority Mortgage Loans is expected to be 7.558% per annum. See "SECURITY FOR THE 2001 SERIES AA BONDS – The Mortgage Loans – Authority Mortgage Loans." The New 2001 Series AA Mortgage Loans to be acquired with the proceeds of the 2001 Series AA 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Class I Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such interest rates and principal amounts. See "THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM."

Cash Assistance

Proceeds of the 2001 Series AA Bonds (or amounts exchanged therefor) may be used to provide cash assistance to Borrowers of the 2001 Series AA 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 2001 Series AA 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Class I Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such cash assistance levels.

Investment Agreements

Moneys in the 2001 Series AA subaccount of the Acquisition Account will be invested in Investment Obligations in a manner designed to maintain the rating on the Class I Bonds and the Class II Bonds by each nationally recognized rating agency then rating the Class I Bonds and the Class II Bonds. Until disbursed, amounts in the 2001 Series AA subaccount of the Acquisition Account will initially be invested in an investment agreement (the **"Investment Agreement"**) between the Trustee and Trinity Funding Company, L.L.C. (the **"Investment Provider"**), at 2.552% per annum. Amounts in the Revenue Fund and Redemption Fund will initially be invested in the Investment Agreement, subject to certain limitations set forth in the Investment Agreement, at 5.30% per annum. Amounts in the Debt Service Reserve Fund will initially be invested in the Investment Agreement, subject to certain limitations set forth in the Investment Agreement, at 5.30% per annum. A portion of such amounts in the Debt Service Reserve Fund will only be invested from the date of delivery of the 2001 Series AA Bonds to November 2, 2001 and thereafter it is expected that such amounts will be invested in open market securities. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the Investment Agreement will be available as described. However, in the event that the Investment Agreement is terminated as a result of default by the 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 Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Provider.*

Set Asides

While the Authority does not plan to set aside proceeds of the 2001 Series AA Bonds for limited purposes, the Authority does expect that, if it determines to use Prepayment 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Class I Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such set asides.

Origination Periods

Certain proceeds of the 2001 Series AA Bonds (or amounts exchanged therefore) will be used to originate New 2001 Series AA 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such origination period.

Limited Security

The 2001 Series AA Bonds are special limited obligations of the Authority payable solely from the Trust Estate, with the Class I 2001 Series AA Bonds secured by a lien on the Trust Estate prior to the lien thereon to secure payment of the 2001 Series AA-4 Bonds. See "SECURITY FOR THE 2001 SERIES AA BONDS – Pledge of Trust Estate." No 2001 Series AA Bonds (including the 2001 Series AA-4 Bonds) are general obligations of the Authority. 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 2001 Series AA Bonds and other Bonds and Auxiliary Obligations under the Master Indenture when due. See **Appendix B** – "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 the 2001 Series AA Bonds, 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 the 2001 Series AA subaccount of the Acquisition Fund may not be used to acquire, or to reimburse the Authority for its costs of purchasing, 2001 Series AA 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 New 2001 Series AA Mortgage Loans. This condition could change during the origination period for the New 2001 Series AA Mortgage Loans. For example, prevailing interest rates for conventional mortgages in the State could decrease and make the New 2001 Series AA Mortgage Loans less attractive to potential Applicants. In addition, the Authority has issued, and could in the future issue, additional single family mortgage revenue bonds to finance the origination or purchase of mortgage loans at more favorable rates and terms than the rates and terms on the New 2001AA Mortgage Loans. See "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Single-Family Mortgage Programs."

In the event that sufficient New 2001 Series AA Mortgage Loans have not been originated and acquired so that the costs of such 2001 Series AA Mortgage Loans do not equal the amounts in the 2001 Series AA 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, New 2001 Series AA Mortgage Loans as certified by the Authority are required to be used to redeem Bonds as described in "TERMS OF THE 2001 SERIES AA BONDS – Prior Redemption – Special Redemption – Unspent Amounts in Acquisition Account."

Considerations Regarding Redemption at Par

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE 2001 SERIES AA 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 ABOVE. SEE "TERMS OF THE 2001 SERIES AA BONDS." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of the 2001 Series AA Bonds will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of the 2001 Series AA Bonds to be redeemed, without premium.**

Tax Exempt Status of Tax-Exempt 2001 Series AA Bonds

The opinion to be delivered by Bond Counsel concurrently with delivery of the 2001 Series AA Bonds as described in "TAX MATTERS – Tax Treatment on Tax-Exempt 2001 Series AA Bonds" will assume compliance by the Authority with certain requirements of the Tax Code that must be met subsequent to the issuance of the 2001 Series AA 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 2001 Series AA Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. Furthermore, the opinion of Bond Counsel is rendered as of the date of delivery of the 2001 Series AA 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 the 2001 Series AA Bonds, the exclusion of interest on the Tax-Exempt 2001 Series AA Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the 2001 Series AA 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 "SECURITY FOR THE 2001 SERIES AA BONDS – Interest Rate Contracts."

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 will 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 2001 Series AA 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 J** – "Insurance and Guarantee Programs; Foreclosure." These procedures do not apply to certain of the mortgage loans that may be New 2001 Series AA Mortgage Loans. See "THE 2001AA SINGLE FAMILY MORTGAGE PROGRAM – Zero Interest Loans." Any cash assistance to Borrowers in connection with the New 2001 Series AA Mortgage Loans will decrease the Borrower's equity in the Eligible Property and, as a result, it is possible that the New 2001 Series AA 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 2001 Series AA 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 "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 2001 Series AA 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 2001 Series AA Mortgage Loans securing the 2001 Series AA Bonds.

Other Risks

The remedies available to the owners of the 2001 Series AA 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 2001 Series AA 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 2001AA SINGLE FAMILY MORTGAGE PROGRAM

The Mortgage Loans purchased or acquired and securing Bonds and Auxiliary Obligations under the Master Indenture are not required to satisfy generally the requirements of the Authority's Qualified Single-Family Mortgage Program which is based on requirements in the Tax Code. However, the following sections describe requirements for the 2001 Series AA 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 2001 Series AA Mortgage Loans (with noted exceptions). *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.*

Notification to Mortgage Lenders

Each Mortgage Lender approved by the Authority to participate in the Authority's 2001AA Single Family Mortgage Program has executed a Mortgage Purchase Agreement. The Authority will notify such approved Mortgage Lenders of the availability of funds under this Program by providing a directive outlining the terms of the Program (the "**Program Directive**") to such Mortgage Lenders. Additional Mortgage Lenders may become eligible to participate and, if approved by the Authority, will enter into a Mortgage Purchase Agreement.

The Program Directive will specify the approximate amount of moneys expected to be made available to purchase New 2001 Series AA Mortgage Loans as a result of the issuance of the 2001 Series AA Bonds. The Program Directive will describe the program parameters including the Mortgage Loan interest rates and corresponding cash assistance levels, 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. The Program Directive is incorporated by reference into the Mortgage Purchase Agreement entered into between the Authority and each respective Mortgage Lender for eligible New 2001 Series AA Mortgage Loans. See "PROGRAM ASSUMPTIONS AND BONDOWNERS' RISKS – Special Considerations Relative to Loan Origination."

Reservation, Delivery and Purchase of New 2001 Series AA Mortgage Loans

The Sellers' Guide references and incorporates a description of reservation procedures by which a Mortgage Lender may reserve New 2001 Series AA Mortgage Loan funds. 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 New 2001 Series AA Mortgage Loans, the Mortgage Lender may then use the Internet Reservation System to reserve funds. To reserve certain New 2001 Series AA Mortgage Loans, the Mortgage Lender must fax certain documentation to the Authority. Prior to closing the New 2001 Series AA 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 New 2001 Series AA Mortgage Loan and deliver to the Authority certain information regarding the New 2001 Series AA Mortgage Loan within five (5) business days of the closing to permit the Authority to begin servicing the New 2001 Series AA Mortgage Loan. The Mortgage Lender must deliver the remaining closing documents to the Authority for purchase of the New 2001 Series AA 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 New 2001 Series AA 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 who attend the classes prior to executing a contract with respect to the applicable property may be eligible to make reservations on a priority basis (one day in advance of the general reservation period). Priority reservations will be made by fax rather than through the Internet Reservation System.

At closing, the Mortgage Lender will advance to a Borrower any applicable cash assistance for application to the upfront cash requirements for such New 2001 Series AA 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 New 2001 Series AA 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 New Mortgage Loan insurer or guarantor. The Authority or the Trustee will purchase New 2001 Series AA 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, for lender origination fees. The Authority also intends to use funds from the Acquisition Fund in some cases to purchase, on behalf of Borrowers receiving a New 2001 Series AA Mortgage Loan and purchasing Eligible Properties which have been previously occupied, home warranties covering major household systems and appliances.

Eligibility Requirements

Income Limits

An Applicant may be a Borrower for purposes of a New 2001 Series AA Mortgage Loan (other than a Zero Interest 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 New 2001 Series AA 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

Purchases of New 2001 Series AA Mortgage Loans (other than Zero Interest Loans) by the Authority from Mortgage Lenders are made pursuant to Mortgage Purchase Agreements, which incorporate by reference the terms and provisions of the Sellers' Guide. A reservation of Mortgage Loan funds is for a specific Applicant, residence and Mortgage Loan amount. The Sellers' Guide provides that an origination fee equal to one percent (1%) of the aggregate principal amount of each New 2001 Series AA 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 New 2001 Series AA Mortgage Loans.

The Mortgage Lender will warrant, represent, covenant and agree that each time it sells a New 2001 Series AA Mortgage Loan to the Authority such New 2001 Series AA 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 New 2001 Series AA 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 New 2001 Series AA 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 New 2001 Series AA Mortgage Loan; (iv) the absence of defaults under each New 2001 Series AA Mortgage Loan; (v) the Mortgage Lender's right to sell each New 2001 Series AA 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 New 2001 Series AA 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 New 2001 Series AA Mortgage Loan offered to it if, in the reasonable opinion of the Authority, the New 2001 Series AA Mortgage Loan does not conform to the requirements of the Act or the Sellers' Guide. See "Mortgage Purchase Agreements" 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. As of March 31, 2001, the Authority was servicing $834,139,684 aggregate principal amount of the Authority's single family mortgage loans, and three financial institutions were collectively servicing $69,613,201 aggregate principal amount of the Authority's single family mortgage loans. The Sellers' Guide relating to the New 2001 Series AA Mortgage Loans securing the 2001 Series AA Bonds will require all originating Mortgage Lenders to sell to the Authority all of the loan servicing rights to the New 2001 Series AA Mortgage Loans. The Authority intends to service all of the New 2001 Series AA Mortgage Loans, the Authority Mortgage Loans and of the Prior 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 2001 Series AA 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.

The Authority intends to begin servicing the New 2001 Series AA Mortgage Loans within five (5) business days of closing, which in most cases will be prior to the Authority's purchase of the New 2001 Series AA Mortgage Loans. The Sellers' Guide sets forth the Authority's servicing obligations with respect to a New 2001 Series AA Mortgage Loan for the period prior to the Authority's purchase of the New 2001 Series AA Mortgage Loan. The Sellers' Guide also gives the Authority the right to retransfer the servicing of a New 2001 Series AA Mortgage Loan back to the Mortgage Lender if the New 2001 Series AA Mortgage Loan is not purchased within a specified time. The Authority will make 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 2001 Series AA 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.

Zero Interest Loans

The Authority may use amounts in the 2001 Series AA subaccount of the Acquisition Fund to acquire as New 2001 Series AA 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Class I Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such terms and level.

HomeAccess Program

The Authority may use amounts in the 2001 Series AA subaccount of the Acquisition Account to purchase New 2001 Series AA 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 2001 Series AA 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 New 2001 Series AA Mortgage Loans. The Authority does not provide cash assistance for HomeAccess Loans or HomeAccess Plus Loans although in some cases the Authority may provide certain borrowers under the HomeAccess Program 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 2001 Series AA Indenture to demonstrate that the 2001 Series AA Class I Asset Requirement and the 2001 Series AA Class II Asset Requirement will be met after taking into account such terms and level.

TAX MATTERS

Tax Treatment of Interest on Tax-Exempt 2001 Series AA 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 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 Bonds (collectively, the "**Tax-Exempt 2001 Series AA 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 2001 Series AA Bonds (the "**Tax Code**"), and interest on the Tax-Exempt 2001 Series AA Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code; however, interest on the Tax-Exempt 2001 Series AA Bonds 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 2001 Series AA 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 2001 Series AA Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt 2001 Series AA 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 2001 Series AA Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt 2001 Series AA Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt 2001 Series AA 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 2001 Series AA Bonds above the yield on the Tax-Exempt 2001 Series AA 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 2001 Series AA Bonds from gross income and alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt 2001 Series AA Bonds from gross income and 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 2001 Series AA Bonds to be included in gross income or alternative minimum taxable income from the date of issuance.

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 Tax-Exempt 2001 Series AA Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt 2001 Series AA Bonds. Owners of the Tax-Exempt 2001 Series AA 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 2001 Series AA Bonds from gross income and 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 2001 Series AA Bonds. Owners of the Tax-Exempt 2001 Series AA 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 2001 Series AA 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 2001 Series AA Bonds, the exclusion of interest on the Tax-Exempt 2001 Series AA Bonds from gross income, alternative minimum taxable income, or any combination thereof from the date of issuance of the Tax-Exempt 2001 Series AA 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 2001 Series AA-1 Bonds

IN THE OPINION OF BOND COUNSEL THE INTEREST ON THE TAXABLE 2001 SERIES A-A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2001 SERIES A-A 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 2001 SERIES A-A BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2001 Series AA-1 Bonds. Owners of the Taxable 2001 Series AA-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2001 Series AA-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2001 Series AA-1 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 2001 Series AA 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 2001 Series AA Bonds. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the Tax-exempt 2001 Series AA 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 2001 Series AA Bonds.

LITIGATION

At the time of the delivery of and payment for the 2001 Series AA Bonds, the Authority will deliver an opinion of its Director of Legal Operations and Risk Management, 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 2001 Series AA 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 2001 Series AA Bonds, the Indenture or the contract for the purchase of the 2001 Series AA Bonds.

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 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-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 Liquidity Facility. Moody's and S&P are expected to give the 2001 Series AA-4 Bonds a rating of "Aa2" and "AA," respectively. Such ratings reflect only the views of Moody's and S&P, respectively. 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. 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 market price of the respective 2001 Series AA Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Fixed Interest Rate Bonds and the Adjustable Rate Bonds during a Term Mode equal to or greater than nine months, the Authority will deliver a Continuing Disclosure Undertaking, a form of which is attached hereto in **Appendix D**, wherein the Authority will agree for the benefit of the Bondowners to provide certain annual financial information and to provide notices of occurrence of certain enumerated events relating to the 2001 Series AA Bonds, if material. The Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds. **The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the Adjustable Rate Bonds while in a Daily, Weekly, Monthly or Semiannual Mode or a Term Mode less than nine months. If the interest rate on any series of the Adjustable Rate Bonds is adjusted to the SAVRS Mode or a Term Mode of greater than nine months or is converted to bear interest at Fixed Interest Rates and thereby makes such Adjustable Rate Bonds subject to the Rule, the Authority will agree at the time of such adjustment or conversion to provide continuing information with respect thereto to the extent required by the Rule.**

UNDERWRITING AND PLACEMENT

The 2001 Series AA Bonds are to be purchased from the Authority by Lehman Brothers Inc., George K. Baum & Company, A.G. Edwards & Sons, Inc. and Dain Rauscher Incorporated (the "**Underwriters**"). See "CERTAIN RELATIONSHIPS OF PARTIES." The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the Adjustable Rate Bonds at a price equal to $121,840,000 (being the par amount of the Adjustable Rate Bonds). The 2001 Series AA-4 Bonds 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 $565,940 (including expenses) on November 2, 2001. The initial public offering price of the Adjustable Rate Bonds may be changed from time to time by the Underwriters.

REMARKETING AGENT

Lehman Brothers Inc. has been appointed to serve as Remarketing Agent for the Adjustable Rate Bonds (other than SAVRS Rate Bonds) pursuant to a Remarketing Agreement dated as of October 1, 2001 between the Authority and Lehman Brothers Inc. See "CERTAIN RELATIONSHIPS OF PARTIES." If Adjustable Rate Bonds are tendered or deemed tendered for purchase as described herein under the caption "DESCRIPTION OF 2001 SERIES AA BONDS – Adjustable Rate Bonds – Optional Tender " and "– Mandatory Purchase," the Remarketing Agent is required to use its best efforts to remarket such Adjustable Rate Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The Remarketing Agent will also be responsible for determining the rates of interest for such Adjustable Rate Bonds in accordance with the Indenture. The Remarketing Agent is to transfer any proceeds of remarketing of the Adjustable Rate Bonds to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Bond Purchase Fund in accordance with the Indenture.

The 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 Standby Bond Purchaser with thirty (30) days' prior written notice, except that such resignation shall not take effect until the appointment of a successor Remarketing Agent under the 2001 Series AA Indenture. The Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the Remarketing Agent, the Trustee, the Paying Agent, and the Standby Bond Purchaser and upon at least thirty (30) days' prior written notice to the Remarketing Agent. Any successor Remarketing Agent shall be selected by the Authority. The Remarketing Agent shall assign and deliver the Remarketing Agreement to its successor.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter and the Remarketing Agent of 2001 Series AA Bonds, and its affiliate, Lehman Brothers Financial Products Inc., is expected to act as Counterparty to the Authority under the Interest Rate Contracts described in "SECURITY FOR THE 2001 SERIES AA BONDS – Derivative Products."

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the year ended December 31, 2000, included in this Official Statement as Appendix A, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their report dated February 6, 2001.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2001 Series AA Bonds are subject to the approval of Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Director of Legal Operations and Risk Management, James A. Roberts, Esq., and by its Disclosure Counsel, Hogan & Hartson, L.L.P., Denver, Colorado.

Certain legal matters will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole, Denver, Colorado. Certain legal matters will be passed upon for the Liquidity Facility Provider by King & Spalding, New York, New York, and German counsel to the Liquidity Facility Provider.

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 Initial Liquidity Facility, 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. Copies of the Liquidity Facility Provider's most recent Annual Report is available as described in **Appendix F** - "LIQUIDITY FACILITY PROVIDER."

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 2001 Series AA Bonds.

COLORADO HOUSING AND FINANCE AUTHORITY

By: /s/ Milroy A. Alexander
Executive Director

APPENDIX A

Financial Statements and Additional Information of the Authority for the Fiscal Year ended December 31, 2000

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ARTHUR ANDERSEN

UNQUALIFIED OPINION ON GENERAL-PURPOSE

FINANCIAL STATEMENTS AND SUPPLEMENTARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -

GOVERNMENTAL ENTITY

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, 2000 and 1999 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 $21,866,079 and $21,576,247 as of December 31, 2000 and 1999, respectively, total revenue of $6,771,536 and $6,475,964 and net income of $2,536,208 and $1,966,022 for the years ended December 31, 2000 and 1999, 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 they relate 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 at December 31, 2000 and 1999 and the results of its operations 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 6, 2001, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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; and schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audits 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.

Arthur Andersen LLP

Denver, Colorado,
February 6, 2001.

STATEMENTS OF FINANCIAL CONDITION

	December 31, 2000	(000's Omitted) 1999
Assets		
Cash and interest bearing accounts	$ 7,315	$ 5,211
Marketable securities:		
Short-term, at amortized cost which approximates market	329,128	342,406
Cash and cash equivalents	336,443	347,617
Marketable securities:		
Long-term, at fair value	124,162	126,185
Total cash and marketable securities	460,605	473,802
Loans receivable, net	1,392,805	1,166,355
Accrued interest receivable	17,535	15,244
Property and equipment, net:		
Corporate facilities	3,301	3,246
Rental operations	26,945	27,465
Deferred debt financing costs, net	16,962	15,809
Other real estate owned, net	5,822	795
Other assets	19,774	19,875
	$ 1,943,749	$ 1,722,591
Liabilities and Fund Equity		
Liabilities:		
Bonds payable, net	$ 1,635,523	$ 1,480,275
Notes payable	105,408	58,769
Accrued interest payable	23,413	22,079
Accounts payable and other liabilities	5,207	7,232
Federally assisted program advances	1,738	4,004
Deferred fee income	280	196
Escrow and refundable deposits	7,688	7,644
Total liabilities	1,779,257	1,580,199
Fund equity - retained earnings:		
Restricted	67,834	60,734
General Fund - Board designated	96,658	81,658
Total fund equity - retained earnings	164,492	142,392
	$ 1,943,749	$ 1,722,591

The accompanying notes are an integral part of these statements of financial condition.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

	Years Ended December 31, 2000	(000's Omitted) 1999
Interest and investment revenue:		
Loans receivable	$ **90,606**	$ 82,024
Marketable securities	**31,689**	29,899
Net increase (decrease) in fair value of long-term marketable securities	**2,603**	(5,121)
Total interest and investment revenue	**124,898**	106,802
Interest expense - bonds and notes payable	**101,105**	92,709
Net interest and investment revenue	**23,793**	14,093
Other revenue:		
Rental operations	**9,858**	9,587
Fees and miscellaneous income	**11,413**	9,080
Total other revenue	**21,271**	18,667
Net revenue	**45,064**	32,760
Other expenses:		
Salaries and related benefits	**9,356**	8,387
General operating	**9,300**	9,646
Provision for losses	**2,059**	7,505
Other interest expense	**2,249**	2,018
Total other expenses	**22,964**	27,556
Net income	**22,100**	5,204
Retained earnings, beginning of year	**142,392**	137,188
Retained earnings, end of year	$ **164,492**	$ 142,392

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2000	(000's Omitted) 1999
Operating activities:		
Net income	$ **22,100**	$ 5,204
Adjustments to reconcile net income to net cash used by operating activities:		
(Increase) decrease in fair value of investments	**(2,603)**	5,121
Depreciation	**1,545**	1,635
Gain on sale of property and equipment	**(1,476)**	-
Accretion of capital appreciation term bonds	**1,712**	1,316
Amortization of:		
Deferred debt financing costs	**1,420**	1,758
Premiums and discounts on bonds, net	**(4,675)**	(3,600)
Premiums and discounts on long-term marketable securities, net	**-**	15
Deferred fee income	**(2,328)**	(2,369)
Deferred cash assistance expense	**2,102**	1,547
Mortgage yield recoupment income	**(78)**	(179)
Provision for losses	**2,059**	7,505
Principal repayments on loans receivable	**138,942**	163,664
Sales of other real estate owned	**684**	-
New loan fundings	**(370,747)**	(281,175)
Deferred fee income	**1,949**	1,624
Deferred cash assistance expense	**(8,108)**	(7,134)
Changes in assets and liabilities:		
Accrued interest receivable	**(2,291)**	(2,027)
Other assets	**4,334**	(2,564)
Accrued interest payable	**1,783**	1,446
Accounts payable, federally assisted program advances and escrow and refundable deposits	**(4,247)**	3,160
Total adjustments	**(240,023)**	(110,257)
Net cash used by operating activities	$ **(217,923)**	$ (105,053)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2000	(000's Omitted) 1999
Net cash used by operating activities	$ (217,923)	$ (105,053)
Investing activities:		
Sales and maturities of long-term marketable securities	12,019	11,320
Purchases of long-term marketable securities	(7,322)	(10,344)
Sales of property and equipment:		
Corporate facilities	37	-
Rental operations	2,173	-
Purchases of property and equipment:		
Corporate facilities	(480)	(422)
Rental operations	(1,334)	(912)
Net cash provided (used) by investing activities	5,093	(358)
Noncapital financing activities:		
Proceeds from issuance of bonds payable	400,107	268,433
Proceeds from issuance of notes payable	372,032	261,984
Debt financing costs	(4,076)	(2,410)
Repayments of bonds payable	(240,060)	(176,598)
Repayments of notes payable	(325,392)	(250,638)
Bond call premiums	(955)	(226)
Net cash provided by noncapital financing activities	201,656	100,545
Net (decrease) increase in cash and cash equivalents	(11,174)	(4,866)
Cash and cash equivalents, beginning of year	347,617	352,483
Cash and cash equivalents, end of year	$ 336,443	$ 347,617
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 103,694	$ 92,755
Supplemental schedule of non-cash operating, investing and financing activities:		
Transfer of mortgage loans to real estate owned	10,125	217
Transfer of loans receivable to other assets	4,235	3,660
Transfer of allowance on loans receivable to allowance on other real estate owned	4,817	-
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	1,377	51
Transfer of deferred fee income to deferred refunding (loans receivable)	550	58
Transfer of accrued interest payable to allowance for losses	449	-
Charge-offs of other real estate owned, loans receivable and other assets	232	57

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.

At December 31, 2000, the Authority was authorized to have bonds, notes and other obligations outstanding in the aggregate amount up to $2.4 billion, which 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 (l). 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, excluding the Economic Development Fund ("EDF") and the Housing Opportunity Fund ("HOF"), are recorded in the Operating Fund. The Operating Fund, EDF, HOF, and those funds established under bond programs secured by the pledge of the Authority's general obligation constitute 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, 2000 and 1999 for various purposes as follows:

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

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

	2000	1999
Appropriations for loan funds:		
Housing fund	$ **13,019**	$ 9,675
Business Finance Fund	**10,498**	8,287
Housing Opportunity Fund	**19,412**	14,154
	42,929	32,116
Reserves:		
Debt service:		
General Obligation Bonds -		
Rental Housing and Commercial	**7,548**	7,459
General operating and working capital reserve	**11,425**	10,200
Unrealized appreciation of investments	**763**	599
	19,736	18,258
Restrictions for single and multi-family bonds	**33,993**	31,284
Total designated retained earnings	$ **96,658**	$ 81,658

(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 financial statements for the year ended December 31, 2002.

As permitted by the GASB Statement, 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, 2000 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, Planning & Development 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 in an

See notes to financial statements.

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

iterative process involving the Board, 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.

(e) Cash

Cash at December 31, 2000 and 1999, primarily includes market interest accounts of which approximately $1,694,000 and $1,802,000, 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 for 2000 and 1999 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 $112,867,000 and $114,492,000 at December 31, 2000 and 1999, 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

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands) Years Ended December 31, 2000 and 1999

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

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, 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, other real estate owned and other assets are shown net of an allowance for losses of $9,387,000, $4,406,000, and $201,000, respectively, for 2000, and $11,490,000, $0, and $229,000, respectively, for 1999.

(l) Property, Equipment and Rental Real Estate Operations

The office building, furniture and equipment are carried at $3,301,000 and $3,246,000 at December 31, 2000 and 1999, respectively, representing cost, net of accumulated depreciation of $3,479,000 and $3,281,000, 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, the Authority owned a total of 13 RAP projects, including its three component units, containing 1,362 units. Selected balance sheet items of the RAP are presented below:

		2000		1999
RAP combined, including component units:				
Property, net of accumulated depreciation of $7,897,000 and $7,288,000	$	**26,945**	$	27,465
Total assets		**35,169**		35,020
Total debt		**25,922**		27,343
Equity		**9,247**		7,677
RAP component units only:				
Property, net of accumulated depreciation of $4,509,000 and $3,799,000	$	**18,505**	$	18,334
Total assets		**21,866**		21,576
Total debt		**17,465**		17,695
Equity		**4,401**		3,881

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.

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

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

Property, Equipment and Rental Real Estate Operations

		2000		1999
RAP combined, including component units:				
Rental operations	$	**9,858**	$	9,587
Interest income		**190**		157
Gain on sale of property		**1,476**		-
General operating expenses		**(3,696)**		(3,728)
Depreciation expense		**(1,157)**		(1,214)
Interest expense		**(1,917)**		(2,045)
Net income	$	**4,754**	$	2,757

		2000		1999
RAP component units only:				
Rental operations	$	**6,631**	$	6,345
Interest income		**140**		131
General operating expenses		**(2,174)**		(2,329)
Depreciation expense		**(710)**		(744)
Interest expense		**(1,351)**		(1,437)
Net income	$	**2,536**	$	1,966

(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 $92,000 and $192,000 at December 31, 2000 and 1999, 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 in certain areas of the State of Colorado. Under this program, 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, approximately $1,276,000 and $1,275,000 in 2000 and 1999, 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

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(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, 2000 the Authority had cash deposits with a carrying value of $7,315,000. These balances are categorized as follows:

Risk Category	Cash Balance December 31, 2000
1	$ 703
2	6,610
3	2
TOTAL	$ 7,315

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, 2000. Short-term marketable securities are carried at amortized cost, which approximates market. Long-term marketable securities are carried at fair value. 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

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(2) Cash and Marketable Securities (continued)

securities held by the 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.

	Categories 1	2	3	Total
Categorized:				
U.S. government & agency obligations	$ 62,837	$ -	$ -	$ 62,837
Investment agreements	-	211,165	-	211,165
Repurchase agreements	7,348	-	-	7,348
	$ 70,185	$ 211,165	$ -	$ 281,350
Uncategorized:				
Treasury money market funds				36,908
Investment agreements				135,032
				$ 453,290

Investment agreements meet the requirements of the rating agency providing the rating on the debt issue for which the investment serves as collateral, 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 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, 2000 and 1999:

Description	2000	1999
General Fund	$ 167	$ (884)
Multi-family Housing Insured Mortgage Revenue	1,593	(3,481)
Multi-family/Project	553	
Single Family Housing Revenue	27	(160)
Taxable Single-Family Mortgage Revenue	12	
Single Family Revenue	186	(513)
Single Family Program Senior and Subordinate	65	(83)
TOTAL	$ 2,603	$ (5,121)

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands) Years Ended December 31, 2000 and 1999

(3) Loans Receivable

Loans receivable at December 31, 2000 and 1999 consist of the following:

	2000	1999
General Fund	$ **222,389**	$ 179,461
Multi-family bond programs:		
Housing Insured Mortgage Revenue	**417,736**	351,244
Mortgage Revenue	**4,151**	4,218
Single Family bond programs:		
Housing Revenue	**60,152**	69,765
Taxable Revenue	**11,005**	13,259
Taxable Program Senior and Subordinate	**3,539**	4,408
Revenue Bonds	**2,251**	2,831
Program Bonds	**19,196**	20,260
Program Senior and Subordinate	**639,524**	517,085
Revenue Refunding	**569**	733
Total loans receivable	**1,380,512**	1,163,264
Deferred cash assistance expense	**30,515**	24,508
Deferred fee income	**(8,752)**	(9,765)
Deferred mortgage yield recoupment income	**(83)**	(162)
Allowance for loan losses	**(9,387)**	(11,490)
Total loans receivable, net	$ **1,392,805**	$ 1,166,355

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 2000 and 1999, $19,932,000 and $23,386,000 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, 2000 and 1999, $29,926,000 and $25,135,000 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.

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(3) Loans Receivable (continued)

At December 31, 2000 and 1999, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2000	1999
Recycled funds loans (single family mortgage prepayments)	$ 32,139	$ 29,096
Single family mortgage program	48,756	48,598
Multi-family mortgages and projects	40,195	66,188
	$ 121,090	$ 143,882

These amounts exclude single family mortgage loans warehoused in the Authority's General Fund of $75.8 million and $69.5 million, at December 31, 2000 and 1999, respectively.

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2000 and 1999 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date		Interest rate (%)	2000	1999
General Fund:				
General Obligation Bonds:				
1986 Series A	-	7.25	$ -	$ 2,530
1991 Series A	-	6.90 to 7.50	-	19,430
1992 Series A	2001-2030	9.125	3,305	3,325
1994 Series A	-	5.40 to 6.875	-	24,765
1998 Series A	2001-2017	4.25 to 5.25	1,515	1,565
ACCESS Programs:				
1991 Series A	2001-2011	8.90 to 9.15	6,890	7,560
1991 Series B	2001-2011	8.50 to 9.40	6,020	6,430
1995 Series A	2001-2015	7.67	5,505	5,699
1997 Series A	2001-2018	7.22	6,149	6,309
1999 Series A	2001-2019	6.49	6,832	6,900
QIC Program:				
1993 Series A	2001-2018	7.87	2	188
1994 Series A	2001-2019	6.51	799	867
1994 Series B	2001-2021	6.53	1,800	2,137
1995 Series A	2001-2020	7.60	2,549	2,873
1997 Series A	2001-2023	6.56	2,402	2,749
1999 Series A	2001-2024	5.71	9,926	9,954
2000 Series A	2001-2025	6.755	9,985	-
SMART Program				
2000 Series A	2001-2020	6.152	8,707	-
Taxable Mortgage Revenue				
2000 Series A	2001-2020	6.914	13,476	-
2000 Series B	2001-2020	6.675	5,154	-

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2000	1999
Multi-family Mortgage Revenue Bond:				
1994 Series A	2001-2002	7.25	$ 127	$ 194
			91,143	103,475
Multi-family Housing Insured				
Mortgage Revenue Bonds:				
1977 Series A	-	6.00	-	15,710
1977 Series B	-	6.00	-	33,370
1982 Series A	2023-2025	9.00	**18,550**	18,550
1982 Series B	2020-2025	6.00	**11,645**	11,645
1984 Series A	2013-2016	7.50	**4,940**	6,250
1991 Series A	2001-2026	7.35	**2,495**	2,505
1992 Series A	2001-2023	7.95 to 8.30	**78,830**	80,205
1993 Series A	2001-2029	5.125 to 5.90	**16,490**	16,665
1995 Series A	2001-2037	5.50 to 6.80	**11,940**	12,030
1995 Series B	2001-2037	5.35 to 6.75	**14,220**	14,300
1995 Series C	2001-2015	5.10 to 7.00	**12,870**	12,945
1996 Series A	2001-2037	4.65 to 7.20	**36,620**	37,475
1996 Series B	2001-2037	5.75 to 8.00	**8,860**	8,930
1996 Series C	2001-2038	5.00 to 8.10	**15,195**	24,255
1997 Series A	2001-2038	4.50 to 7.125	**19,595**	19,815
1997 Series B	2001-2038	4.40 to 7.25	**23,615**	29,595
1997 Series C	2001-2039	4.50 to 6.75	**54,180**	54,865
1998 Series A	2001-2039	5.35 to 6.70	**20,605**	20,730
1998 Series B	2001-2040	5.45 to 7.00	**7,280**	7,300
1999 Series A	2001-2041	4.65 to 6.65	**34,865**	34,915
1999 Series B	2001-2041	5.25 to 5.85	**5,580**	5,580
1999 Series C	2001-2041	4.55 to 7.93	**18,140**	18,140
			416,515	485,775
Multi-family Mortgage Revenue Bonds				
(Principal and interest payable monthly):				
Series 1978-3	2001-2017	6.50	**1,297**	1,333
Series 1980-1	2001-2021	10.50	**757**	766
Series 1981-1	2001-2022	11.00	**2,097**	2,119
			4,151	4,218
Multi-family/Project Bonds				
2000 Series A	2002-2032	Variable	**95,875**	-
2000 Series B	2002-2042	Variable	**31,875**	-
			127,750	-

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2000	1999
Single Family Housing Revenue Refunding Bonds:				
1991 Refunding				
Series A	2001-2031	6.70 to 7.25	**46,451**	52,401
1995 Refunding				
Series A	2001-2013	4.60 to 5.65	**7,910**	9,535
1996 Refunding				
Series AA	2005-2023	4.80 to 5.625	**$ 34,495**	$ 34,495
			88,856	96,431
Taxable Single Family Mortgage Revenue Bonds:				
1998 Issue I	2012-2018	6.10 to 6.65	**11,440**	15,200
Taxable Single Family Program				
Senior and Subordinate Bonds:				
1993 Issue A	2011	7.625	**2,565**	3,940
Single Family Revenue Bonds:				
1985 Series A	2014	11.125	**797**	1,170
1985 Series B	2017	8.75	**2,085**	3,525
1993 Refunding				
Series A	2005-2014	7.00	**4,550**	6,953
			7,432	11,648
Single Family Program Bonds:				
1998 Series C	2001-2029	4.50 to 5.625	**19,265**	19,527
Single Family Program Senior and Subordinate Bonds:				
1990 Series A	-	7.55 to 9.375	-	3,005
1990 Series B	-	7.95 to 9.75	-	3,540
1990 Series C	-	6.85 to 9.20	-	6,420
1991 Series A	2001-2023	6.70 to 9.40	**1,915**	3,530
1991 Series B	2001-2023	6.70 to 9.00	**5,195**	6,995
1991 Series C	2001-2023	6.60 to 9.075	**8,365**	11,100
1991 Series D	2001-2023	6.30 to 8.65	**6,770**	8,860
1992 Series A	2001-2024	6.10 to 8.70	**12,570**	15,140
1994 Series B	2004-2024	5.75 to 7.50	**3,025**	3,725
1994 Series C	2004-2024	6.00 to 7.90	**3,390**	4,230
1994 Series D-I	2001-2024	5.40 to 8.00	**2,950**	3,790
1994 Series D-II	2001-2025	5.65 to 8.125	**2,505**	3,680
1994 Series E	2001-2024	5.60 to 8.125	**3,375**	4,750
1994 Series F	2001-2025	6.75 to 8.625	**1,980**	2,840
1995 Series A	2001-2025	5.50 to 8.00	**8,670**	10,220

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2000	1999
Single Family Program Senior and Subordinate Bonds, continued:				
1995 Series B	2001-2025	5.40 to 7.90	$ **8,835**	$ 10,795
1995 Series C	2001-2025	5.05 to 7.65	**11,945**	15,545
1995 Series D	2003-2026	5.20 to 7.38	**23,750**	27,835
1996 Series A	2001-2027	4.80 to 7.40	**25,730**	30,130
1996 Series B	2001-2027	5.00 to 7.65	**24,190**	28,815
1996 Series C	2001-2027	4.90 to 7.55	**25,025**	37,340
1997 Series A	2001-2027	4.45 to 7.25	**32,590**	41,160
1997 Series B	2001-2028	4.70 to 7.00	**31,580**	38,025
1997 Series C	2001-2028	5.00 to 6.875	**34,415**	40,765
1998 Series A	2001-2029	4.625 to 6.60	**43,940**	48,220
1998 Series B	2001-2029	4.50 to 6.55	**44,782**	48,915
1998 Series D	2001-2029	4.25 to 6.35	**54,635**	59,820
1999 Series A	2001-2030	4.25 to 6.45	**48,450**	50,000
1999 Series B	2001-2030	4.875 to 6.80	**59,165**	60,000
1999 Series C	2001-2031	4.70 to 7.20	**69,140**	70,720
2000 Series A	2001-2031	5.40 to 7.54	**50,000**	-
2000 Series B	2001-2031	5.10 to 7.47	**40,000**	-
2000 Series C	2001-2031	5.10 to 8.40	**54,765**	-
2000 Series D	2001-2032	5.15 to 7.43	**40,000**	-
2000 Series E	2002-2032	5.15 to 7.10	**35,000**	-
			818,647	699,910
Single Family Revenue Refunding:				
1994 Series A	2001-2011	5.00 to 5.30	**515**	705
Mortgage notes:				
September 4, 2020		1.00	**878**	918
June 22, 2025		1.00	**770**	797
July 1, 2004		4.50	**750**	768
March 1, 2001		5.00	**-**	65
June 30, 2001		5.37	**1,224**	1,250
March 1, 2001		6.00	**-**	100
April 1, 2001		11.47	**50**	52
March 31, 2003		-	**128**	170
November 1, 2005		-	**70**	70
January 31, 2001		2.00	**4,070**	2,490
January 16, 2001		6.44	**87,860**	45,460
May 1, 2005		7.25	**9,282**	-

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2000	1999
Unsecured notes payable:			
January 5, 2000	6.63 to 7.017	$ -	$ 6,330
August 23, 2003	Variable	-	84
August 23, 2003	Variable	76	215
October 28, 2002	Variable	250	-
		105,408	58,769
Total bonds and notes payable		1,693,687	1,499,598
Discounts/premiums, net		49,329	39,569
Deferred refunding amounts		(2,085)	(123)
Total bonds and notes payable, net		$ 1,740,931	$ 1,539,044

Included in several of the bond issues shown above are Capital Appreciation Bonds ("CAB") and 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, 2000 and 1999 are as follows:

Description, due date and type		Interest rate (%)	Appreciated Balances Maturity	2000	1999
Single Family Revenue Bonds:					
1985 Series A	2014 CATB	11.125	$ 3,500	$ 797	$ 1,170
1993 Refunding Series A	2014 CATB	7.00	11,650	4,550	6,953
Single Family Housing Revenue Bonds:					
1991 Refunding Series A	2001-2006 CAB	6.70 to 7.00	18,725	15,576	14,561
Single Family Senior and Subordinate Bonds:					
1998 Series B	2029 CATB	5.5	6,940	1,452	1,375
Single Family Program Bonds:					
1998 Series C	2029 CATB	5.625	16,285	3,290	3,112

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 1999 are as follows:

	2001	2002	2003	2004	2005
Bonds:					
General Fund:					
General Obligation	$ 3,396	$ 4,342	$ 5,162	$ 5,312	$ 5,533
Multi-family Mortgage Revenue	67	66	-	-	-
Multi-family:					
Housing Insured Mortgage Revenue	4,570	5,025	5,375	5,755	6,145
Mortgage Revenue	72	79	87	96	105
Project	1,845	1,215	205	225	240
Single Family:					
Housing Revenue Refunding	2,753	2,630	2,490	2,295	2,089
Program	460	485	510	535	565
Program Senior and Subordinate	10,350	11,115	11,575	12,060	16,645
Revenue Refunding	35	30	30	55	85
Notes Payable	93,331	131	457	763	9,422
Total Bonds and Notes Payable	$ 116,879	$ 25,118	$ 25,891	$ 27,096	$ 40,829
Interest Due	90,814	89,745	88,675	87,408	85,074
Total Annual Debt Service	$ 207,693	$ 114,863	$ 114,566	$ 114,504	$ 125,903

Aggregate maturities of bonds and notes payable subsequent to the year 2005 are approximately $1,458,000.

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, 2000 and 1999, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2000 and 1999, the Authority had a $50,000 and $52,000, 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, 2000 and 1999, the outstanding borrowings under this agreement were $87,860,000 and $45,460,000, 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, 2001. As of December 31, 2000

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(4) Bonds and Notes Payable (continued)

and 1999, the outstanding borrowings under this agreement were $0 and $6,330,000.

During 2000, the Authority secured 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 July 1, 2001. As of December 31, 2000, the outstanding borrowings under this agreement were $4,070,000.

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, 2000, $182,640,000 and $59,625,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 1999 were $152,660,000 and $38,380,000, 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 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 stabilize the interest rates on certain bond obligations by applying fixed rates of interest 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	$ 12,750,000	03/21/00	5.235%	VRDO's Rate[1]	10/01/20
2000 Series A	18,500,000	03/21/00	5.225%	VRDO's Rate[1]	04/01/25
2000 Series B	7,780,000	10/19/00	7.390%	LIBOR[2], plus .25%	07/01/20

[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.

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(6) Debt Refundings

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.

On October 19, 1999, the Authority issued its Single Family Program Senior and Subordinate Bonds, 1999 Series C, in the aggregate principal amount of $70,720,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1989 Series A, B and C in the amount of $11,295,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of $1,870,000 and an approximate economic gain to the Authority of $389,000.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2000 and 1999 refunding transactions are being amortized over the estimated remaining lives of the old debt.

	2000	1999
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 issuance	519	-
Unamortized discount	93	-
Call premium	747	-
Single Family Program Senior and Subordinate Bonds, 1989 Series A, B, and C:		
Deferred fee income	-	(58)
Deferred debt financing costs	-	74
Call premium	-	226
Total deferred amount	$ 1,837	$ 242

NOTES TO FINANCIAL STATEMENTS (Amounts for all notes in tabular format are in thousands.) Years Ended December 31, 2000 and 1999

(7) Selected Financial and Operating Data

Selected financial and operating data of the various program funds of the Authority as of December 31, 2000 are as follows:

	Total Assets	Bonds and Notes Payable	Fund Equity
General Fund	$ 326,427	$ 213,588	$ 96,658
Multi-family:			
Housing Insured Mortgage Revenue	430,611	407,088	15,708
Mortgage Revenue	4,184	4,151	-
Project	130,890	125,105	4,193
Single Family:			
Housing Revenue	115,619	90,106	24,757
Taxable Revenue	13,651	11,440	1,957
Taxable Program Senior and Subordinate	3,883	2,687	1,180
Revenue	13,407	7,433	5,914
Program Senior and Subordinate	901,013	876,537	12,918
Program Bonds	20,489	19,318	1,039
Revenue Refunding	718	515	168
Intercompany Eliminations	(17,143)	(17,037)	-
	$ 1,943,749	$ 1,740,931	$ 164,492

	Total Revenue	Interest Expense	Net Income (Loss)
General Fund	$ 39,668	$ 11,983	$ 15,000
Multi-family:			
Housing Insured Mortgage Revenue	34,325	28,849	621
Mortgage Revenue	397	397	-
Project	6,825	4,257	4,192
Single Family:			
Housing Revenue	8,590	5,855	120
Taxable Revenue	1,129	871	215
Taxable Program Senior and Subordinate	389	186	183
Revenue	1,457	728	709
Program Senior and Subordinate	53,578	49,133	1,050
Program Bonds	1,033	990	(4)
Revenue Refunding	52	32	14
Intercompany Eliminations	(1,274)	(2,177)	-
	$ 146,169	$ 101,105	$ 22,100

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 10% and 8%, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was $6,649,000 and $6,201,000 for 2000 and 1999, respectively. Contributions by the Authority and employees approximated $665,000 and $534,000, respectively, for 2000, while for 1999 the amounts were $620,000 and $496,000, 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, 1999, 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 $1,413,208,000 and $1,737,081,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2000.

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 $73,786,000 and $37,676,000 at December 31, 2000 and 1999, 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 between 1% and 23% of their annual gross salaries up to the annual IRS limit. 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.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for eligible employees, defined as those who have completed three months of employment with the Authority. 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 2000	Memorandum Totals 1999
ASSETS						
Cash	$ 7,202	$ -	$ 113	$ -	$ **7,315**	$ 5,211
Marketable securities:						
Short-term	39,279	212,991	76,858	-	**329,128**	342,406
Long-term, at fair value	13,506	61,016	49,640	-	**124,162**	126,185
Total cash and marketable securities	59,987	274,007	126,611		**460,605**	473,802
Loans receivable, net	215,692	761,407	432,743	(17,037)	**1,392,805**	1,166,355
Accrued interest receivable	2,201	9,547	5,893	(106)	**17,535**	15,244
Property and equipment, net:						
Corporate facilities	3,301	-	-	-	**3,301**	3,246
Rental operations	26,945	-	-	-	**26,945**	27,465
Deferred debt financing costs, net	1,105	12,962	2,895	-	**16,962**	15,809
Other real estate owned, net	4,868	612	342	-	**5,822**	795
Other assets	17,690	253	1,831	-	**19,774**	19,875
Due from (to) other funds	(5,362)	9,992	(4,630)	-	**-**	-
Total Assets	$ 326,427	$ 1,068,780	$ 565,685	$ (17,143)	$ **1,943,749**	$ 1,722,591
LIABILITIES AND FUND EQUITY						
Liabilities:						
Bonds and notes payable, net	$ 213,588	$ 1,008,036	$ 536,344	$ (17,037)	$ **1,740,931**	$ 1,539,044
Accrued interest payable	2,292	12,775	8,452	(106)	**23,413**	22,079
Accounts payable and other liabilities	4,216	3	988	-	**5,207**	7,232
Federally assisted program advances	1,738	-	-	-	**1,738**	4,004
Deferred fee income	280	-	-	-	**280**	196
Escrow and refundable deposits	7,655	33	-	-	**7,688**	7,644
Total liabilities	229,769	1,020,847	545,784	(17,143)	**1,779,257**	1,580,199
Fund equity - retained earnings:						
Restricted	-	47,933	19,901	-	**67,834**	60,734
General Fund - Board designated	96,658	-	-	-	**96,658**	81,658
Total fund equity - retained earnings	96,658	47,933	19,901	-	**164,492**	142,392
	$ 326,427	$ 1,068,780	$ 565,685	$ (17,143)	$ **1,943,749**	$ 1,722,591

See notes to financial statements

S… MENTS 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 2000	1999
Interest and investment revenues						
Loans receivable	$ 14,966	$ 45,168	$ 31,746	$ (1,274)	$ **90,606**	$ 82,024
Marketable securities	3,252	20,782	7,655	-	**31,689**	29,899
Net increase (decrease) in fair value of mar… able securities	179	278	2,146	-	**2,603**	(5,121)
Total interest and investment revenue	18,397	66,228	41,547	(1,274)	**124,898**	106,802
Interest expense - bonds and notes payable	11,983	57,796	33,503	(2,177)	**101,105**	92,709
Net interest revenue	6,414	8,432	8,044	903	**23,793**	14,093
Other revenues (expenses):						
Rental operations	9,858	-	-	-	**9,858**	9,587
Fees and miscellaneous income	11,413	-	-	-	**11,413**	9,080
Program fees (expenses)	4,024	(3,448)	(576)	-	**-**	-
Total other revenue	25,295	(3,448)	(576)	-	**21,271**	18,667
Net revenue	31,709	4,984	7,468	903	**45,064**	32,760
Other expenses:						
Salaries and related benefits	9,356	-	-	-	**9,356**	8,387
General operating	8,503	337	460	-	**9,300**	9,646
Provision for losses	(438)	561	1,936	-	**2,059**	7,505
Other interest expense	1,346	-	-	903	**2,249**	2,018
Transfers	(2,058)	1,798	260	-	**-**	-
Total other expenses	16,709	2,696	2,656	903	**22,964**	27,556
Net income	15,000	2,288	4,812	-	**22,100**	5,204
Retained earnings, beginning of year	81,658	45,645	15,089	-	**142,392**	137,188
Retained earnings, end of year	$ 96,658	$ 47,933	$ 19,901	$ -	$ **164,492**	$ 142,392

See notes to financial statements

ARTHUR ANDERSEN

REPORT ON COMPLIANCE AND ON INTERNAL

CONTROL OVER FINANCIAL REPORTING BASED ON AN

AUDIT OF FINANCIAL STATEMENTS PERFORMED

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the Colorado Housing and Finance Authority (the "Authority") as of and for the year ended December 31, 2000, and have issued our report thereon dated February 6, 2001. We conducted our audit 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Denver, Colorado,
February 6, 2001.

APPENDIX B

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.

"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. For purposes of this Official Statement, Adjustable Rate Bonds means the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds.

"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 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 Provide s a Person that is a party to an Interest Rate Contract with the Authority with respect to specifieu is and who satisfies the applicable requirements of the Interest Rate Exchange Agreements Act, b ng Arucle 59.3, Title 11 of Colorado Revised Statutes, and whose credit rating by each nationally recognize Rating Agency hen rating the Class I Bonds is sufficiently high to maintain the then current ratir.g 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 th 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.

"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.

"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.

"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 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 Mortgage 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 Asset Requirements

The Class I Asset Requirement and Class II Asset Requirement, respectively, with respect to a Series of Bonds shall have the meanings set forth in the Related Series Indenture. The 2001 Series AA Indenture sets forth the 2001 Series AA Class I Asset Requirement and 2001 Series AA Class II Asset Requirement as follows:

"*2001 Series AA Class I Asset Requirement*" means the requirement that, as of any date of calculation, the sum of (a) amounts held in the 2001 Series AA subaccount of the Acquisition Account, the 2001 Series AA subaccount of the Loan Recycling Account, the 2001 Series AA subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series AA Class I Bonds), the 2001 Series AA subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem 2001 Series AA Class I Bonds) and the 2001 Series AA subaccount of the Debt Service Reserve Fund, and (b) the aggregate unpaid principal balance of Mortgage Loans Related to the 2001 Series AA Bonds, be at least equal to 117.5% of the aggregate principal amount of 2001 Series AA Class I Bonds then Outstanding, or such different percentage as shall be approved or required by each Rating Agency in writing.

"*2001 Series AA Class II Asset Requirements*" means the requirement that, as of any date of calculation, the sum of (a) amounts in the 2001 Series AA subaccount of the Acquisition Account, the 2001 Series AA subaccount of the Loan Recycling Account, the 2001 Series AA 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 2001 Series AA Class I Bonds or 2001 Series AA Class II Bonds), the 2001 Series AA subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem 2001 Series AA Class I Bonds or 2001 Series AA Class II Bonds) and the 2001 Series AA subaccount of the Debt Service Reserve Fund, and (b) the aggregate unpaid principal balance of Mortgage Loans Related to the 2001 Series AA Bonds, be at least equal to 109% of the Aggregate Principal Amount of 2001 Series AA Class I Bonds then Outstanding plus 109% of the Aggregate

Principal Amount of 2001 Series AA Class II Bonds then Outstanding, or such different percentages as shall be approved or required by each Rating Agency in writing.

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.

APPENDIX C

Form of Bond Counsel Opinion

___________ __, 2001

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

Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-1
Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-2
Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-3
and
Single Family Mortgage Class II Bonds, 2001 Series AA-4

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, 2001 Series AA-1 (the "Taxable 2001 Series AA-1 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-2 (the "2001 Series AA-2 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2001 Series AA-3 (the "2001 Series AA-3 Bonds") and Single Family Mortgage Class II Bonds, 2001 Series AA-4 (the "2001 Series AA-4 Bonds" and, together with the Taxable 2001 Series AA-1 Bonds, the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds, the "Bonds") in the aggregate principal amount of $131,840,000. 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 2001 Series AA Indenture dated as of October 1, 2001 (the "2001 Series AA 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 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 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"); and interest on the 2001 Series AA-2 Bonds, the 2001 Series AA-3 Bonds and the 2001 Series AA-4 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 2001 Series AA-1 Bonds is not 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.

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,

APPENDIX D

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 Class I Adjustable Rate Bonds, 2001 Series AA-3 while in a Term Mode equal to or greater than nine months (the "2001 Series AA-3 Bonds") and its Single Family Mortgage Class II Bonds, 2001 Series AA-4 (the "2001 Series AA-4 Bonds" and, together with the 2001 Series AA-3 Bonds, the "2001 Series AA Bonds"). The 2001 Series AA Bonds are being issued pursuant to a Master Indenture of Trust dated as of October 1, 2001 (the "Master Indenture") and pursuant to a 2001 Series AA Indenture dated as of October 1, 2001 (the "2001 Series AA 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 2001 Series AA 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:

BACKGROUND

1. The 2001 Series AA 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 2001AA 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 2001 Series AA 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 2001 Series AA Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

(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) "Security for the 2001 Series AA Bonds – The Mortgage

Loans" and "Program Assumptions and Bondowners' Risks" by the means of supplying the information as to loan portfolio characteristics, bond characteristics, investments and equity, and (ii) the section of the final Official Statement captioned "Colorado Housing and Finance Authority - Programs to Date."

(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 2001 Series AA 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., 20th Floor, 3 World Financial Center, New York, New York 10285-2000.

(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, 2001 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 2001 Series AA 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 2001 Series AA Bonds, if material (provided, that any event under clauses (viii), (ix) or (xi) will always be deemed to be material):

i. Principal and interest payment delinquencies with respect to the 2001 Series AA Bonds;

ii. Non-payment related defaults with respect to the 2001 Series AA 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 2001 Series AA Bonds;

vii. Modifications to the rights of the owners of the 2001 Series AA Bonds;

viii. Bond calls (other than mandatory sinking fund redemption);

ix. Defeasance;

x. Release, substitution or sale of property securing repayment of the 2001 Series AA Bonds; and

xi. Rating changes.

(e) At any time the 2001 Series AA 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. Method of Transmission. 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. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the 2001 Series AA Bonds. The owner or beneficial owner of any 2001 Series AA 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 2001 Series AA Bonds; provided, that any owner or beneficial owner of 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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 2001 Series AA 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 October 1, 2001.

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 2001 Series AA 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 2001 Series AA 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.

APPENDIX E

Certain Terms of the Initial Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial Liquidity Facility to be entered with the Liquidity Facility Provider. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial Liquidity Facility are qualified by reference to such document. The Initial Liquidity Facility may be amended at anytime without the consent of or notice to Bondholders. Any Alternative Liquidity Facility may have terms substantially different from those of the Initial Liquidity Facility.

For information regarding the Liquidity Facility Provider, see Appendix F.

Pursuant to the Initial Liquidity Facility, the Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase Adjustable Rate Bonds bearing interest at the Weekly Rate 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 Standby Bond Purchase Agreement will expire October 2, 2002, unless extended or terminated as described herein.

Certain Definitions

"*Commitment Period*" means the period from the date of the Initial Liquidity Facility to and including the earliest of (i) October 2, 2002 (or to an extended date as may become effective under the Initial Liquidity Facility), (ii) the date on which no Adjustable Rate Bonds are outstanding, (iii) the close of business on the date on which the Adjustable Rate Bonds are converted to a rate other than the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Term Rate or Semiannual Rate, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying 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 Adjustable Rate Bonds or due to the delivery of an Alternate Liquidity Facility.

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

"*Purchase Price*" means, with respect to any Adjustable Rate Bond, the unpaid principal amount thereof plus interest accrued and unpaid thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case without premium, provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date and, provided further that the aggregate amount of the Purchase Price comprising interest on any Purchase Date will not exceed the lesser of the Available Interest Commitment (which equals the sum of (i) 187 days' interest on the Available Principal Commitment for the Taxable Series AA-1 Bonds based on an assumed rate of interest of 12% per annum and a 365- or 366-day year for the actual number of days elapsed and (ii) 187 days' interest on the Available Principal Commitment for the 2001 Series AA-2 Bonds and the 2001 Series AA-3 Bonds based on an assumed rate of interest of 10% per annum and a 365- or 366-day year for the actual number of days elapsed) and the actual amount of interest accrued on such Adjustable Rate Bonds to but excluding such Purchase Date.

THE INITIAL LIQUIDITY FACILITY PURCHASE AGREEMENT PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE

PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE \DJUSTABLE RATE BONDS, AND MAY BE TERMINATED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of Liquidity Facility Provider

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

Termination of Initial Liquidity Facility By Liquidity Facility Provider

In the case of any of the following Events of Default:

(i) failure by the Authority to pay principal of, or interest on, any Series AA Bond or any other bonds issued by the Authority and payable from the Trust Estate or constituting the general obligation of the Authority 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 (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 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 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, 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) any material provision of the Initial 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

(iv) the long-term rating by S&P or Moody's of the 2001 Series AA Bonds or any other debt of the Authority senior to or secured on a parity with the 2001 Series AA Bonds and not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P or "Baa3" by Moody's;

(each, a "**Special Event of Default**"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the Liquidity Facility Provider. After such termination or expiration, the 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.

Termination of Standby Bond Purchase Agreement by Authority

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

Alternate Liquidity Facility

The Authority may replace any Liquidity Facility with a new Liquidity Facility (an "Alternate Liquidity Facility") substantially conforming to the coverage amount requirements set forth in the 2001 Series AA Indenture, provided that (i) if a Term Rate is in effect during the term of the current Liquidity Facility, the Authority may not furnish an Alternate Liquidity Facility with an expiration date earlier than the expiration date in the Liquidity Facility then in effect; and (ii) the Alternate Liquidity Facility is accompanied by (a) a Favorable Opinion of Bond Counsel as to the delivery of the Alternate Liquidity Facility, (b) an opinion of counsel stating that the delivery is authorized under the Indenture and complies with its terms, (c) an opinion of counsel to the provider of the Alternate Liquidity Facility stating that such Alternate Liquidity Facility is a legal, valid, binding and enforceable obligation of such obligor in accordance with its terms, and (d) a Favorable Opinion of Bond Counsel with respect to any security interest granted by the Authority or related person, firm, association or public body to the provider of the Alternate Liquidity Facility.

The Authority is to notify the Trustee, the Remarketing Agent and the Paying Agent of its intention to deliver an Alternate Liquidity Facility at least 45 days prior to the date of delivery of the Alternate Liquidity Facility (the "Substitution Date"). Upon receipt of such notice, if the Alternate Liquidity Facility will be issued by a different issuer, the Trustee is to mail a notice of the anticipated delivery of the Alternate Liquidity Facility, including the name of its issuer, by first-class mail, or transmitted in such other manner (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Remarketing Agent and the Owners of the Adjustable Rate Bonds at least 30 days prior to the Substitution Date. If at least 30 days prior to the Substitution Date the Authority has not delivered a Rating Confirmation Notice in connection with the Alternate Liquidity Facility, the Adjustable Rate Bonds having the benefit of the current Liquidity Facility will be subject to mandatory tender as described in "TERMS OF THE 2001 SERIES AA BONDS – Adjustable Rate Bonds – Mandatory Purchase– Mandatory Purchase For Failure to Replace Liquidity Facility or Upon Certain Substitution of Alternate Liquidity Facility."

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APPENDIX F

Liquidity Facility Provider

The following information has been obtained from the 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.

The Liquidity Facility Provider is the New York Branch of Landesbank Hessen-Thüringen Girozentrale ("Helaba"). With effect from July 1, 1992, Helaba took its present name. At that date, the Treaty on the Formation of a Joint Savings Banks Organization between the federal states of Hesse and Thuringia came into force. The former Hessische Landesbank was formed in 1953 by the merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (founded 1840) and of Landeskreditkasse zu Kassel (founded 1832).

Helaba is a legal entity under public law. The owners and guarantors of Helaba are the states of Hesse and Thuringia and the Savings Banks and Giro Association Hesse-Thuringia (Sparkassen- und Giroverband Hessen-Thüringen- SGVHT), a joint institution of the municipal savings banks and their guarantors in Hesse and Thuringia. Executive bodies of Helaba are the Board of Guarantors, the Supervisory Board and the Board of Managing Directors.

In accordance with its Charter, Helaba fulfills the functions of a central bank for the savings banks and those of a state bank for the states of Hesse and Thuringia. Helaba pays an annual dividend to its owners and, in the case of the savings banks, cooperates with them to develop their businesses.

Headquartered in Frankfurt/Main and Erfurt, Helaba concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions. Outside of Germany, Helaba has branch offices in London, New York, Dublin and Grand Cayman as well as wholly owned subsidiaries in Amsterdam and Dublin. Representative offices are maintained in Warsaw, Madrid, Paris and Hong Kong.

On May 19, 2000, the owners and the chairmen of Helaba and BayernLB announced a strategic cooperation agreement between the two Landesbanks, focusing on selected business activities such as Payment Transactions, Corporate Finance, Asset Management, cooperation at their foreign branches and subsidiaries, E-Commerce, building saving institutions. Several joint projects have already been realized, such as the merger of their subsidiaries in Zurich and Luxembourg – now operating under the names of LB Swiss and LB Lux, respectively, the formation of a joint M&A company and the integration of their computer centers.

In the year ending December 31, 2000 ('FY 00'), the operating result before risk provisions of Helaba and its consolidated subsidiaries (the 'Helaba group') was 349.8 million euro, 1.4% above the previous year. Operating results after risk provisions rose by 8.3% to 248.6 million euro. This increase is due primarily to net revenue from commissions and service charges as well as the positive development of net profit on financial transactions. Moreover, the Bank was able to reduce allocations to loan loss provisions. FY00 net risk provisions totaled 101.2 million euro, a decline of 12.3%. This derives mainly from lower allocation requirements to provisions and reserves in lending business, because no large risks occurred in 2000.

Administrative expenses, amounting to 544.4 million euro exceeds the previous year's figure by 10.7%. As a consequence of an increase of staff, collective agreements, an increase of social security expense as well as higher expense on pension reserves, personnel expense rose by 12% to 279 million euro. Personnel expense was influenced by the first-time consolidation of a subsidiary, accounting for 2 percentage points of the increase. The number of active staff in the group was 3,151 at the end of the reporting year (1999: 3,115). Non-personnel expense including depreciation on fixed assets amounted to 266 million euro – due, inter alia, to higher building expense – up 9% on the previous year's figure.

After payment of taxes on income and profits in an amount of 102.7 million euro and an allocation to the Fund for general banking risks of 50.0 (1999: 40.3) million euro, the net income for the year amounted to 91.7 million euro. Reserves established for the group amounted to 63 (1999:58) million euro.

The consolidated balance sheet total of the Helaba group grew by 14.0% to 130.8 billion euro. Business volume, which in addition to the balance sheet total also comprises the off-balance sheet loan business, increased 16.7% to 154.1 billion euro, helped in large part by the dynamic growth of core business fields such as Corporate Finance, Financial Institutions and International Public Finance, Asset Management or Issuing and Funding Business. The off-balance sheet loan business continued to develop disproportionately well in relation to the on-balance sheet business, and was up 33 % to a total of 23.2 billion euro.

The New York Branch of Helaba, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, Helaba will provide without charge a copy of its most recent Annual Report. Requests should be directed to Landesbank Hessen-Thüringen Girozentrale, New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256.

Helaba currently has a long-term credit rating of "Aaa" from Moody's Investors Service, Inc., and is rated "AAA" by Standard & Poor's Rating Group and by Fitch, Inc. Helaba's short-term ratings are "P-1" from Moody's, "A-1+" from Standard & Poor's and "F1+" from Fitch. Currently, Standard & Poor's Rating Group maintains a negative outlook on the Landesbank sector as a whole.

Helaba's obligations benefit from guarantor obligation (Gewährträgerhaftung) and statutory liability (Anstaltslast) of its owners.

On July 17, 2001 the Federal Government of Germany reached an agreement with the European Commission on regulations concerning adaptations of state liability obligations for Landesbanks and savings banks. Anstaltslast is scheduled to be modified after a four-year transition period, i.e. after July 18, 2005 to the effect that capital contributions in the event of reorganizations will in future be subjected to the EU regulations governing subsidies. Gewährträgerhaftung is scheduled to expire after the end of the same transition period, subject to the following proviso: Obligations that already existed on July 18, 2001 will also in the future and without limitation in time be subject to the guarantor obligation. This applies irrespective of their maturity. Obligations incurred after July 18, 2001 but prior to July 19, 2005 will be covered in full by the guarantor obligation, if their maturity ends by December 31, 2015 at the latest.

In a joint declaration of July 17, 2001 Helaba's owners confirmed the continuation of their statutory joint and several guarantor obligation for the obligations of Helaba within the described framework. This includes the timeliness of payment of all obligations of Helaba which benefit from Gewährträgerhaftung.

Helaba has supplied information relating to it in the previous paragraphs. Helaba does not accept any responsibility for any information contained in this Official Statement other than the information relating to Helaba.

NOTE: The official (FOREX fixing) exchange rate on December 29, 2000, the last trading day in 2000, was 1.0750 euro = US 1.00 dollar.

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APPENDIX G

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 is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its Participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Ownership interests in the 2001 Series AA Bonds may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the 2001 Series AA Bonds as nominees will not receive certificate Bonds, but each such Participant is to receive a credit balance in the records of DTC in the amount of such Participant's interest in the 2001 Series AA Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for which a Participant has an interest in the 2001 Series AA Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Authority or the Trustee to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

With respect to 2001 Series AA Bonds registered in the registration books kept by the Trustee, in the name of Cede & Co., as nominee of DTC, the Authority, the Bond Insurer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 2001 Series AA Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the 2001 Series AA Bonds, (ii) the delivery to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee as bond registrar, of any notice with respect to the 2001 Series AA Bonds, including any notice of redemption, (iii) the payment to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of or interest on the 2001 Series AA Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of partial redemption of 2001 Series AA Bonds, or (v) any consent given or other action taken by DTC. The Authority, the Bond Insurer and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such 2001 Series AA Bond for the purpose of payment of principal, premium and interest with respect to such 2001 Series AA Bond, for the purpose of giving notices of redemption and other matters with respect to such 2001 Series AA Bond, for the purpose of registering transfers with respect to such 2001 Series AA Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall hereinafter be defined to include the person for whom the Participant acquires an interest in the 2001 Series AA Bonds.

If any Beneficial Owner of 2001 Series AA Bonds wishes to receive a copy of any notices or other communications to the registered owner of 2001 Series AA Bonds held by DTC, such Beneficial Owner may file a request with the Trustee asking that the Beneficial Owner be put on a list to receive copies of all notices and other communications sent to the registered owner of the 2001 Series AA Bonds for the ensuing 12-month period. The Authority will use its best efforts to cause copies of such notices and other communications to be forwarded to any Beneficial Owner who has made such request within the 12-month period preceding the date of mailing of the notice or other communication. However, failure to give any such notice or other communication to any Beneficial Owner, any defect in any such notice or other communication, or the failure of any Beneficial Owner who has requested such notices and other communications to receive any such notice or other communication is in no way to affect the matter to which the notice or other communication pertains. Full legal notice shall have been given if mailed to the registered owner of the 2001 Series AA Bonds; copies of notices or other communications provided to Beneficial Owners will be provided as a courtesy only.

DTC is to receive payments from the Trustee, acting as paying agent and bond registrar, to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the 2001 Series AA Bonds is to be recorded on the records of the Participants, whose ownership interests is to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Trustee to DTC or its nominee only.

Beneficial Owners are to receive from the Participants a written confirmation of their purchase detailing the terms of the 2001 Series AA Bonds acquired. Transfers of ownership interests in the 2001 Series AA Bonds are to be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Series AA Bonds, except as specifically provided in the Indenture.

For every transfer and exchange of the 2001 Series AA Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and costs incurred in preparing bond certificates.

Neither the Authority nor the Trustee shall be required to transfer or exchange 2001 Series AA Bonds from the Record Date (as defined below) applicable to the 2001 Series AA Bonds through and including the next succeeding interest or principal payment date for the 2001 Series AA Bonds or from the Record Date next preceding any selection of 2001 Series AA Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption; or to transfer or exchange any 2001 Series AA Bonds called for redemption. For purposes hereof, Record Date will mean in the case of each interest or principal payment date, the Trustee's close of business on the fifteenth day of the month immediately preceding such interest or principal payment date, and in the case of each redemption, such Record Date shall be specified by the Trustee in the notice of redemption, provided that such Record Date shall be fifteen calendar days before the mailing of such notice of redemption.

DTC's services with respect to the 2001 Series AA Bonds may be discontinued or terminated at any time under the following circumstances:

(a) DTC may determine to discontinue providing its services with respect to the 2001 Series AA Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law.

(b) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2001 Series AA Bonds if the Authority determines that DTC is unable to discharge its responsibilities with respect to the 2001 Series AA Bonds or that a continuation of the requirement that all of the Outstanding 2001 Series AA Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interests of the Beneficial Owners of the 2001 Series AA Bonds.

In the event that DTC's services are so discontinued or terminated because it is unwilling or is determined to be unable to discharge its responsibilities, and no substitute securities depository willing to undertake the functions of DTC under the Indenture can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, or in the event it is so determined that continuation of the system of book-entry transfers is not in the best interests of the Beneficial Owners, the Authority is obligated to deliver Bond certificates, at the expense of the Beneficial Owners, as described in the Indenture.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY LIABILITY FOR THE FAILURE OF DTC TO PERFORM ITS OBLIGATIONS TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY 2001 SERIES AA BONDS.

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APPENDIX H

Mode Chart for Adjustable Rate Bonds

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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/ Tender and 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 Tender and 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 Tender and 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 Tender and 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 Tender and 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 Tender and 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

APPENDIX I

Certain Definitions with Respect to Adjustable Rate Bonds

"Adjustable Rate Tax-exempt Bonds" means the 2001 Series AA-2 Class I Bonds and the 2001 Series AA-3 Class I Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, a Semiannual Mode Period, a Term Mode Period or a SAVRS Mode Period.

"Adjustable Rate Taxable Bonds" means the Taxable 2001 Series AA-1 Class I Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, a Semiannual Mode Period, a Term Mode Period or a SAVRS Mode Period.

"Alternate Liquidity Facility" means any Liquidity Facility providing liquidity for the Adjustable Rate Bonds delivered by the Agency pursuant to the terms of the 2001 Series AA Indenture other than the Initial Liquidity Facility; 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 2001 Series AA 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 2001 Series AA 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 2001 Series AA Indenture.

"Initial Liquidity Facility" means the Standby Bond Purchase Agreement, by and among the Authority, the Liquidity Facility Provider and the Tender Agent, dated as of October 1, 2001.

"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 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 the Adjustable Rate Bonds, any Liquidity Facility delivered pursuant to the 2001 Series AA 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 2001 Series AA Indenture. (See **Appendix H** – "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, an (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 H** – "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 H** – "MODE CHART FOR ADJUSTABLE RATE BONDS."

"Remarketing Agent" means Lehman Brothers Inc. and its successors and assigns, unless another remarketing agent shall be duly appointed in accordance with the 2001 Series AA Indenture.

"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 J

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 the 2001 Series AA Indenture, see "SECURITY FOR THE 2001 SERIES AA BONDS – The Mortgage Loans." 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 "THE 2001AA 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 "THE 2001AA 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 "THE 2001AA 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 the 2001 Series AA 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 therefor 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 "THE 2001AA 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

The 2001 Series AA 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 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 beneficiary 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 beneficiary 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. 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 ten 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 ten 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, junior lienholders whose liens are recorded prior to the expiration of the owner's redemption period, certain other 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 seven days prior to the date of the foreclosure sale. 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 proprety 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 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. To preserve the right to redeem, a junior lienholder must file a notice of intent to redeem and other documents with the public trustee 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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