

NEW ISSUE

This Official Statement has been prepared by the North Carolina Housing Finance Agency to provide information on the Series 54 Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 54 Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement.



\$299,500,000

**North Carolina Housing Finance Agency
Home Ownership Revenue Bonds
\$199,500,000 Series 54-A (Non-AMT)
\$100,000,000 Series 54-B (Federally Taxable)
(1998 Trust Agreement)**

Dated: Date of Delivery

Due: as shown on inside front cover

Tax Treatment

In the opinion of Bond Counsel and subject to the qualifications described herein, interest on the Series 54-A Bonds is excluded from gross income for federal tax purposes and is not treated as a preference item for purposes of calculating the alternative minimum tax, however interest on the Series 54-A Bonds held by certain corporations is included in the corporation's "adjusted financial statement of income" for purposes of computing the federal alternative minimum tax on such corporations. Interest on the Series 54-B Bonds is included in gross income of the owners thereof for federal income tax purposes. The Series 54-A Bonds and Series 54-B Bonds (the "Series 54 Bonds") are exempt from all income taxes of the State of North Carolina. See "TAX TREATMENT" herein for additional information including information regarding the tax treatment of the Series 54-A Bonds and Series 54-B Bonds.

Redemption

The Series 54 Bonds are subject to optional redemption, special redemption and mandatory redemption as described herein.

Security

The Series 54 Bonds are payable from and secured by a pledge of all Program Obligations, Revenues and Prepayments and certain other assets, on parity with outstanding Bonds heretofore or hereafter issued under the Trust Agreement. *The Series 54 Bonds do not constitute a debt, liability or obligation of the State of North Carolina or of any political subdivision thereof nor is the faith and credit or taxing power of the State of North Carolina or of any political subdivision thereof pledged to payment of the Series 54 Bonds.*

Interest Payment Dates

January 1 and July 1, commencing January 1, 2025.

Denominations

The Series 54 Bonds will be issuable in denominations of \$5,000 or any whole multiple thereof.

Closing/Date of Delivery

June 21, 2024

Bond Counsel

Womble Bond Dickinson (US) LLP, Raleigh, North Carolina

Underwriters' Counsel

Bode, PLLC, Raleigh, North Carolina

Trustee and Paying Agent

The Bank of New York Mellon Trust Company, National Association, Jacksonville, Florida

The Series 54 Bonds are offered, when, as and if issued and received by the Underwriters, subject to prior sale and the opinion of Bond Counsel as to the validity, the tax treatment of interest on the Series 54 Bonds and certain other matters.

RBC Capital Markets

BofA Securities

Wells Fargo Securities

Morgan Stanley

Raymond James

The date of this Official Statement is June 5, 2024.

**North Carolina Housing Finance Agency
Home Ownership Revenue Bonds
\$199,500,000 Series 54-A (Non-AMT)
(1998 Trust Agreement)**

MATURITY SCHEDULE

\$27,740,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
July 1, 2025	\$1,340,000	3.400%	100%	6582076M2
January 1, 2026	1,390,000	3.450	100	6582076N0
July 1, 2026	1,415,000	3.450	100	6582076P5
January 1, 2027	1,445,000	3.500	100	6582076Q3
July 1, 2027	1,475,000	3.500	100	6582076R1
January 1, 2028	1,500,000	3.550	100	6582076S9
July 1, 2028	1,400,000	3.600	100	6582076T7
January 1, 2029	900,000	3.650	100	6582076U4
July 1, 2029	925,000	3.650	100	6582076V2
January 1, 2030	950,000	3.750	100	6582076W0
July 1, 2030	975,000	3.800	100	6582076X8
January 1, 2031	1,000,000	3.850	100	6582076Y6
July 1, 2031	1,030,000	3.900	100	6582076Z3
January 1, 2032	1,060,000	3.950	100	6582077A7
July 1, 2032	1,090,000	3.950	100	6582077B5
January 1, 2033	1,115,000	3.950	100	6582077C3
July 1, 2033	1,145,000	3.950	100	6582077D1
January 1, 2034	1,180,000	4.000	100	6582077E9
July 1, 2034	1,210,000	4.000	100	6582077F6
January 1, 2035	1,245,000	4.050	100	6582077G4
July 1, 2035	1,280,000	4.050	100	6582077H2
January 1, 2036	1,315,000	4.100	100	6582077J8
July 1, 2036	1,355,000	4.100	100	6582077K5

\$8,955,000 4.150% Term Bonds maturing July 1, 2039 at 100.000% CUSIP 6582077L3[†]
 \$18,855,000 4.550% Term Bonds maturing July 1, 2044 at 100.000% CUSIP 6582077M1[†]
 \$31,475,000 4.700% Term Bonds maturing July 1, 2050 at 100.000% CUSIP 6582077N9[†]
 \$31,705,000 4.800% Term Bonds maturing January 1, 2055 at 100.000% CUSIP 6582077P4[†]
 \$80,770,000 6.250% Term Bonds maturing January 1, 2055 at 110.358% CUSIP 6582077Q2[†]

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**North Carolina Housing Finance Agency
Home Ownership Revenue Bonds
\$100,000,000 Series 54-B (Federally Taxable)
(1998 Trust Agreement)**

MATURITY SCHEDULE

\$18,870,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
July 1, 2025	\$710,000	5.062%	100%	6582077R0
January 1, 2026	755,000	5.012	100	6582077S8
July 1, 2026	775,000	5.012	100	6582077T6
January 1, 2027	705,000	4.848	100	6582077U3
July 1, 2027	675,000	4.848	100	6582077V1
January 1, 2028	690,000	4.692	100	6582077W9
July 1, 2028	710,000	4.692	100	6582077X7
January 1, 2029	720,000	4.742	100	6582077Y5
July 1, 2029	735,000	4.792	100	6582077Z2
January 1, 2030	760,000	4.829	100	6582078A6
July 1, 2030	775,000	4.879	100	6582078B4
January 1, 2031	790,000	4.919	100	6582078C2
July 1, 2031	810,000	4.969	100	6582078D0
January 1, 2032	830,000	5.018	100	6582078E8
July 1, 2032	850,000	5.078	100	6582078F5
January 1, 2033	870,000	5.098	100	6582078G3
July 1, 2033	890,000	5.158	100	6582078H1
January 1, 2034	910,000	5.208	100	6582078J7
July 1, 2034	935,000	5.258	100	6582078K4
January 1, 2035	960,000	5.308	100	6582078L2
July 1, 2035	980,000	5.358	100	6582078M0
January 1, 2036	1,005,000	5.388	100	6582078N8
July 1, 2036	1,030,000	5.418	100	6582078P3

\$6,785,000 5.598% Term Bonds maturing July 1, 2039 at 100.000% CUSIP 6582078Q1[†]
 \$13,955,000 5.811% Term Bonds maturing July 1, 2044 at 100.000% CUSIP 6582078R9[†]
 \$18,170,000 5.881% Term Bonds maturing July 1, 2049 at 100.000% CUSIP 6582078S7[†]
 \$25,845,000 5.901% Term Bonds maturing January 1, 2055 at 100.000% CUSIP 6582078T5[†]
 \$16,375,000 6.500% Term Bonds maturing January 1, 2055 at 104.274% CUSIP 6582078U2[†]

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The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors 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.

No dealer, broker, salesperson or other person has been authorized by the North Carolina Housing Finance Agency or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Series 54 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 herein has been provided by the North Carolina Housing Finance Agency and other sources believed to be reliable. Quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly stated, are intended merely as estimates or opinions and not as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the North Carolina Housing Finance Agency since the dates as of which information is given herein.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 54 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the attached Appendices, must be considered in its entirety.

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OFFICIAL STATEMENT
OF
NORTH CAROLINA HOUSING FINANCE AGENCY

\$299,500,000
North Carolina Housing Finance Agency
Home Ownership Revenue Bonds
\$199,500,000 Series 54-A (Non-AMT)
\$100,000,000 Series 54-B (Federally Taxable)
(1998 Trust Agreement)

INTRODUCTION AND PURPOSE

This Official Statement (including the cover page and appendices hereto) has been prepared and is being distributed by the North Carolina Housing Finance Agency (the “Agency”) in order to furnish information in connection with the sale of the Agency’s Home Ownership Revenue Bonds, Series 54-A (Non-AMT) (the “Series 54-A Bonds”), and Home Ownership Revenue Bonds, Series 54-B (Federally Taxable) (the “Series 54-B Bonds”) (collectively the “Series 54 Bonds”) being offered hereby in the aggregate principal amounts of \$199,500,000 and \$100,000,000 respectively, pursuant to the North Carolina Housing Finance Agency Act, being Chapter 122A of the General Statutes of North Carolina, as amended (the “Act”), the Trust Agreement, dated as of May 1, 1998, between the Agency and The Bank of New York Mellon Trust Company, National Association (hereinafter the “Trustee”), as amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2023 between the Agency and the Trustee (the “Trust Agreement”), and a Fifty-Fourth Supplemental Trust Agreement, dated as of June 1, 2024, between the Agency and the Trustee (the “Fifty-Fourth Supplemental Trust Agreement”), authorizing the issuance of the Series 54 Bonds.

Except for bonds issued under the Trust Agreement that by the terms thereof are subordinate to the other bonds issued under the Trust Agreement, all bonds issued under the Trust Agreement will be equally and ratably secured by the pledges and covenants contained therein. All such bonds that are equally and ratably secured, including the prior series of bonds issued in the respective aggregate principal amounts and on the respective dates as described in “THE PROGRAM – Experience to Date Under The Program” herein, and the Series 54 Bonds are herein referred to as the “Bonds.” Information descriptive of the Series 54 Bonds which is included on the cover page and inside cover page hereof is part of this Official Statement.

All capitalized terms used in this Official Statement which are defined in the Trust Agreement shall have the same meanings as are set forth therein (see Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FIFTY-FOURTH SUPPLEMENTAL TRUST AGREEMENT – Definitions”). The summaries of and references to the Act, the Trust Agreement and the other statutes and documents referred to herein and the description of the Series 54 Bonds which are included in or attached to this Official Statement do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute, copies of which are available from the Agency upon request.

The Agency is a body politic and corporate constituting a public agency and instrumentality of the State of North Carolina (the “State”) which was created for the purpose of providing financing for residential housing for low and moderate income households. Pursuant to the Act, the Agency has established a housing program under the Trust Agreement (hereinafter referred to as the “Program”) under which the Agency is authorized to enter into agreements for the purchase of mortgage loans, mortgage-backed securities and other obligations made for the purpose of assisting in providing housing to low and moderate income households in the State. Under the Act the issuance of bonds or notes by the Agency and the interest rate or rates, sale price or prices and manner of sale thereof must be determined by the State Treasurer and approved by the Local Government Commission (the “Commission”) of the State.

The Trust Agreement authorizes the issuance of Bonds thereunder for the purpose of paying the costs of the Program and for refunding certain bonds of the Agency. Generally, Bonds issued to pay the costs of the Program are issued to finance the making or purchase by the Agency of “Program Loans” or “Program Securities.” Under the Trust Agreement, and as used herein, a “Program Loan” is an obligation made or purchased by the Agency in order to finance or otherwise provide housing principally on behalf of households of low and moderate income, and a “Program Security” is an obligation representing an interest in a pool of mortgage loans, which obligations are guaranteed or insured by a mortgage agency authorized by the Trust Agreement. As defined in the Trust Agreement and used herein, a “Program Obligation” is a Program Loan or a Program Security. Under the Trust Agreement and as used in this Official Statement, a “Series 54 Securitized Mortgage Loan” refers to a mortgage loan that is made to an eligible borrower to finance the purchase of a home, which mortgage loan is pooled into a Program Security that is purchased by the Agency with the proceeds of the Series 54 Bonds. See “Definitions” and “Program Fund” in Appendix C hereto.

The Trust Agreement further provides that the Supplemental Trust Agreement authorizing the issuance of a Series of Bonds shall direct whether the proceeds of such Series will be used to purchase Program Loans or Program Securities and, if Program Securities are to be purchased, the requirements therefor, including any insurance or guarantee requirements for the Program Securities that may be purchased. In the Fifty-Fourth Supplemental Trust Agreement, the Agency has provided that the new Program Securities that may be purchased with the proceeds of the Series 54 Bonds must be mortgage-backed securities issued by the Government National Mortgage Association (“Ginnie Mae”), Federal National Mortgage Association (“Fannie Mae”), or Federal Home Loan Mortgage Corporation (“Freddie Mac”), representing mortgage loans financing single family residential housing for households of low and moderate income in the State. In addition to the purchase of Program Securities with proceeds of the Series 54 Bonds, new Program Loans will be purchased with proceeds of the Series 54 Bonds that will be non-interest-bearing loans made to the borrowers of the related Series 54 Securitized Mortgage Loans to provide down payment assistance to such borrowers (“Series 54 DPA Loans”). Series 54 DPA Loans will be secured by a subordinate mortgage on the property purchased with the proceeds thereof, and the principal of such Program Loans will be forgiven if the borrower meets certain program requirements.

The proceeds of the Series 54 Bonds will be used by the Agency, together with any other available funds, to (a) purchase Program Securities as described herein, and (b) purchase Series 54 DPA Loans as described herein. For a more detailed discussion of the manner in which the Agency intends to apply the proceeds of the Series 54 Bonds, see “PLAN OF FINANCE” and “THE PROGRAM.” In addition, in connection with the issuance of the Series 54 Bonds, the Agency will instruct the Trustee to transfer approximately \$9.5 million from other funds available under the Trust Agreement to the credit of the Series 54 Program Account of the Program Fund for purchase of additional Series 54 Program Obligations as described herein.

The Series 54 Bonds and the interest thereon are payable solely from the Revenues and other moneys and assets pledged therefor under the Trust Agreement. The Series 54 Bonds are additionally secured by a Debt Service Reserve Fund, as more fully described below in “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 54 BONDS – Debt Service Reserve Fund.”

The Series 54 Bonds do not constitute a debt, liability or obligation of the State or any political subdivision thereof, nor is the faith and credit or the taxing power of the State or any political subdivision thereof pledged to payment of the Series 54 Bonds. The Agency has no taxing power.

PLAN OF FINANCE

The proceeds of the Series 54 Bonds will be used, together with other available funds, for the purchase by the Agency of Program Obligations to finance single family residential housing.

Purchase of New Program Securities

The Agency anticipates using approximately \$296.2 million of the proceeds of Series 54 Bonds and transfers from other funds available under the Trust Agreement to fund the purchase by the Agency of Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates securitizing new mortgage loans for home ownership made to persons of low and moderate income in the State. Upon the purchase of such Certificates, the

Certificates so purchased will be deposited to the Series 54 Program Account and will be Series 54 Program Securities for all purposes of the Trust Agreement as that term is used in this Official Statement.

Ginnie Mae, Fannie Mae and Freddie Mac may from time to time change their mortgage-backed securities programs and documents governing those programs. Alterations or amendments to Ginnie Mae, Fannie Mae or Freddie Mac mortgage-backed securities programs in such a way as to prevent Lenders from originating new mortgage loans to be securitized into Program Securities, reduce the volume of such new mortgage loans that can be originated and securitized, and/or prevent ServiSolutions from issuing or delivering new Program Securities to be purchased with proceeds of the Series 54 Bonds as contemplated by the Plan of Finance could result in the early redemption of Series 54 Bonds before their maturity as described under “REDEMPTION OF THE SERIES 54 BONDS—Special Redemption.” See APPENDIX E for discussions of the current Ginnie Mae, Fannie Mae and Freddie Mac certificate programs.

The Fifty-Fourth Supplemental Trust Agreement also provides that the Agency may use the proceeds of the Series 54 Bonds to purchase Program Loans meeting the requirements of the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement, but at present the Agency does not intend to utilize the proceeds of the Series 54 Bonds for such purpose, other than the Series 54 DPA Loans described below.

Purchase of Series 54 DPA Loans

The Agency anticipates using approximately \$21.3 million of the proceeds of the Series 54 Bonds and transfers from other funds available under the Trust Agreement to purchase Series 54 DPA Loans. The program features associated with the Series 54 DPA Loans are being implemented in reliance upon the provisions of the Trust Agreement, which permits the Agency, in its discretion, to reduce the amounts collected under any Program Loan in order to comply with the requirements of the federal income tax laws applicable to the Series 54 Bonds.

Series 54 DPA Loans will be made to borrowers in connection with the making of a related Series 54 Securitized Mortgage Loan. Series 54 DPA Loans will be secured by the acquired real property by a mortgage that is subordinate to the related Series 54 Securitized Mortgage Loan and may be subordinate to other mortgages on the real property. Series 54 DPA Loans will be non-interest bearing loans and may be subject to automatic reductions in principal upon the occurrence of certain specified events, as appropriate to carry out the Agency’s programmatic objectives to be accomplished through the Series 54 DPA Loans. Series 54 DPA Loans are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program.

Initially, Series 54 DPA Loans will be expected to be made to each borrower in the amount of \$15,000. It is the intention of the Agency that no principal on the Series 54 DPA Loans will be due during the first fifteen years of such loan unless (1) the property purchased with such loan is sold during such period, (2) the Series 54 Securitized Mortgage Loan related to the Series 54 DPA Loan is refinanced, or (3) there is a default under the Series 54 Securitized Mortgage Loan related to the Series 54 DPA Loan. If the events described in the preceding sentence do not occur as of the applicable date, 20% of the original principal of the Series 54 DPA Loans will be reduced on each of the eleventh, twelfth, thirteenth, fourteenth and fifteenth anniversaries of the origination of the Series 54 DPA Loan.

Until the principal of a Series 54 DPA Loan is completely forgiven, the Series 54 DPA Loan will be a “Program Loan” for purposes of the Trust Agreement and will be subject to the pledge of the Program Loans to secure payment of the Bonds issued under the Trust Agreement. Any payments on the Series 54 DPA Loans (which would consist only of payments received if the principal of the Series 54 DPA Loan becomes due during the first fifteen years because the acquired property is sold, the related Series 54 Securitized Mortgage Loan is refinanced or there is a default and foreclosure on the Series 54 Securitized Mortgage Loan) will constitute “Prepayments” and will be applied as provided below under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 54 BONDS.”

Allocation of Series 54 Program Obligations

The Fifty-Fourth Supplemental Trust Agreement creates a special account of the Program Fund designated the “Series 54 Program Account,” and within the Series 54 Program Account three subaccounts

designated the “Series 54 Initial Subaccount,” the “Series 54-A Subaccount” and the “Series 54-B Subaccount.” Upon the issuance of the Series 54 Bonds, the proceeds of the Series 54 Bonds and other funds to be used to purchase Program Obligations and pay related costs will be deposited to the credit of the Series 54 Initial Subaccount of the Series 54 Program Account.

Following the expenditure of all proceeds of the Series 54 Bonds and other funds deposited to the Series 54 Initial Subaccount, the Agency will allocate the Series 54 Program Obligations among Series 54 Program Obligations purchased with proceeds of the Series 54-A Bonds, which shall be transferred to the Series 54-A Subaccount of the Series 54 Program Account, and Series 54 Program Obligations purchased with proceeds of the Series 54-B Bonds, which shall be transferred to the Series 54-B Subaccount of the Series 54 Program Account. Such allocation shall reflect a reasonable allocation of the Series 54 Program Obligations based on the factors the Agency deems relevant, including the amount of proceeds of the Series 54-A Bonds on the one hand, and the Series 54-B Bonds on the other hand, available to purchase such Series 54 Program Securities, the interest rates borne by the various Program Obligations and the Agency’s covenants regarding compliance with the federal income tax requirements for the Series 54-A Bonds. Once so allocated to the Series 54-A Subaccount or Series 54-B Subaccount of the Series 54 Program Account, payments on such Program Obligations will be applied as described below under “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 54 BONDS-- Application of Revenues and Certain Other Funds.”

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SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 54 Bonds, together with other available moneys, shall be applied approximately as follows:

Sources of Funds:

Principal Amount of Series 54-A Bonds.....	\$199,500,000
Principal Amount of Series 54-B Bonds.....	100,000,000
Net Original Issue Premium of Series 54-A Bonds	8,366,157
Net Original Issue Premium of Series 54-B Bonds	699,867
Transfer from Other Available Agency Funds.....	<u>9,455,249</u>
Total Sources	<u>\$318,021,273</u>

Uses of Funds:

Series 54 Program Account.....	<u>\$318,021,273</u>
Total Uses	<u>\$318,021,273</u>

Note: The Agency will pay the costs of issuing the Series 54 Bonds from funds available to the Agency.

Of the amounts deposited in the Series 54-A Subaccount of the Series 54 Program Account used to purchase Program Obligations (the “Series 54-A Program Obligations”), approximately \$98.1 million is expected to be used to acquire approximately \$97.8 million in principal amount of Ginnie Mae Certificates at a weighted average purchase price equal to approximately 100.3% of the principal amount thereof, and approximately \$101.8 million is expected to be used to acquire approximately \$101.8 million in principal amount of Fannie Mae Certificates and Freddie Mac Certificates at a weighted average purchase price equal to approximately 100.0% of the principal amount thereof, and approximately \$13.5 million is expected to be used to acquire approximately \$13.5 million in principal amount of Series 54 DPA Loans at a weighted average purchase price equal to approximately 100.0% of the principal amount thereof. Of the amounts deposited in the Series 54-B Subaccount of the Series 54 Program Account used to purchase Program Obligations (the “Series 54-B Program Obligations”), approximately \$47.5 million is expected to be used to acquire approximately \$47.3 million in principal amount of Ginnie Mae Certificates at a weighted average purchase price equal to approximately 100.4% of the principal amount thereof, and approximately \$49.3 million is expected to be used to acquire approximately \$49.3 million in principal amount of Fannie Mae Certificates and Freddie Mac Certificates at a weighted average purchase price equal to approximately 100.1% of the principal amount thereof, and approximately \$7.8 million is expected to be used to acquire approximately \$7.8 million in principal amount of Series 54 DPA Loans at a weighted average purchase price equal to approximately 100% of the principal amount thereof.

**SECURITY FOR AND SOURCES OF PAYMENT OF
THE SERIES 54-A BONDS AND SERIES 54-B BONDS**

Pledge Created Under the Trust Agreement

The Series 54-A Bonds and Series 54-B Bonds are special obligations of the Agency payable from the following moneys and assets of the Agency, which are pledged in the manner and to the extent provided under the Trust Agreement for the payment of the Bonds:

1. All Program Obligations, Revenues, Program Obligation Accrued Interest, Financing Fees and Prepayments (as such terms are defined in the Trust Agreement), and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement; and
2. All money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to the Trust Agreement, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Trust Agreement as security only for a specified Series of Bonds and a Special Debt Service Reserve Account (as defined in the Trust Agreement), and except money and securities held by or on behalf of the Trustee in the Revenue Reserve Refunding Account of the Revenue Reserve Fund and the TBA Loan Administration Fund as described below.

For further information, see the subcaptions “Pledge” and “Application of Revenues and Other Moneys” in Appendix C.

Application of Revenues and Certain Other Funds

Pursuant to the Trust Agreement, the Agency has created, among other things, the Revenue Fund and the Bond Service Fund, and within the Bond Service Fund an “Interest Account” and a “Principal Account.” In addition, pursuant to the Trust Agreement, a special account in the Bond Service Fund has been or will be created for each Series of Bonds designated the “Principal/Special Redemption Account” for the Series. The Fifty-Fourth Supplemental Trust Agreement creates the “Series 54 Principal/Special Redemption Account” for the Series 54 Bonds. The Fifty-Fourth Supplemental Trust Agreement also creates within the Series 54 Principal/Special Redemption Account two subaccounts designated the “Series 54-A Subaccount” and the “Series 54-B Subaccount.”

All payments of principal and interest on the Series 54 Program Obligations, other than Prepayments on Series 54 DPA Loans, which shall be applied as provided below, shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee. Upon receipt, the Trustee shall apply the amounts received as follows:

- (1) All amounts comprising the payment of interest on the Series 54 Program Obligations shall be deposited to the credit of the Revenue Fund.
- (2) All other amounts received shall be deposited to the credit of the Series 54 Principal/Special Redemption Account. Payments of principal on the Program Obligations transferred to the Series 54-A Subaccount shall be deposited to the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account, and payments of principal on the Program Obligations transferred to the Series 54-B Subaccount shall be deposited to the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account.

Amounts deposited to the Revenue Fund shall be applied as provided in the Trust Agreement and described in Appendix C under “Periodic Withdrawals from Revenue Fund.” The first use of such amounts is to the payment of the next interest payment of interest on the Bonds issued under the Trust Agreement.

Amounts deposited to the subaccounts of the Series 54 Principal/Special Redemption Account shall be applied as follows, in the following order of priority:

- (1) The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Series 54 Principal/Special Redemption Account and (ii) Prepayments on Series 54 DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series 54 Bonds is the amount sufficient to pay the principal of all Series 54 Bonds maturing within the next six months shall be transferred to the Principal Account.
- (2) The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Series 54 Principal/Special Redemption Account and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series 54 Bonds is the amount sufficient to meet the Sinking Fund Requirements of the Series 54 Bonds to be redeemed within the next six months shall be transferred to the Principal Account.
- (3) Following the transfers described in (1) and (2), the amount, if any, needed to increase the amount in the Series 54-A Subaccount so that the amount on deposit therein is sufficient to redeem Series 54-A Term Bonds maturing January 1, 2055 bearing interest at a rate of 6.25% (the “Series 54-A PAC Bonds”) up to the amounts described under “REDEMPTION OF SERIES 54 BONDS – Special Redemption” shall be used for that purpose. In addition, also following the transfers described in (1) and (2) the amount, if any, needed to increase the amount in the Series 54-B Subaccount so that the amount on deposit therein is sufficient to redeem Series 54-B Term Bonds maturing January 1, 2055

bearing interest at a rate of 6.50% (the “Series 54-B PAC Bonds” and collectively with the Series 54-A PAC Bonds, the “Series 54 PAC Bonds”) up to the amounts described under “REDEMPTION OF SERIES 54 BONDS – Special Redemption” shall be used for that purpose.

- (4) At the direction of the Agency, to (a) redeem additional Series 54 Bonds; (b) redeem Bonds other than Series 54 Bonds, to the extent the Supplemental Trust Agreement authorizing the issuance of such Bonds allows for such Bonds to be redeemed from such amounts; or (c) to purchase additional Program Obligations that meet the requirements of the Fifty-Fourth Supplemental Trust Agreement.

Debt Service Reserve Fund

The Trust Agreement creates a Debt Service Reserve Fund for the additional security of the Bonds issued thereunder. The Trust Agreement provides that each Supplemental Trust Agreement providing for the issuance of Bonds shall specify whether the Bonds authorized thereby will be entitled to the benefit of the Debt Service Reserve Fund and shall specify the portion of the Debt Service Reserve Requirement with respect to such Bonds. The Debt Service Reserve Requirement under the Trust Agreement is the sum of amounts established by each Supplemental Trust Agreement as the portion of the requirement with respect to the Bonds issued under that Supplemental Trust Agreement. The Trust Agreement does not provide a minimum requirement for the portion of the Debt Service Reserve Requirement in connection with a particular issue of Bonds. All Bonds secured by the Debt Service Reserve Fund will be secured equally and ratably by the Debt Service Reserve Fund, regardless of the amount of the Debt Service Reserve Requirement with respect to a particular Series of Bonds set forth in the Supplemental Trust Agreement authorizing the issuance thereof. As of December 31, 2023, there was on deposit in the Debt Service Reserve Fund \$1,840,000.

Prior to the issuance of the Series 37 Bonds, each Supplemental Trust Agreement had provided that the portion of the Debt Service Reserve Requirement related to the series of bonds authorized thereby be equal to two percent (2%) of the outstanding principal amount of such authorized bonds. **THE SUPPLEMENTAL TRUST AGREEMENT FOR EACH SERIES OF BONDS COMMENCING WITH THE SERIES 37 BONDS, INCLUDING THE FIFTY-FOURTH SUPPLEMENTAL TRUST AGREEMENT, PROVIDES THAT SUCH BONDS ARE SECURED BY THE DEBT SERVICE RESERVE FUND AND SUCH SUPPLEMENTAL TRUST AGREEMENTS ALL FURTHER PROVIDE THAT THE DEBT SERVICE RESERVE FUND SHALL NOT BE INCREASED ON ACCOUNT OF EACH SUCH SERIES OF BONDS ISSUED COMMENCING WITH THE SERIES 37 BONDS.**

The Debt Service Reserve Fund consists of four accounts: the Proceeds Reserve Account, which is funded with the proceeds of Bonds, the Contribution Reserve Account, which is funded with the moneys attributable to appropriations by the State of North Carolina to the Agency, the Equity Reserve Account, which is funded from funds of the Agency other than funds appropriated to the Agency by the State, and the 1974 Appropriation Reserve Account, which is funded as provided below.

Under the Trust Agreement, moneys held in the Debt Service Reserve Fund may be used to pay when due principal of and interest on the Bonds if, at any time, the moneys otherwise available for such payment or retirement are insufficient for such purpose. Any deficiency in the Debt Service Reserve Fund may be made up from Revenues in excess of Revenues necessary to pay debt service on the Bonds and any other moneys available to the Agency for such purpose. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement due to a decrease in the Debt Service Reserve Requirement shall either be retained in such Fund or, except for amounts in the Contribution Reserve Account, transferred to the Optional Redemption Account or a Special Redemption Account, as shall be determined in an Officer's Certificate.

The Trust Agreement also provides that all or any portion of the Debt Service Reserve Requirement may be met by cash, Investment Obligations or a Reserve Alternative Instrument (See Appendix C – “Definitions”).

The Trust Agreement also provides that any Supplemental Trust Agreement may provide for the creation thereunder of a Special Debt Service Reserve Account, which shall secure only the Bonds authorized by such Supplemental Trust Agreement.

The Agency has also created an additional account of the Debt Service Reserve Fund designated the “1974 Appropriation Reserve Account.” \$4,000,000 is on deposit in the 1974 Appropriation Reserve Account, which represents certain funds appropriated to the Agency by the North Carolina General Assembly in 1974. Pursuant to the terms of the Trust Agreement, the Agency may withdraw amounts in the 1974 Appropriation Reserve Account for application for a number of purposes of the Agency, including the provision for reserves for Bonds of the Agency other than Bonds issued under the Trust Agreement. However, while funds are on deposit in the 1974 Appropriation Reserve Fund, such amounts are available to make up deficiencies in the Bond Service Fund. See “1974 Appropriation Reserve Account” in Appendix C.

Neither the Act nor any other statute provides for any appropriations or payments by the North Carolina General Assembly to restore moneys withdrawn from the Debt Service Reserve Fund to pay principal of or interest on the Bonds. **The Fifty-Fourth Supplemental Trust Agreement provides that there shall not be any additional requirement for the cumulative Debt Service Reserve Fund Requirement on account of the Series 54 Bonds.**

Revenue Reserve Fund and Accounts

The Trust Agreement creates a special fund designated the “Revenue Reserve Fund,” and within the Revenue Reserve Fund special accounts designated the “Revenue Funded Account,” the “Revenue Reserve Equity Account,” and the “Revenue Reserve Refunding Account.”

To the extent that Revenues are not needed for debt service, to fund or make up a deficiency in the Debt Service Reserve Fund or for the other purposes provided for by the Trust Agreement, they are required to be deposited to the credit of the Revenue Funded Account of the Revenue Reserve Fund. As of December 31, 2023, there was on deposit in the Revenue Funded Account of the Revenue Reserve Fund \$29,525,000 in cash and investments derived from revenues (such amount does not include amounts on deposit in the Revenue Reserve Equity Account as described below).

Moneys held in the Revenue Funded Account of the Revenue Reserve Fund are pledged to secure the payment of the Bonds and may be used to pay when due the principal of and interest on the Bonds if at any time the moneys otherwise available for such payment or retirement, other than moneys held in the Debt Service Reserve Fund, are insufficient for such purpose. Any moneys so used can only be restored from Revenues in excess of Revenues necessary to pay debt service on the Bonds and not necessary to make up any deficiency in the Debt Service Reserve Fund.

Under certain circumstances, moneys in the Revenue Funded Account of the Revenue Reserve Fund may be (i) used to fund any required payments under an interest rate swap agreement, including termination payments, in the event that the Revenues are not sufficient for such purpose, (ii) used to make any payments required to be made to comply with applicable covenants made by the Agency regarding the exclusion of interest on the Bonds from federal income taxation, (iii) transferred, at the option of the Agency, to a Special Redemption Account, (iv) used to pay Operating Expenses of the Program, (v) transferred to the Optional Redemption Account or any Special Redemption Account created by a Supplemental Trust Agreement, (vi) used to pay costs of issuance of a new series of bonds or to purchase additional Program Obligations, (vii) used for any other purpose authorized by the Trust Agreement or (viii) transferred to the Agency's General Fund. See the subcaptions “Application of Revenues and Other Moneys” and “Revenue Reserve Fund” in Appendix C.

In addition, the Trust Agreement provides that the Agency may from time to time deposit any money available to the Agency to any Fund or Account created under the Trust Agreement. Pursuant to this provision, the Agency has created a separate account of the Revenue Reserve Fund designated the “Revenue Reserve Equity Account.” Amounts deposited to the Revenue Reserve Equity Account are derived from sources other than Revenues. Amounts in the Revenue Reserve Equity Account are subject to all provisions of the Trust Agreement regarding the Revenue Reserve Fund, including the application of moneys in the Revenue Reserve Fund (since amounts deposited to the Revenue Reserve Equity Account are not derived from Revenues, such amounts may not be used for a Special Redemption of Bonds from excess Revenues). As of December 31, 2023, \$85,604,000 was on deposit in cash and investments in the Revenue Reserve Equity Account.

In addition, the Agency has also deposited to the credit of the Revenue Refunding Account of the Revenue Reserve Fund additional funds and assets made available to the Agency from the refunding of Bonds of the Agency issued under other Resolutions or Trust Agreements, following the discharge of all obligations under such other Resolutions or Trust Agreements. Such funds and other assets are not pledged to secure payment of any Bonds issued under the Trust Agreement, the amounts received thereunder do not constitute Revenues under the Trust Agreement and the Owners of the Bonds do not have any rights in respect thereto. While in the Revenue Refunding Account of the Revenue Reserve Fund, however, such amounts may be used for any purpose described in this section (including transfer to the Agency's General Fund), other than for transfer to a Special Redemption Account for the redemption of Bonds from surplus Revenues in the Revenue Reserve Fund

Insurance Reserve Fund

The Trust Agreement creates an Insurance Reserve Fund for the additional security of the Bonds issued thereunder. The Trust Agreement provides that each Supplemental Trust Agreement providing for the issuance of Bonds shall specify the Insurance Reserve Requirement with respect to such Bonds and the manner in which such requirement is to be funded. **The Fifty-Fourth Supplemental Trust Agreement provides that there shall not be any Insurance Reserve Requirement with respect to the Series 54 Program Obligations and losses with respect to any Series 54 Program Loans will not be funded from transfers from the Insurance Reserve Fund.**

As of December 31, 2023, there was on deposit in the Insurance Reserve Fund \$5,851,000.

Additional Bonds

The Trust Agreement authorizes the issuance of additional Bonds by the Agency, under the circumstances set forth in the Trust Agreement. Such additional Bonds may be issued to finance additional costs of the Program, to refund outstanding bonds issued under the Trust Agreement or issued under other resolutions or indentures other than the Trust Agreement, or for other purposes set forth in the Trust Agreement. In order to issue additional Bonds under the Trust Agreement, the Agency must comply with the provisions of a Supplemental Trust Agreement executed in connection with the additional Bonds, which Supplemental Trust Agreement must be authorized by the Commission and must contain the terms and provisions of the additional Bonds. The additional Bonds must not materially and adversely affect the ability of the Agency to pay the principal of, Sinking Fund Requirements on account of, and interest on the Bonds then outstanding. Such additional Bonds, together with the Bonds issued and outstanding under the Trust Agreement, including the Series 54 Bonds, would be equally and ratably secured by the moneys and assets which are pledged for the payment of all of the Bonds issued under the Trust Agreement and would be entitled to the equal benefit and protection of the provisions, covenants and agreements of the Trust Agreement.

Investments

The Trust Agreement provides that funds held thereunder may be invested in investments permitted by the Trust Agreement. For a complete description of investments that are permitted, see the definition of "Investment Obligations" in Appendix C.

Funds held under the Trust Agreement are currently invested in other investments, principally consisting of Government Obligations, a commingled short-term Investment Fund maintained by the North Carolina State Treasurer, and the North Carolina Capital Management Trust ("NCCMT").

Historically, the Agency utilized investment agreements and repurchase agreements for the investment of a significant amount of Program Funds, Revenues and Prepayments and Reserve Funds under the Trust Agreement. More recently, the Agency has opted to invest these funds at attractive rates of return in the instruments described above. If market conditions warrant, the Agency may return to a broader use of investment and repurchase agreements permitted by the Trust Agreement.

TBA Loan Administration Fund

In addition, the Agency has established within the Revenue Reserve Fund a special account called the “TBA Loan Administration Account” to which the Agency may deposit or withdraw from time to time cash or investments of cash in connection with the administration by the Agency of the single family homeownership program being carried out by the Agency utilizing mortgage-backed securities issued by Fannie Mae, Ginnie Mae and Freddie Mac and sold in the secondary market. Cash or other assets held in the TBA Loan Administration Account are not pledged to secure payment of any Bonds issued under the Trust Agreement and the amounts received thereunder do not constitute Revenues under the Trust Agreement, and such cash and other assets do not provide security for the Bonds and the Owners of the Bonds shall have no rights in respect thereto.

DESCRIPTION OF THE SERIES 54 BONDS

General

The Series 54 Bonds will be dated June 21, 2024. The Series 54 Bonds will bear interest computed on the basis of a 360-day year consisting of twelve 30-day months) from their date until payment thereof, such interest to the maturity thereof being payable on January 1, 2025 and semiannually thereafter on July 1 and January 1 in each year. Interest payable on the Series 54 Bonds on each Interest Payment Date shall be paid to the registered owner thereof as of the close of business on the Record Date for such Interest Payment Date, which shall be the fifteenth day of the calendar month preceding such Interest Payment Date (whether or not such day is a business day).

The Series 54 Bonds will be issuable only in book-entry form as fully registered bonds and will be subject to the provisions of the book-entry-only system as described in Appendix D — “BOOK-ENTRY-ONLY SYSTEM.” Purchases of the Series 54 Bonds will be made in the denominations of \$5,000 or any whole multiple thereof.

The Trustee, The Bank of New York Mellon Trust Company, National Association, Jacksonville, Florida, will perform, with respect to the Series 54 Bonds, the fiduciary duties for the Owners, such as maintaining the Funds and Accounts established under the Trust Agreement. In addition, the Trustee shall perform the duties of bond registrar, including the keeping of the registration books, the authentication of the Series 54 Bonds upon original issuance and upon subsequent exchange or transfer, the exchange and transfer of the Series 54 Bonds, and the payment of the principal or redemption price of and interest on the Series 54 Bonds subject to the provisions relating to the book-entry-only system, as described in Appendix D.

REDEMPTION OF SERIES 54 BONDS

The Series 54 Bonds shall not be subject to prior redemption except as provided in the Fifty-Fourth Supplemental Trust Agreement and the Trust Agreement.

Optional Redemption

The Series 54 Bonds are each subject to redemption prior to their maturity, at the option of the Agency, either in whole or in part on any date on or after January 1, 2033. Except for the Series 54-A PAC Bonds, any such optional redemption shall be at a redemption price equal to 100% of the principal amount of the Series 54 Bonds to be redeemed, plus accrued interest to the redemption date. If any of the Series 54-A PAC Bonds are optionally redeemed as provided in this subsection, any such optional redemption shall be at a redemption price of the principal amount thereof, plus accrued interest, plus the unamortized premium thereon as determined by the Agency based on the effective interest rate amortization of the original issue premium on the Series 54-A PAC Bonds between the date of issue and July 1, 2036, on and after which date there shall be no redemption premium.

Any such optional redemption shall be from any moneys on hand held for the credit of the Optional Redemption Account on or before the date fixed for redemption, including, without limitation, the proceeds of any refunding Bonds issued pursuant to the Trust Agreement, upon receipt of an Officer’s Certificate as provided in the Trust Agreement, in such manner as the Agency in its discretion may determine, and upon notice as provided

in the Trust Agreement at a Redemption Price equal to the principal amount of the Series 54 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of Series 54-A Bonds

The Series 54-A Term Bonds maturing on July 1, 2039 are subject to mandatory sinking fund redemption by lot on January 1, 2037 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2037	\$1,390,000
July 1, 2037	1,430,000
January 1, 2038	1,470,000
July 1, 2038	1,510,000
January 1, 2039	1,555,000
July 1, 2039*	1,600,000

*Maturity

The Series 54-A Term Bonds maturing on July 1, 2044 are subject to mandatory sinking fund redemption by lot on January 1, 2040 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2040	\$1,645,000
July 1, 2040	1,695,000
January 1, 2041	1,745,000
July 1, 2041	1,795,000
January 1, 2042	1,855,000
July 1, 2042	1,905,000
January 1, 2043	1,965,000
July 1, 2043	2,020,000
January 1, 2044	2,085,000
July 1, 2044*	2,145,000

*Maturity

The Series 54-A Term Bonds maturing on July 1, 2050 are subject to mandatory sinking fund redemption by lot on January 1, 2045 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2045	\$2,210,000
July 1, 2045	2,275,000
January 1, 2046	2,350,000
July 1, 2046	2,420,000
January 1, 2047	2,495,000
July 1, 2047	2,570,000
January 1, 2048	2,650,000
July 1, 2048	2,730,000
January 1, 2049	2,810,000
July 1, 2049	2,900,000
January 1, 2050	2,985,000
July 1, 2050*	3,080,000

*Maturity

The Series 54-A Term Bonds maturing on January 1, 2055 bearing interest at a rate of 4.80% are subject to mandatory sinking fund redemption by lot on January 1, 2051 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2051	\$3,180,000
July 1, 2051	3,275,000
January 1, 2052	3,375,000
July 1, 2052	3,480,000
January 1, 2053	3,585,000
July 1, 2053	3,700,000
January 1, 2054	3,815,000
July 1, 2054	3,930,000
January 1, 2055*	3,365,000

*Maturity

The Series 54-A Term Bonds maturing on January 1, 2055 bearing interest at a rate of 6.25% are subject to mandatory sinking fund redemption by lot on July 1, 2028 and on each January 1 and July 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
July 1, 2028	\$135,000
January 1, 2029	665,000
July 1, 2029	685,000
January 1, 2030	700,000
July 1, 2030	720,000
January 1, 2031	740,000
July 1, 2031	760,000

January 1, 2032	780,000
July 1, 2032	800,000
January 1, 2033	825,000
July 1, 2033	850,000
January 1, 2034	870,000
July 1, 2034	895,000
January 1, 2035	920,000
July 1, 2035	945,000
January 1, 2036	975,000
July 1, 2036	1,000,000
January 1, 2037	1,030,000
July 1, 2037	1,060,000
January 1, 2038	1,090,000
July 1, 2038	1,120,000
January 1, 2039	1,150,000
July 1, 2039	1,185,000
January 1, 2040	1,220,000
July 1, 2040	1,255,000
January 1, 2041	1,295,000
July 1, 2041	1,335,000
January 1, 2042	1,370,000
July 1, 2042	1,415,000
January 1, 2043	1,455,000
July 1, 2043	1,500,000
January 1, 2044	1,545,000
July 1, 2044	1,590,000
January 1, 2045	1,640,000
July 1, 2045	1,690,000
January 1, 2046	1,740,000
July 1, 2046	1,795,000
January 1, 2047	1,850,000
July 1, 2047	1,905,000
January 1, 2048	1,965,000
July 1, 2048	2,025,000
January 1, 2049	2,090,000
July 1, 2049	2,150,000
January 1, 2050	2,220,000
July 1, 2050	2,285,000
January 1, 2051	2,355,000
July 1, 2051	2,430,000
January 1, 2052	2,505,000
July 1, 2052	2,585,000
January 1, 2053	2,665,000
July 1, 2053	2,745,000
January 1, 2054	2,830,000
July 1, 2054	2,920,000
January 1, 2055*	2,500,000

*Maturity

Mandatory Sinking Fund Redemption of Series 54-B Bonds

The Series 54-B Term Bonds maturing on July 1, 2039 are subject to mandatory sinking fund redemption by lot on January 1, 2037 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2037	\$1,060,000
July 1, 2037	1,085,000
January 1, 2038	1,115,000
July 1, 2038	1,145,000
January 1, 2039	1,175,000
July 1, 2039*	1,205,000

*Maturity

The Series 54-B Term Bonds maturing on July 1, 2044 are subject to mandatory sinking fund redemption by lot on January 1, 2040 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2040	\$1,235,000
July 1, 2040	1,270,000
January 1, 2041	1,300,000
July 1, 2041	1,340,000
January 1, 2042	1,370,000
July 1, 2042	1,410,000
January 1, 2043	1,445,000
July 1, 2043	1,490,000
January 1, 2044	1,525,000
July 1, 2044*	1,570,000

*Maturity

The Series 54-B Term Bonds maturing on July 1, 2049 are subject to mandatory sinking fund redemption by lot on January 1, 2045 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2045	\$1,610,000
July 1, 2045	1,650,000
January 1, 2046	1,700,000
July 1, 2046	1,740,000
January 1, 2047	1,790,000
July 1, 2047	1,835,000
January 1, 2048	1,885,000
July 1, 2048	1,935,000
January 1, 2049	1,985,000
July 1, 2049*	2,040,000

*Maturity

The Series 54-B Term Bonds maturing on January 1, 2055 bearing interest at a rate of 5.901% are subject to mandatory sinking fund redemption by lot on January 1, 2050 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2050	\$2,090,000
July 1, 2050	2,145,000
January 1, 2051	2,200,000
July 1, 2051	2,260,000
January 1, 2052	2,320,000
July 1, 2052	2,380,000
January 1, 2053	2,440,000
July 1, 2053	2,510,000
January 1, 2054	2,575,000
July 1, 2054	2,640,000
January 1, 2055*	2,285,000

*Maturity

The Series 54-B Term Bonds maturing on January 1, 2055 bearing interest at a rate of 6.50% are subject to mandatory sinking fund redemption by lot on January 1, 2027 and on each July 1 and January 1 thereafter, in the principal amounts set forth below from moneys deposited to the credit of the Series 54 Principal/Special Redemption Account, at a Redemption Price equal to 100% of the principal amount of the Term Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
January 1, 2027	\$ 85,000
July 1, 2027	135,000
January 1, 2028	140,000
July 1, 2028	140,000
January 1, 2029	145,000
July 1, 2029	150,000
January 1, 2030	150,000
July 1, 2030	155,000

January 1, 2031	160,000
July 1, 2031	165,000
January 1, 2032	165,000
July 1, 2032	170,000
January 1, 2033	175,000
July 1, 2033	180,000
January 1, 2034	185,000
July 1, 2034	190,000
January 1, 2035	195,000
July 1, 2035	200,000
January 1, 2036	205,000
July 1, 2036	210,000
January 1, 2037	215,000
July 1, 2037	220,000
January 1, 2038	225,000
July 1, 2038	230,000
January 1, 2039	235,000
July 1, 2039	245,000
January 1, 2040	250,000
July 1, 2040	255,000
January 1, 2041	265,000
July 1, 2041	270,000
January 1, 2042	280,000
July 1, 2042	285,000
January 1, 2043	295,000
July 1, 2043	300,000
January 1, 2044	310,000
July 1, 2044	315,000
January 1, 2045	325,000
July 1, 2045	335,000
January 1, 2046	340,000
July 1, 2046	350,000
January 1, 2047	360,000
July 1, 2047	370,000
January 1, 2048	380,000
July 1, 2048	390,000
January 1, 2049	400,000
July 1, 2049	410,000
January 1, 2050	420,000
July 1, 2050	435,000
January 1, 2051	445,000
July 1, 2051	455,000
January 1, 2052	470,000
July 1, 2052	480,000
January 1, 2053	495,000
July 1, 2053	505,000
January 1, 2054	520,000
July 1, 2054	535,000
January 1, 2055*	460,000

*Maturity

Special Redemption

General. Except as hereinafter provided, the Series 54 Bonds may be redeemed pursuant to an Officer's Certificate in whole or in part on any date from (i) unexpended proceeds of the Series 54 Bonds, (ii) amounts

deposited in the Series 54 Principal/Special Redemption Account as provided in the Fifty-Fourth Supplemental Trust Agreement, (iii) excess Revenues transferred from the Revenue Funded Account of the Revenue Reserve Fund pursuant to the Trust Agreement, (iv) moneys withdrawn from the Proceeds Reserve Account of the Debt Service Reserve Fund in connection with an excess over the Debt Service Reserve Requirement and (v) principal payments and Prepayments on Program Obligations financed from and held in a Program Account under the Trust Agreement other than the Series 54 Program Account (“Non-Series 54 Principal Reduction Payments”). Except as provided below with respect to the Series 54 PAC Bonds, any such redemption shall be at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Unexpended Proceeds. Unexpended proceeds of the Series 54-A Bonds may be transferred, pursuant to the Trust Agreement, from the Series 54-A Subaccount of the Series 54 Program Account to the Series 54 Principal/Special Redemption Account and applied to the special redemption of Series 54-A Bonds on any date directed by the Agency. Unexpended proceeds of the Series 54-B Bonds may be transferred, pursuant to the Trust Agreement, from the Series 54-B Subaccount of the Series 54 Program Account to the Series 54 Principal/Special Redemption Account and applied to the special redemption of Series 54-B Bonds on any date directed by the Agency. In such event, the Series 54 Bonds to be so redeemed shall be selected pro rata by maturity in proportion to the principal amount of each maturity outstanding, unless the Agency files with the Trustee prior to the date of redemption, a notice of intent to redeem such Series 54 Bonds on other than a pro rata basis. In the event that any Series 54 PAC Bonds are redeemed from unexpended proceeds pursuant to the Fifty-Fourth Supplemental Trust Agreement, such special redemption shall be at a redemption price of the principal amount thereof, plus accrued interest, plus the unamortized premium thereon as determined by the Agency by an effective interest rate amortization of the original issue premium on the Series 54 PAC Bonds being redeemed between the date of issue and the date of redemption.

Series 54-A PAC Bonds. Amounts deposited to the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account during each semi-annual period ending January 1 or July 1 that are derived from the payment of Series 54-A Program Obligations that are not used to pay maturing principal or mandatory sinking fund redemptions on the Series 54-A Bonds on the next January 1 or July 1 shall be applied to the special redemption of the Series 54-A PAC Bonds (at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption) on one or more days during the period, provided that after giving effect to such redemption and giving effect to the payment at scheduled maturity or mandatory sinking fund redemption of Series 54-A PAC Bonds on the next January 1 or July 1, the aggregate principal amount of Series 54-A PAC Bonds on a redemption date or January 1 or July 1 shall not be less than the related Target Outstanding PAC Bond Amount of Series 54-A PAC Bonds set forth in the table below. The amounts in the following table are derived from certain assumptions related to the Series 54-A Program Obligations, including the assumption that all of the prepayments on such Series 54-A Program Obligations are received at a rate equal to 100% of the SIFMA Standard Prepayment Model (with the exception of the Series 54 DPA Loans, the prepayments on which are not included).

<u>Semi-Annual Period Ending</u>	<u>Target Outstanding Series 54-A PAC Bond Amount</u>
Date of Issuance	\$80,770,000
July 1, 2024	80,770,000
January 1, 2025	80,725,000
July 1, 2025	79,880,000
January 1, 2026	77,855,000
July 1, 2026	74,685,000
January 1, 2027	70,425,000
July 1, 2027	65,195,000
January 1, 2028	59,780,000
July 1, 2028	54,560,000
January 1, 2029	49,535,000
July 1, 2029	44,695,000
January 1, 2030	40,040,000
July 1, 2030	35,555,000
January 1, 2031	31,245,000
July 1, 2031	27,105,000

January 1, 2032	23,120,000
July 1, 2032	19,295,000
January 1, 2033	15,615,000
July 1, 2033	12,100,000
January 1, 2034	9,070,000
July 1, 2034	6,455,000
January 1, 2035	4,200,000
July 1, 2035	2,255,000
January 1, 2036	585,000
July 1, 2036	-

In the event that the amounts deposited to the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account are insufficient during any period set forth to permit the special redemption of the Series 54-A PAC Bonds in the amount described, unless the Series 54-A PAC Bonds are called for special redemption from other permitted sources, the amounts of the Series 54-A PAC Bonds shall continue to be subject to special redemption from future amounts when deposited to the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account.

The Series 54-A PAC Bonds are also subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, at any time, from amounts deposited to the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account that are derived from the payment of Series 54-A Program Obligations in any semi-annual period in which the aggregate outstanding principal amount of Series 54-A Bonds (other than the Series 54-A PAC Bonds), less the principal amount of the Series 54-A Bonds coming due during such semi-annual period is equal to or less than the amount set forth in the table below under the heading "Other Series 54-A Bonds Outstanding Amount" for such semiannual period. The Other Series 54-A Bonds Outstanding Amounts in the following table are derived from certain assumptions related to the Series 54-A Program Obligations, including the assumption that all of the prepayments on such Series 54-A Program

Obligations are received at a rate equal to 400% of the SIFMA Standard Prepayment Model (with the exception of the Series 54 DPA Loans, the prepayments on which are not included).

<u>Semi-Annual Period Ending</u>	<u>Other Series 54-A Bonds Outstanding Amounts</u>
Date of Issuance	\$118,730,000
July 1, 2024	118,730,000
January 1, 2025	117,485,000
July 1, 2025	111,215,000
January 1, 2026	101,575,000
July 1, 2026	89,180,000
January 1, 2027	74,890,000
July 1, 2027	60,775,000
January 1, 2028	49,210,000
July 1, 2028	39,705,000
January 1, 2029	31,830,000
July 1, 2029	25,485,000
January 1, 2030	20,440,000
July 1, 2030	16,525,000
January 1, 2031	13,545,000
July 1, 2031	11,365,000
January 1, 2032	9,895,000
July 1, 2032	8,980,000
January 1, 2033	8,575,000
July 1, 2033	8,470,000
January 1, 2034	8,365,000
July 1, 2034	8,260,000
January 1, 2035	8,155,000
July 1, 2035	8,040,000
January 1, 2036	7,925,000
July 1, 2036	7,510,000

In the event any Series 54-A Bonds are redeemed from unexpended proceeds of the Series 54-A Bonds pursuant to subsection titled Unexpended Proceeds above, the Target Outstanding Series 54-A PAC Bond Amount and the Other Series 54-A Bonds Outstanding Amounts for each date in the tables set forth above after the date of redemption shall be reduced proportionately by a fraction, the numerator of which is the amount of Series 54-A Bonds redeemed and the denominator of which is the original aggregate principal amount of the Series 54-A Bonds, provided, that the amount of the reduction for each date may be rounded to an authorized denomination of the Series 54 Bonds.

In addition, after the amount of Series 54-A PAC Bonds required to be redeemed during any period as described above have been called for special redemption in any semiannual period, if additional amounts deposited in the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account are required pursuant to the requirements of clause (iv) of Section 143(a)(2)(A) of the Code to be used to redeem Series 54-A Bonds (sometimes referred to as the “Ten Year Rule”), such amounts shall be applied to redeem the Series 54-A PAC Bonds if at the time there are no Outstanding Series 54-A Bonds other than the Series 54-A PAC Bonds.

After the amount of Series 54-A PAC Bonds required to be redeemed during any period as described above has been called for special redemption in any semiannual period as described in “PAC Bonds” above in accordance with the “Target Outstanding Series 54-A PAC Bond Amount” table, any additional amounts deposited in the Series 54-A Subaccount of the Series 54 Principal/Special Redemption Account during the period may be applied by the Agency to redeem Series 54-A Bonds other than the Series 54-A PAC Bonds, except (A) as described below under “Special Provisions for the Series 54 PAC Bonds” and (B) to the extent described in this section “Series 54-A PAC Bonds.” The Series 54-A Bonds to be so redeemed shall be selected pro rata by maturity among such Series 54-A Bonds to be redeemed in proportion to the principal amount of each maturity

outstanding, unless the Agency files with the Trustee prior to the date of redemption, a direction to redeem such Series 54-A Bonds on other than a pro rata basis.

Series 54-B PAC Bonds. Amounts deposited to the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account during each semi-annual period ending January 1 or July 1 that are derived from the payment of Series 54-B Program Obligations that are not used to pay maturing principal or mandatory sinking fund redemptions on the Series 54 Bonds on the next January 1 or July 1 shall be applied to the special redemption of the Series 54-B PAC Bonds (at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption) on one or more days during the period, provided that after giving effect to such redemption and giving effect to the payment at scheduled maturity or mandatory sinking fund redemption of Series 54-B PAC Bonds on the next January 1 or July 1, the aggregate principal amount of Series 54-B PAC Bonds on a redemption date or January 1 or July 1 shall not be less than the related Target Outstanding PAC Bond Amount of Series 54-B PAC Bonds set forth in the table below. The amounts in the following table are derived from certain assumptions related to the Series 54-B Program Obligations, including the assumption that all of the prepayments on such Series 54-B Program Obligations are received at a rate equal to 50% of the SIFMA Standard Prepayment Model (with the exception of the Series 54 DPA Loans, the prepayments on which are not included).

<u>Semi-Annual Period Ending</u>	<u>Target Outstanding Series 54-B PAC Bond Amount</u>
Date of Issuance	\$16,375,000
July 1, 2024	16,375,000
January 1, 2025	16,370,000
July 1, 2025	16,185,000
January 1, 2026	15,715,000
July 1, 2026	14,965,000
January 1, 2027	13,945,000
July 1, 2027	12,670,000
January 1, 2028	11,310,000
July 1, 2028	9,980,000
January 1, 2029	8,675,000
July 1, 2029	7,405,000
January 1, 2030	6,155,000
July 1, 2030	4,940,000
January 1, 2031	3,750,000
July 1, 2031	2,590,000
January 1, 2032	1,455,000
July 1, 2032	345,000
January 1, 2033	-

In the event that the amounts deposited to the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account are insufficient during any period set forth to permit the special redemption of the Series 54-B PAC Bonds in the amount described, unless the Series 54-B PAC Bonds are called for special redemption from other sources permitted hereunder, then the amounts of Series 54-B PAC Bonds shall continue to be subject to special redemption from future amounts when deposited to the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account.

The Series 54-B PAC Bonds are also subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, at any time, from amounts deposited to the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account that are derived from the payment of Series 54-B Program Obligations in any semi-annual period in which the aggregate outstanding principal amount of Series 54-B Bonds other than the Series 54-B PAC Bonds, less the principal amount of the Series 54-B Bonds coming due during such semi-annual period, is equal to or less than the amount set forth in the table below under the heading “Other Series 54-B Bonds Outstanding Amount” for such semiannual period. The Other Series 54-B Bonds Outstanding Amounts in the following table are derived from certain assumptions related to the Series 54-B Program Obligations, including the assumption that all of the prepayments on such Series 54-B Program

Obligations are received at a rate equal to 400% of the SIFMA Standard Prepayment Model (with the exception of the Series 54 DPA Loans, the prepayments on which are not included).

<u>Semi-Annual Period Ending</u>	<u>Other Series 54-B Bonds Outstanding Amounts</u>
Date of Issuance	\$83,625,000
July 1, 2024	83,625,000
January 1, 2025	83,115,000
July 1, 2025	79,965,000
January 1, 2026	74,850,000
July 1, 2026	68,090,000
January 1, 2027	60,095,000
July 1, 2027	51,820,000
January 1, 2028	44,705,000
July 1, 2028	38,685,000
January 1, 2029	33,600,000
July 1, 2029	29,345,000
January 1, 2030	25,785,000
July 1, 2030	22,835,000
January 1, 2031	20,410,000
July 1, 2031	18,430,000
January 1, 2032	16,840,000
July 1, 2032	15,590,000
January 1, 2033	13,890,000

In the event any Series 54-B Bonds are redeemed from unexpended proceeds of the Series 54-B Bonds pursuant to the subsection titled Unexpended Proceeds above, the Target Outstanding Series 54-B PAC Bond Amount and the Other Series 54-B Bonds Amounts for each date in the tables set forth above after the date of redemption shall be reduced proportionately by a fraction, the numerator of which is the amount of Series 54-B Bonds redeemed and the denominator of which is the original aggregate principal amount of the Series 54-B Bonds, provided, that the amount of the reduction for each date may be rounded to an authorized denomination of the Series 54-B Bonds.

After the amount of Series 54-B PAC Bonds required to be redeemed during any period as described above has been called for special redemption in any semiannual period as described above in accordance with the “Target Outstanding Series 54-B PAC Bond Amount” table, any additional amounts deposited in the Series 54-B Subaccount of the Series 54 Principal/Special Redemption Account during the period may be applied by the Agency to redeem Series 54 Bonds other than the Series 54-B PAC Bonds, except (A) as described below under “Special Provisions for the Series 54 PAC Bonds” and (B) to the extent described in this section “Series 54-B PAC Bonds.” The Series 54 Bonds to be so redeemed shall be selected pro rata by maturity among such Series 54 Bonds to be redeemed in proportion to the principal amount of each maturity outstanding, unless the Agency files with the Trustee prior to the date of redemption, a direction to redeem such Series 54 Bonds on other than a pro rata basis.

Projected Weighted Average Lives of the Series 54 PAC Bonds. The “projected weighted average life” of a security refers to the average amount of time that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity date, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security.

The calculation of the projected weighted average lives of the Series 54 PAC Bonds requires the making of certain assumptions (collectively, the “Portfolio Assumptions”) with respect, but not limited, to the future financing and prepayment of Program Obligations as well as certain assumptions (collectively, the “Agency Option Assumptions”), with respect, but not limited to, the future use by the Agency of its options under the Trust

Agreement related to: (a) the repayments and Prepayments on the new Series 54 Program Securities; (b) the application of repayments, Prepayments, and excess revenues related to other Series to the redemption of the Series 54 PAC Bonds; and (c) the optional redemption of all or a portion of the Series 54 PAC Bonds on January 1, 2033 from any source.

Set forth in the tables captioned “Projected Average Lives (in years)” (the “Tables”) are projected weighted average lives for the Series 54-A PAC Bonds or Series 54-B PAC Bonds under a number of different scenarios, each such scenario representing a unique combination of assumptions, as described below. Both the Portfolio Assumptions and the Agency Option Assumptions are hypothetical in nature and are provided only to give a general sense of how the weighted average lives of the Series 54-A PAC Bonds or Series 54-B PAC Bonds might behave as such assumptions are varied. The actual characteristics and the performance of the Program Obligations (including, without limitation, prepayments thereof) will differ from the Portfolio Assumptions utilized in constructing the Tables, and the actual use of options under the Trust Agreement by the Agency will differ from the Agency Option Assumptions utilized in constructing the Tables.

Any difference between such Portfolio Assumptions and the actual characteristics and performance of the Program Obligations or between the Agency Option Assumptions and the actual use of such options will cause the actual weighted average lives of the respective Series 54 PAC Bonds to differ (which difference could be significant) from the projected weighted average lives in the Tables. Accordingly, the Agency makes no representation as to the reasonableness of any of such assumptions and makes no representation that the projected average lives set forth in the Tables will reflect the actual course of events. The Agency Option Assumptions are not necessarily consistent with the current or historical approach of the Agency to recycling and selecting Bonds to be redeemed, and they are not binding upon or necessarily indicative of future actions of the Agency with respect to the redemption of the Bonds.

All of the scenarios represented in the Table with respect to the Series 54-A PAC Bonds are based on the assumptions that the Program Securities held in the Series 54-A Subaccount of the Series 54 Program Account will consist of approximately \$97.8 million of Ginnie Mae Certificates, and \$101.8 million of Fannie Mae Certificates and Freddie Mac Certificates, all securitizing loans with a weighted average interest rate of approximately 6.85% and a weighted average remaining term of approximately 360 months. All of the scenarios represented in the Tables with respect to the Series 54-B PAC Bonds are based on the assumptions that the Program Securities held in the Series 54-B Subaccount of the Series 54 Program Account will consist of approximately \$47.3 million of Ginnie Mae Certificates, and \$49.3 million of Fannie Mae Certificates and Freddie Mac Certificates, all securitizing loans with a weighted average interest rate of approximately 6.93% and a weighted average remaining term of approximately 360 months. Such amounts include Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates purchased with amounts transferred to the Series 54 Program Account as described above. In developing the scenarios represented in the Tables, no principal payments or Prepayments of the approximately \$21.3 million Series 54 DPA Loans are assumed.

Each of the scenarios represented in the Tables is based on an indicated prepayment assumption, in each case expressed as a percentage of the PSA Prepayment Model. As used in the Tables, for example, (a) “0%” assumes no prepayments of the principal of the applicable Program Loans, (b) “50%” assumes the principal of the applicable Program Loans will prepay at a rate one-half times as fast as the prepayment rates for one hundred percent (100%) of the PSA Prepayment Model, (c) “200%” assumes the principal of the applicable Program Loans will prepay at a rate twice as fast as the prepayment rates for one hundred percent (100%) of the PSA Prepayment Model, and so on.

The computation of the weighted average lives of the Series 54-A PAC Bonds and Series 54-B PAC Bonds under each of the scenarios represented in the Tables is based on the assumption that, with respect to the fulfillment by the Agency of its obligations pursuant to the redemption provisions described under “Special Redemption,” the Agency will redeem the Series 54 PAC Bonds on each Interest Payment Date commencing on January 1, 2025. In addition, the Tables are based on the assumption that the Agency will not redeem the Series 54 PAC Bonds from any other source.

The computation of the weighted average life of the Series 54 PAC Bonds under each of the scenarios represented in the Tables is based on one of two sets of indicated assumptions about the exercise of the Optional Redemption provisions under the Trust Agreement:

(a) In the case of scenarios labeled “Optional Call Exercised,” it is assumed that the Agency will exercise its right to optionally redeem all Outstanding Series 54 PAC Bonds on January 1, 2033.

(b) In the case of scenarios labeled “Optional Call Not Exercised,” it is assumed that the Agency will not exercise its right to optionally redeem the Series 54 PAC Bonds.

Investors owning less than all of the Series 54-A PAC Bonds or Series 54-B PAC Bonds, as applicable, may experience redemption at a rate that varies from the projected weighted average lives shown in the Tables.

Series 54-A PAC Bonds Projected Average Lives (in years)

PSA	Optional Call Not Exercised	Optional Call Exercised ¹
0%	20.7	8.4
25	14.0	7.6
50	9.2	6.8
75	6.9	6.1
100	6.0	5.7
150	6.0	5.7
200	6.0	5.7
300	6.0	5.7
400	6.0	5.7
500	5.0	4.8

¹ Assumes January 1, 2033 Optional Call date.

Series 54-B PAC Bonds Projected Average Lives (in years)

PSA	Optional Call Not Exercised	Optional Call Exercised ¹
0%	19.9	8.2
25	7.3	6.4
50	5.0	5.0
75	5.0	5.0
100	5.0	5.0
150	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.6	4.6

¹ Assumes January 1, 2033 Optional Call date.

See the information set forth in “Appendix G — PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING AND PROJECTED WEIGHTED AVERAGE LIVES OF THE SERIES 54-A PAC BONDS AND SERIES 54-B PAC BONDS” attached hereto.

Excess Revenues. Revenues transferred from the Revenue Funded Account of the Revenue Reserve Fund pursuant to the Trust Agreement may be applied at the option of the Agency to the special redemption of the

Series 54 Bonds other than the Series 54 PAC Bonds, except as provided in “Special Provisions for the Series 54 PAC Bonds” below. The Series 54 Bonds to be redeemed shall be selected in any manner directed by the Agency.

Excess Debt Service Reserve Funds. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement may be withdrawn from the Debt Service Reserve Fund, as provided in the Officer's Certificate pursuant to the Trust Agreement and applied to the special redemption of the Series 54 Bonds other than the Series 54 PAC Bonds, except as provided in “Special Provisions for the Series 54 PAC Bonds” below. The Series 54 Bonds to be redeemed shall be selected in any manner directed by the Agency.

Cross Call Redemption. Non-Series 54 Principal Reduction Payments may be used to redeem Series 54 Bonds other than the Series 54 PAC Bonds, except as provided in “Special Provisions for the Series 54 PAC Bonds” below. The Series 54 Bonds to be redeemed shall be selected in any manner directed by the Agency.

Special Provisions for the Series 54 PAC Bonds. Except as described herein, the Series 54 PAC Bonds may not be redeemed from excess Revenues, excess moneys in the Debt Service Reserve Fund or Non-Series 54 Principal Reduction Payments. The Series 54 PAC Bonds may be redeemed from such sources at any time to the extent necessary to preserve the exclusion of interest on the Series 54-A Bonds from the gross income of the owners thereof for purposes of federal income taxation. In addition, if the amount deposited to the subaccounts of the Series 54 Principal/Special Redemption Account during any period specified in the tables set forth above under “Special Redemption – Series 54-A PAC Bonds” and “Special Redemption – Series 54-B PAC Bonds” is less than the amounts required so that the amount of Outstanding Series 54-A PAC Bonds or Outstanding Series 54-B PAC Bonds at the end of the period will be more than its respective Target Outstanding PAC Bond Amount, then the Agency may redeem the applicable Series 54 PAC Bonds from any lawfully available source in an amount sufficient to achieve the Target Outstanding PAC Bond Amount.

Ten Year Rule. As discussed under the heading “FEDERAL TAX REQUIREMENTS – Other Requirements,” the Agency is required to apply certain repayments and prepayments on Series 54-A Program Obligations to the payment of principal on the Series 54-A Bonds (sometimes referred to as the “Ten Year Rule”). To comply with the Ten Year Rule, the following percentages of prepayments and repayments of principal on Series 54-A Program Obligations received on or after the following dates are required to be applied no later than the end of the first semiannual period beginning after the date of receipt to the payment of principal on the Series 54-A Bonds:

<u>Date</u>	<u>Percent</u>
June 21, 2024	-
November 17, 2026	1
June 7, 2027	4
June 13, 2028	6
November 14, 2028	7
April 10, 2029	9
September 18, 2029	12
January 16, 2030	14
May 20, 2030	16
October 14, 2030	20
April 22, 2031	23
September 22, 2031	26
April 28, 2032	28
December 13, 2032	29
May 4, 2033	31
August 9, 2033	32
June 21, 2034	100

The above amounts set forth the minimum amount of principal of the Series 54-A Bonds the Agency will be required to retire from prepayments and repayments following the respective dates to comply with the Ten Year Rule. The Agency may retire more principal than the minimum amount, whether at maturity or redemption,

in accordance with the maturities of the Series 54-A Bonds and in accordance with the special redemption provisions of the Series 54-A Bonds described above.

Redemption Notice for the Series 54 Bonds. At least thirty (30) days but not more than sixty (60) days before the redemption date of any Series 54-A Bond or Series 54-B Bond, whether such redemption shall be in whole or in part, the Trustee shall cause a notice of any such redemption to be provided to The Depository Trust Company (“DTC”), New York, New York as the Owner of the Series 54 Bonds in accordance with the procedures of DTC for notices of redemption. If there is no securities depository, then notice shall be mailed, postage prepaid, to all Owners of Series 54 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but failure to mail any such notice to one or more Owners or any defect in such notice shall not affect the validity of the proceedings for such redemption with respect to any other Owner. Each such notice shall set forth the CUSIP numbers of the Series 54 Bonds to be redeemed, the interest rate of the Series 54 Bonds to be redeemed, the dated date of the Series 54 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the maturities of the Series 54 Bonds to be redeemed, in the case of Series 54 Bonds of any maturity to be redeemed in part only, the portion of the principal amount thereof to be redeemed, the address and phone number of the Trustee, the date of the redemption notice, that on the redemption date the Series 54 Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that from the redemption date interest will cease to accrue and be payable.

Any notice of redemption, except a notice of mandatory sinking fund redemption, at the option of the Agency may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 54 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 54 Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 54 Bonds are not received by the Trustee on or prior to the redemption date, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

So long as DTC or its nominee is the owner of the Series 54 Bonds, the Agency and the Trustee will recognize DTC or its nominee as the registered owner of the Series 54 Bonds for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Participants and by Participants to beneficial owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Any failure on the part of DTC or failure on the part of a nominee of a beneficial owner (having received notice from a Participant or otherwise) to notify the beneficial owner so affected shall not affect the validity of the redemption.

General Provisions as to Purchase or Redemption of Series 54 Bonds

Any Series 54 Bonds or portions of Series 54 Bonds to be purchased or redeemed other than by operation of the Sinking Fund Account shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of an Officer's Certificate determining the following: (a) the Series from which the Series 54 Bonds are to be purchased or redeemed; (b) the maturities within such Series from which the Series 54 Bonds are to be purchased or redeemed; (c) the principal amount of Series 54 Bonds or portion of Series 54 Bonds within such maturities to be purchased or redeemed; and (d) if any of the Series 54 Bonds to be purchased or redeemed are Term Bonds, the years in which Sinking Fund Requirements are to be reduced and the amount by which such Sinking Fund Requirements are to be reduced. Pursuant to the Trust Agreement, the Agency shall not cause Series 54 Bonds to be purchased or redeemed unless, after such purchase or redemption, there shall be no material adverse effect on the ability of the Agency to pay when due the principal of and interest on the Series 54 Bonds then Outstanding. If less than all the Series 54 Bonds of a single maturity shall be redeemed, the Series 54 Bonds shall be redeemed by lot.

So long as DTC or its nominee is the owner of the Series 54 Bonds, if less than all of the Series 54 Bonds of any one maturity shall be called for redemption, the particular Series 54 Bonds or portions of Series 54 Bonds of such maturity to be redeemed shall be selected by DTC and its Participants in such manner as DTC and its

Participants may determine. If a Series 54 Bond is of a denomination in excess of \$5,000, portions of the principal amount in the amount of \$5,000 or any whole multiple thereof may be redeemed.

THE AGENCY

Organization and Purposes

The Agency was created in 1973 by the Act as a body politic and corporate and as an instrumentality of the State. It is positioned within the Office of State Budget and Management for financial reporting and budgetary purposes, and it is managed solely by its Board of Directors (the “Board”). The Executive Director is appointed by the Board subject to the approval of the Governor. The Executive Director appoints all other employees subject to an organization chart which is approved by the Board. All employees of the Agency are exempt from the State Personnel Act, but they are considered State employees for certain purposes. They receive the State employee benefits package and participate in the Teachers' and State Employees' Retirement System of North Carolina.

The Agency, like all other State agencies, is required to submit its operating budget to the Office of State Budget and Management. Appropriations, if any, from the North Carolina General Assembly to the Agency are credited to the Agency by the Office of State Budget and Management.

The Agency makes available annual audited financial statements to the Governor, the State Treasurer, the State Auditor, the Finance Committee of the Senate, the Finance Committee of the House of Representatives, the Commission, the Advisory Budget Commission, and the Office of State Budget and Management.

Board of Directors

The Board is constituted with thirteen members. The General Assembly appoints eight directors, four upon the recommendation of the Speaker of the House of Representatives (at least one of whom has had experience with a mortgage-servicing institution and one of whom is experienced as a licensed real estate broker), and four upon the recommendation of the President Pro Tempore of the Senate (at least one of whom is experienced with a savings and loan institution and one of whom is experienced in home building). The Governor appoints four of the directors of the Agency (one of such appointees is required to be experienced in community planning, one in subsidized housing management, one in public housing policy, and one in the manufactured housing industry). The twelve members so selected elect a thirteenth member. The Governor designates a chairman from among the members of the Board. Members of the Board and officers of the Agency continue in office until their successors are appointed.

There is one vacancy on the Agency’s Board due to the recent retirement of a Member. The Agency expects that vacancy to be filled shortly. The current members of the Agency's Board are the following:

<u>Name and Position</u>	<u>Term Expires</u>	<u>Occupation</u>
J. Adam Abram, Chair	6/30/2025	Chairman, James River Group Holdings Ltd, Chapel Hill
Patricia G. Garrett, Vice Chair	6/30/2026	Retired Businesswoman, Surf City
Leigh T. Brown	6/30/2025	Realtor, Broker/Owner, RE/MAX Executive Realty, Concord
Ralphine Caldwell	5/18/2025	Executive Director, Local Initiative Support Corporation (LISC), Charlotte
Lavonda R. Daniels	6/30/2025	Consulting Service, Beaufort
Marc Isaacson	6/30/2026	Partner, Isaacson Isaacson Sheridan Fountain & Leftwich, LLP, Greensboro

<u>Name and Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Paul S. Jaber	6/30/2025	Retired businessman, Rocky Mount
Paul L. Kennedy	6/30/2025	Retired Sr. Vice President, Carolina Bank, Shallotte
M. Charles Mullen	6/30/2025	President, Mullen & Company, Inc., Rocky Mount
Christopher C. Parrish	6/30/2025	Co-Owner, Parrish Manor, Inc., Raleigh
Tom E. Smith	6/30/2025	Fonville Morissey Realty, Cary
Jason Triplett	6/30/2025	Market President, First Horizon, Northwest, Boone

Agency Staff

The Agency currently employs approximately 135 persons. The following persons have been appointed as the principal staff of the Agency:

<u>Name and Position</u>	<u>Experience</u>
Scott Farmer Executive Director	Executive Director, North Carolina Housing Finance Agency, 2017 to present, Director of Rental Investment, 2005 to 2016, Manager of Rental Development, 2001-2005, Debt Restructuring Specialist, 1999-2001; REO/Commercial Asset Supervisor, CDSI Mortgage Services, 1998-1999, Commercial Asset Manager, 1996-1998; Problem Loan Specialist, Wendover Funding, 1993-1996; Legal Assistant, W.A. Bason, Attorney at Law, 1990-1993. Mr. Farmer is a Member of the Board of Directors of the National Council of State Housing Agencies.
Brett Warner Chief Financial Officer	Chief Financial Officer, North Carolina Housing Finance Agency, 2021 to present, Controller, 2019-2021; Privately Held Real Estate Company Controller, 2015-2019; Vice President, Credit Suisse, 2010-2015; Audit Senior, PwC, 2005-2010.
Sonia Joyner Director of Home Ownership Programs	Director of Home Ownership Programs, North Carolina Housing Finance Agency, 2018 to present, Manager of Strategic Investment Services, 2015-2018, Team Leader of Strategic Investment Services 2010-2015, Senior Housing Production Officer, 1999-2010, Loan Underwriter 1997-1999.
Ariana Kudlats Manager of Finance & Strategic Projects	Manager of Finance & Strategic Projects, North Carolina Housing Finance Agency, 2021 to present, Assistant Controller, 2020-2021, Senior Accountant, 2014-2020; Tax Supervisor, Warren Averett, LLC, 2012-2014; Audit Associate, BDO USA, LLP, 2011-2012; Tax Associate, Cornick, Garber & Sandler, LLP, 2007-2010.

<u>Name and Position</u>	<u>Experience</u>
Jennifer Percy General Counsel	General Counsel, North Carolina Housing Finance Agency, 2012 to present; Counsel and Manager of Legal Services, North Carolina Housing Finance Agency 2006-2012; Associate, Nelson Mullins Riley & Scarborough, 2006; Attorney, North Carolina Housing Finance Agency 2003-2005.
Tim Carroll Chief Information Officer	Chief Information Officer, North Carolina Housing Finance Agency, 2014 to present, Manager of Information Technology, 2011-2014, Senior Systems Analyst, 2006-2011; Senior Consultant, Keane, Inc., Durham, NC 1999-2006.

The Agency is located at 3508 Bush Street, Raleigh, North Carolina 27609, and its telephone number is (919) 877-5700. The Agency's web site is www.nchfa.com. Brett Warner is the contact person at the Agency for questions regarding the Agency's bond programs. His telephone number is (919) 981-2519 and his e-mail address is bawarner@nchfa.com.

THE PROGRAM

General

Under the Trust Agreement, the type of low and moderate income housing financing that will be provided, and the security for the Program Obligations to be financed by a given Series of Bonds is determined and set forth in the Supplemental Trust Agreement authorizing that Series of Bonds entered into by the Agency at the time such Bonds are issued. Program Obligations may involve financing for purposes of, among others, home ownership, home improvement and residential rental housing.

Program Loans under the FirstHome Mortgage Program

Historically, proceeds of Bonds have been used by the Agency to purchase Program Loans originated by Lenders specifically for sale to the Agency for the purpose of providing financing for residential housing for low and moderate income households in North Carolina. The mortgage program financed with the sale of the tax-exempt bond proceeds for the purchase of Program Loans to date is called the FirstHome Mortgage program ("FirstHome"). In addition to Program Loans purchased under FirstHome, Program Loans also include mortgage loans purchased with proceeds of Bonds of the Agency issued under financing documents other than the Trust Agreement that were refunded by Bonds issued under the Trust Agreement. Under this program, the mortgage loans were purchased as Program Loans and are reflected on the Statement of Net Position as mortgage loans.

The Agency has entered into various arrangements with financial institutions for mortgage servicing services in connection with these Program Loans. Such services include collecting mortgage loan payments and transferring principal and interest payments to the Trustee, property tax payments to the taxing jurisdictions and property and casualty insurance payments to the property insurer, confirming that the Program Loan is in compliance with the applicable mortgage insurer or guarantor and other traditional servicing activities. Currently, the institutions servicing the Program Loans held under the Trust Agreement are SN Servicing Corporation; PNC Bank, National Association; Truist Bank; Bank of America, N.A.; and US Bank Home Mortgage. The Agency monitors the services provided by such financial institutions and has the contractual right to remove any servicer that is not providing acceptable services.

Program Securities under the NC Home Advantage Mortgage Program

In 2013, the Agency created a new mortgage loan product called NC Home Advantage Mortgage ("HomeAd"). The mortgage loans are pooled into Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities by the Agency's master servicer, which is currently ServiSolutions. HomeAd production is funded using two sources of funds: (1) through the issuance of tax-exempt and taxable mortgage revenue bonds and (2)

through the sale of MBS to a third party. The bond-funded MBS are reflected on the Agency's Statement of Net Position as investments.

The HomeAd program provides multiple down payment assistance options to borrowers, across all loan types (FHA, USDA, VA and conventional), including no down payment assistance, 3% down payment assistance, or the NC 1st Home Advantage Down Payment Assistance which provides a fixed amount of down payment assistance. The HomeAd loans with the NC 1st Home Advantage Down Payment Assistance are bond funded and are paired with \$15,000 of down payment assistance. Series 54 proceeds will be used to purchase NC 1st Home Advantage Down Payment Assistance loans ("Series 54 DPA Loans").

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security ("UMBS"). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for "mirror" UMBS backed by the same loans as the existing securities. Proceeds of the Series 54 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Series 54 Certificates the term "Mortgage-Backed Securities" includes UMBS.)

The proceeds of the Series 54 Bonds and other funds deposited to the Series 54 Program Account will provide the funds for the purchase of Series 54 Program Securities. The interest rates, origination fees and terms of the Series 54 Securitized Mortgage Loans underlying the MBS may vary. The Agency anticipates (a) Series 54 Securitized Mortgage Loans consisting of FHA/VA/USDA insured mortgage loans will be financed through the purchase of Ginnie Mae Certificates by the Trustee, (b) Series 54 Securitized Mortgage Loans consisting of conventional loans will be financed through the purchase of Fannie Mae Certificates by the Trustee and (c) Series 54 Securitized Mortgage Loans consisting of conventional loans may also be financed through the purchase of Freddie Mac Certificates by the Trustee. The term of the Series 54 Securitized Mortgage Loans will be 30 years. The Agency expects to evaluate and change interest rates as appropriate in light of rates in the residential mortgage market generally, economic conditions and financial considerations of the Agency, all within the limitations established by federal tax laws and regulations. See "TAX TREATMENT." The Agency has entered into (and anticipates entering into additional) mortgage origination agreements ("Origination Agreements") with qualified mortgage lending institutions (the "Lenders"), pursuant to which the Lenders may originate Series 54 Securitized Mortgage Loans under the Program. Upon closing of the Series 54 Securitized Mortgage Loans, the Lenders will sell approved Ginnie Mae Loans, the Fannie Mae Loans and Freddie Mac Loans to ServiSolutions, which ServiSolutions will pool into fully modified Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates (Program Securities).

In connection with the origination of Series 54 Securitized Mortgage Loans, the Trustee, on behalf of the Agency, will purchase from ServiSolutions, (i) fully modified Ginnie Mae Certificates (as defined herein) backed by Series 54 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Ginnie Mae, (ii) Fannie Mae Certificates (as defined herein) backed by Series 54 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Fannie Mae, and/or (iii) Freddie Mac Certificates (as defined herein) backed by Series 54 Securitized Mortgage Loans and guaranteed as to timely payment of principal and interest by Freddie Mac. The obligations of Ginnie Mae are considered general obligations of the United States backed by its full faith and credit. The obligations of Fannie Mae under its guarantees of the Fannie Mae Loans are obligations of Fannie Mae only. The obligations of Freddie Mac under its guarantees of the Freddie Mac Loans are obligations of Freddie Mac only. The Fannie Mae Loans and the Freddie Mac Loans, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States, other than Fannie Mae and Freddie Mac respectively, and Fannie Mae and Freddie Mac respectively are not entitled to the full faith and credit of the United States. See "Appendix E: SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE AND FREDDIE MAC CERTIFICATE PROGRAM."

Series 54 DPA Loans are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program. Notwithstanding any other provision of the Trust Agreement or the

Fifty-Fourth Supplemental Trust Agreement, a Series 54 DPA Loan may be secured by a mortgage that is subordinate to the first mortgage on the financed property made in connection with the origination of the related Series 54 Securitized Mortgage Loan, and the mortgage may be further subordinated to other mortgages and liens on the financed property as may be approved by the Agency. Initially, it is the intention of the Agency that no principal on the Series 54 DPA Loans will be due on Series 54 DPA Loans during the first fifteen years of such loan unless (i) the property purchased with such loan is sold during such period, (2) the Series 54 Securitized Mortgage Loan related to the Series 54 DPA Loan is refinanced, or (3) there is a default under the first mortgage loan related to the Series 54 DPA Loan. If the events described in the preceding sentence do not occur as of the applicable date, 20% of the original principal of the Series 54 DPA Loans will be reduced on each of the eleventh, twelfth, thirteenth, fourteenth and fifteenth anniversaries of the origination of the Series 54 DPA Loan.

In addition to the reduction in the principal amount of any Series 54 DPA Loan permitted by the terms thereof, in the event that there is a default under a Series 54 DPA Loan and a subsequent foreclosure under the mortgage securing such Series 54 DPA Loan, and upon such foreclosure the amount received for payment of the Series 54 DPA Loan is less than the principal amount of the Series 54 DPA Loan, the principal amount of the Series 54 DPA Loan shall be further reduced by the deficiency between the principal amount of the Series 54 DPA Loan and the amount available for payment (and no transfer from the Revenue Reserve Fund to the Series 54 Principal/Special Redemption Account pursuant to the Trust Agreement shall be necessary). The Agency may also elect to reduce the principal amount of any Series 54 DPA Loan at any time in connection with the sale of the property securing the Series 54 DPA Loan in the event that the proceeds of the sale are not sufficient to prepay the entire principal amount of the Series 54 DPA Loan following the application of the proceeds of the sale to the payment of any mortgage loan that is senior to the Series 54 DPA Loan and to other costs related to the sale of the property.

The Agency may also waive the requirement that the principal of a Series 54 DPA Loan be paid in connection with the refinancing of the related Series 54 Securitized Mortgage Loan if the Agency concludes that the refinancing will carry out certain of its programmatic objectives. Upon such a waiver, the Series 54 DPA Loan will be made subordinate to the new mortgage loan providing for the refinancing.

In addition, the Agency may waive the requirement that the principal of a Series 54 DPA Loan be paid for any other reason if such waiver of payment is consistent with the program objectives of the Agency.

The Series 54 DPA Loans purchased with the proceeds of the Series 54 Bonds are Program Loans, and therefore Program Obligations, under the Trust Agreement and, as such, are subject to the pledge of the Program Obligations to secure the payment of the Bonds as provided in the Trust Agreement. Any payments on Series 54 DPA Loans (which at present are expected to be derived only from Prepayments of Series 54 DPA Loans as described above) shall be deposited to the Principal Account or Sinking Fund Account to be used to pay the next principal payment on the Series 54 Bonds. In addition, Series 54 Program Securities purchased with amounts not derived from proceeds of the Series 54 Bonds are Program Securities, and therefore Program Obligations, under the Trust Agreement and, as such, are subject to the pledge of the Program Obligations to secure the payment of the Bonds as provided in the Trust Agreement.

ServiSolutions

ServiSolutions is the Master Servicer for the purchase of Series 54 Securitized Mortgage Loans from Mortgage Lenders, the issuance of Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates backed by such Series 54 Securitized Mortgage Loans, and, with respect to the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates that will be acquired with Series 54 Bond proceeds, to sell the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates to the Trustee. Once the Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates have been issued to the Trustee, ServiSolutions' primary duties involve the collection and distribution to the Trustee of payments received on account of the underlying Series 54 Securitized Mortgage Loans. This includes payments received from Ginnie Mae, Fannie Mae and Freddie Mac with respect to defaulted Series 54 Securitized Mortgage Loans. ServiSolutions' ability to purchase and pool Series 54 Securitized Mortgage Loans, and to issue and deliver Ginnie Mae Certificates, Fannie Mae Certificates and Freddie Mac Certificates, underlies the Trustee's ability to spend Series 54 Bond proceeds in a timely manner. ServiSolutions and the Agency entered into a contract in August

2017, which limits the purchase of mortgage loans between the date of purchase from the lender to the date of settlement of the security. The contract limits ServiSolutions to \$60 million of purchases but allows the Agency to purchase up to \$60 million of mortgage loans for a maximum of \$120 million at any given time. This amount may be increased pursuant to a mutual agreement between the parties. The mortgage loans temporarily owned by the Agency earn interest for the Agency equal to the mortgage interest rate minus the servicing fee, and these loans are reflected as “Mortgage loans held for resale” on the financial statements.

The Agency is responsible under the Servicing Agreement for reviewing each Series 54 Securitized Mortgage Loan originated by the Mortgage Lenders to determine compliance with the Agency's program requirements. ServiSolutions reviews the Series 54 Securitized Mortgage Loans to determine compliance with Ginnie Mae, Fannie Mae and Freddie Mac loan documentation. Upon completion of such review, ServiSolutions is required to acquire approved Series 54 Securitized Mortgage Loans on behalf of the Agency, and complete all required documents and forms incidental to the inclusion of such Series 54 Securitized Mortgage Loans in Ginnie Mae, Fannie Mae and Freddie Mac pools.

Experience to Date Under The Program

The Agency has issued over \$5.1 billion of Bonds under the Trust Agreement (excluding Refunding Bonds) for the purposes of the Program. All of the Bonds issued up until the Series 37 Bonds funded a program in which the Agency purchased Program Loans and not Program Securities. A total of fifty-three Series of Bonds have been issued under the Trust Agreement. In addition to Bonds paid at maturity or redeemed from available funds of the Agency, Series 1 through Series 26 and Series 28 through Series 31 were refunded by the Series 32 through Series 39 Bonds. The Series 32 Bonds were refunded by Series 46. Upon such refunding, the Program Loans financed by the Bonds that were refunded were transferred to the Program Account for the respective Series of Refunding Bonds.

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The following table summarizes as of December 31, 2023 the outstanding Bonds under the Trust Agreement by Series of Bonds:

Bonds Payable (000's)

Bond Issue	Dated Date	Optional Call Date	Amount Issued	Amount Outstanding	Outstanding Principal Amounts by Interest Rate								
					Variable		Fixed						
					Rate Bonds	Call Priority PAC Bonds	< 1.00%	≥ 1.00% & < 2.00%	≥ 2.00% & < 3.00%	≥ 3.00% & < 4.00%	≥ 4.00% & < 5.00%	≥ 5.00% & < 6.00%	≥ 6.00% & < 7.00%
Tax Exempt													
Series 37-A	11/17/16	1/1/26	96,745	10,135	-	10,135	-	-	-	-	-	-	-
Series 37-B	11/17/16	1/1/26	95,255	19,530	-	-	-	-	5,530	14,000	-	-	-
Series 38-B	6/7/17	1/1/27	237,835	95,660	-	26,200	-	-	15,735	53,725	-	-	-
Series 39-A	6/13/18	7/1/27	13,085	185	-	-	-	-	185	-	-	-	-
Series 39-B	6/13/18	7/1/27	136,915	44,255	-	20,585	-	-	4,650	19,020	-	-	-
Series 40	11/14/18	1/1/28	97,975	17,750	-	17,345	-	-	65	340	-	-	-
Series 41	4/10/19	7/1/28	146,700	85,060	-	23,835	-	765	12,280	48,180	-	-	-
Series 42	9/18/19	7/1/28	150,000	97,780	-	30,540	-	16,900	50,340	-	-	-	-
Series 43	1/16/20	1/1/29	150,000	103,225	-	32,800	-	14,675	55,750	-	-	-	-
Series 44	5/20/20	7/1/29	120,000	95,705	-	27,425	-	9,535	40,730	18,015	-	-	-
Series 45	10/14/20	1/1/30	200,000	158,760	-	52,100	16,485	41,530	48,645	-	-	-	-
Series 46-A	4/22/21	7/1/30	150,000	131,660	-	47,975	9,720	31,420	42,545	-	-	-	-
Series 47	9/22/21	7/1/30	162,000	151,820	-	49,180	16,135	26,430	60,075	-	-	-	-
Series 48	4/28/22	1/1/31	200,000	195,740	-	63,315	-	4,515	11,915	93,825	-	22,170	-
Series 49	12/13/22	7/1/31	180,000	179,545	-	59,415	-	-	-	22,310	59,480	38,340	-
Series 50	5/4/23	1/1/32	180,000	180,000	-	73,730	-	-	12,970	43,605	49,695	-	-
Series 51	8/9/23	7/1/32	199,000	199,000	-	68,335	-	-	-	45,235	85,430	-	-
Series 52-A	11/21/23	7/1/32	235,000	235,000	-	86,640	-	-	-	19,000	100,685	28,675	-
Series 52-C	11/21/23	Any time	40,000	40,000	40,000	-	-	-	-	-	-	-	-
Sub-Total			2,790,510	2,040,810	40,000	689,555	42,340	145,770	361,415	377,255	295,290	89,185	-
Federally Taxable													
Series 34	11/21/13	1/1/24	66,150	1,855	-	1,855	-	-	-	-	-	-	-
Series 35	5/6/14	1/1/24	54,335	3,115	-	3,115	-	-	-	-	-	-	-
Series 36	10/27/15	1/1/25	66,000	3,305	-	-	-	-	-	3,305	-	-	-
Series 46-B	4/22/21	7/1/30	17,865	9,945	-	-	3,345	6,600	-	-	-	-	-
Series 52-B	11/21/23	7/1/32	75,000	75,000	-	23,100	-	-	-	-	-	12,305	39,595
Sub-Total			279,350	93,220	-	28,070	3,345	6,600	-	3,305	-	12,305	39,595
Total			3,069,860	2,134,030	40,000	717,625	45,685	152,370	361,415	380,560	295,290	101,490	39,595

Note – On February 7, 2024, the Agency issued its \$200,000,000 Home Ownership Revenue Bonds Series 53-A (Non-AMT) (Social Bonds) bearing interest at interest rates ranging from 3.100% to 6.250%, and its \$100,000,000 Home Ownership Revenue Bonds Series 53-B (Federally Taxable) (Social Bonds) bearing interest at interest rates ranging from 4.823% to 6.250%. All of such Bonds were issued under the Trust Agreement to finance the purchase of Program Obligations and pay related costs.

Through the issuance of the Series 36 Bonds, the Agency purchased Program Loans with bond proceeds. As described above, when a bond issue has been refunded, the Program Loans that were purchased with the Refunding Bonds were transferred to the Program Account created for the Refunding Bonds (although the Program Loans secure all Bonds on a parity basis). Beginning with the Series 37 Bonds, bond proceeds (other than refunding proceeds) were used to purchase new Program Securities representing new securitized mortgage loans for home ownership. The following table summarizes as of December 31, 2023 the Program Loans and Program Securities, which equal total Program Obligations held under the Trust Agreement and the Series of Bonds with which they are associated:

Program Obligations (000's)

<u>Series</u>	<u>Principal Balance Program Loans¹</u>	<u>Principal Balance Program Securities</u>	<u>Principal Balance Program Obligations</u>	<u>Weighted Average Loan Interest Rate</u>
34	\$14,436	-	\$14,436	5.28%
35	13,059	-	13,059	5.32
36	16,942	-	16,942	5.59
37	35,778	\$46,989	82,767	4.79
38	5,989	95,043	101,032	4.91
39	7,483	57,347	64,830	5.35
40	-	51,748	51,748	5.40
41	-	76,535	76,535	4.81
42	-	92,520	92,520	4.24
43	-	98,398	98,398	4.03
44	-	87,169	87,169	3.52
45	43,663	117,800	161,463	3.23
46	19,708	130,763	150,471	3.74
47	-	149,390	149,390	3.81
48	-	192,550	192,550	5.24
49	-	174,835	174,835	6.15
50	-	180,869	180,869	6.37
51	-	312,345	312,345	6.65
52 ²	-	98,487	98,487	7.06
Unallocated	\$26,928	-	\$26,928	6.07
Total	\$183,986	\$1,962,788	\$2,146,774	5.15%

¹ Does not include DPA/Second loans. As of December 31, 2023, the Agency had \$108,346,000 of DPA loans outstanding.

² The Series 52 Bonds were issued on November 21, 2023. The Agency has used all of the proceeds of the Series 52 Bonds to purchase Program Obligations and pay related costs.

Note – The Agency issued the Series 53 Bonds in the amount of \$300,000,000 on February 7, 2024. The Agency expects to utilize all proceeds of the Series 53 Bonds to purchase Program Obligations and pay related costs by October 31, 2024.

The Series 54 Program Account and Program Securities

Program Obligations to be Purchased. Except as hereinafter provided, cash amounts deposited in the Series 54 Program Account pursuant to the Fifty-Fourth Supplemental Trust Agreement (whether derived from proceeds of the Series 54 Bonds, the transfer from other available funds or earnings from the investment of the Series 54 Program Account) shall be applied by the Agency solely to the purchase of Series 54 Program Securities or Series 54 DPA Loans and lender compensation associated with the Series 54 Securitized Mortgage Loans associated with the Program Securities. All Series 54 Program Securities purchased shall comply with the requirements for Ginnie Mae Certificates, Fannie Mae Certificates, Freddie Mac Certificates or UMBS Certificates, as the case may be, as set forth in the Fifty-Fourth Supplemental Trust Agreement. The Agency shall take such action as shall be necessary to assure that the Agency and its servicers comply with the requirements for Ginnie Mae Certificates, Fannie Mae Certificates, Freddie Mac Certificates or UMBS Certificates. The Agency shall identify Series 54 Program Obligations purchased with the proceeds of the Series 54 Bonds separate from Series 54 Program Obligations purchased from other amounts deposited to the Series 54 Program Account and trace the repayments and prepayments of each to the original source of funding.

Purchase of Program Loans. The Fifty-Fourth Supplemental Trust Agreement provides that the Agency may use the proceeds of the Series 54 Bonds to purchase Program Loans meeting the requirements of the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement, but at present the Agency does not intend to utilize the proceeds of the Series 54 Bonds for such purpose. No amounts deposited to the Series 54 Program Account shall be applied to purchase new Program Loans except Series 54 DPA Loans unless the Agency files with the Trustee a certificate indicating that arrangements are in place for the servicing of the Program Loans so purchased Note – in accordance with the requirements of the Trust Agreement.

The Fifty-Fourth Supplemental Trust Agreement provides that amounts deposited to the Series 54 Principal/Special Redemption Account that are not required to be applied to pay principal or mandatory sinking fund redemption of Series 54 Bonds and are not required to be applied to the special redemption of the Series 54 PAC Bonds, may be applied for a number of purposes, including to purchase additional Program Obligations. The requirements of the Fifty-Fourth Supplemental Trust Agreement for the purchase of Program Securities and Program Loans with the proceeds of the Series 54 Bonds also apply to the purchase of any additional Program Securities and Program Loans from these “recycled” principal payments.

Requirements for Program Securities and Program Loans. Appendix F hereto sets forth a discussion of the additional requirements of the Trust Agreement and the Supplemental Trust Agreements thereunder for Program Securities and also sets forth a discussion of the requirements of the Trust Agreement and Supplemental Trust Agreements thereunder for the Program Loans now held under the Trust Agreement and Program Securities purchased with the proceeds of the Series 54 Bonds (other than Series 54 DPA Loans, which are not required to be insured or guaranteed pursuant to any federal or private mortgage insurance or guaranty program). Appendix F also includes a summary of the major provisions of the insurance or guaranty programs providing additional security for the payment of Program Loans.

FEDERAL TAX REQUIREMENTS

General

The Series 54-A Bonds are subject to the requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder (the “Federal Tax Requirements”). Pursuant to the Federal Tax Requirements, interest on “qualified mortgage bonds” is not includable in gross income for federal income tax purposes. Bonds are “qualified mortgage bonds” if all of the following requirements are met: (i) all proceeds of the issue exclusive of issuance costs and a reasonably required reserve fund are to be used to finance owner-occupied residences, (ii) the mortgages financed with the issue meet certain eligibility requirements, (iii) the yield that is earned by the issuer of the bonds from such mortgages does not exceed specified limitations and certain investment earnings derived from non-mortgage investments are paid to the United States, (iv) certain proceeds of the issue are available for financing housing located in “targeted areas” and (v) the use of proceeds of the bonds does not meet the private business tests of Sections 141(b)(1) and 141(b)(2) of the Code. In addition to the foregoing requirements, qualified mortgage bonds must meet certain other requirements relating to the issue itself.

Failure to meet the above requirements at any time during the term of the Series 54-A Bonds could result in interest on the Series 54-A Bonds being subject to federal income taxation as of the date of issuance. The Agency, however, has covenanted to comply with all such requirements. In addition, the Federal Tax Requirements provide that certain requirements will be deemed to have been satisfied if certain steps are taken (see “Good Faith Effort” below).

Eligibility Requirements

The new mortgage loans to be financed with the proceeds of the Series 54-A Bonds (whether Program Loans, Series 54 Securitized Mortgage Loans or the Series 54 DPA Loans) must meet the following eligibility requirements:

Residence Requirements. All residences for which owner financing is provided with the proceeds of the Series 54-A Bonds must be single family residences located within the State, each of which can reasonably be expected to become the principal residence of the mortgagor within 60 days after the financing is provided. Each

borrower is required to certify at the closing of the home mortgage loan that he or she intends to make the financed residence his principal residence within 60 days.

Absence of Prior Home Ownership. Except as described below, at least 95% of the proceeds of an issue, exclusive of a reasonably required reserve fund (“net proceeds”), must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence at any time during the three-year period prior to the date on which the mortgage is executed. The Agency requires the borrower to provide his or her federal income tax returns for the preceding three years for review for evidence of prior ownership of a principal residence or to certify that he or she was not required to file federal income tax returns for the preceding three years, and to certify at the closing of the home mortgage loan that he or she has not had a present ownership interest in a principal residence at any time within the preceding three years. The Code creates an exception from this requirement for mortgage loans for residences located in targeted areas as described below and for mortgage loans and home ownership by veterans (who have not previously received the benefit of mortgage loans as described in this sentence).

Purchase Price Limitations. The Code requires that the “acquisition cost” of each residence being financed may not exceed 90% (or 110% in the case of “targeted areas” as discussed below) of the “average area purchase price” applicable to such residence. The term “acquisition cost” is defined to mean the cost of acquiring a residence as a completed residential unit but does not include (i) usual and reasonable settlement or financing costs, (ii) the value of services performed by the mortgagor or members of his or her family in completing the residence, and (iii) the cost of land which has been owned by the mortgagor for at least two years before the date on which construction of a residence begins. For the purpose of this limitation, the term “average area purchase price” means, with respect to any residence, the average purchase price of single family residences in the Metropolitan Statistical Area (“MSA”) or non-MSA county in which the residence is located which were purchased during the most recent twelve-month period for which sufficient statistical information is available. The determination as to whether a residence meets the purchase price requirements must be made as of the date on which the Lender commits to make the Program Loan or, if earlier, the date of purchase of the residence.

First-time homebuyers may purchase new or existing homes at a current sale price limit of \$480,000 and still qualify for the Agency’s low-interest rate mortgage program. The current sales price limit is subject to change.

Income Restrictions. The Code requires that all financing provided by an issue of qualified mortgage bonds be provided to mortgagors whose family income is 115% or less of the applicable median family income. With respect to any financing provided for “targeted area” residences, as described below, one third of the amount of such financing may be made to mortgagors who do not satisfy this requirement if the remaining two-thirds of such “targeted area” financing is made to mortgagors whose family income is 140% or less of the applicable median family income. Under the Code, the above percentages for households consisting of less than three persons are reduced to 100% for “non-targeted areas” and 120% for “targeted areas,” respectively. For purposes of this income restriction, applicable median family income is the greater of the area median gross income for the area where the residence is located or the statewide median gross income. Each mortgagor is required to provide an affidavit that his or her family income does not exceed the applicable income limit. The applicable income restriction shall be the low or moderate income restriction of the Agency or the applicable median family income restriction of the Federal Tax Requirements, whichever is less.

New Program Loan Requirement. In order to comply with the Federal Tax Requirements, none of the proceeds of a bond issue may be used to acquire or replace existing mortgages (except for construction period loans and temporary financings with a term not to exceed 24 months). The Agency’s review procedures are designed to meet these restrictions.

Program Loan Assumption Limitation. To meet the Federal Tax Requirements, each mortgage financed with the proceeds of a bond issue may be assumed only if the residence requirements, absence of prior home ownership, purchase price limitations and the income restrictions are met with respect to the mortgage assumption. The determinations as to compliance with these requirements are to be made as of the date on which the mortgage is being assumed. Accordingly, the Agency must make the required statistical study or otherwise determine (e.g., by reliance on “safe harbor” statistics published by the U.S. Treasury) the relevant average area purchase prices

for each statistical area within the State on an annual basis, and must assure compliance with the other applicable Federal Tax Requirements as long as any Series 54-A Bonds are outstanding.

The combination of the interest rate or rates and discount points of Series 54 Program Loans and Series 54 Program Securities shall be determined from time to time by the Agency and communicated to the Lenders. In establishing the interest rate or rates, the Agency shall assure that the “effective rate of interest” on the applicable Series 54 Program Obligations and Series 54 DPA Loans financed by the Series 54-A Bonds is not a rate that would cause interest on the Series 54-A Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation. In addition to the use of the Series 54 DPA Loans, the Chief Financial Officer is authorized to institute such procedures as may be necessary, including mortgage forgiveness, adjustments to mortgage interest rates and the payment to the federal government of yield reduction payments, to assure that the effective rate of interest on the applicable Series 54 Program Obligations and the Series 54 DPA Loans is in compliance with the Code. No part of the original proceeds of the Series 54-A Bonds deposited in the Series 54 Program Account shall be used to acquire or replace existing Program Loans within the meaning of the Code. As necessary or convenient to obtain compliance with the requirements of the federal tax laws regarding the effective rate of interest on the Program Loans purchased with the proceeds of the Series 54-A Bonds, the Chief Financial Officer is authorized to combine the proceeds of the Series 54-A Bonds with the proceeds of other Series of Bonds issued by the Agency under the Trust Agreement and to direct the purchase of Program Loans meeting the requirements of the Trust Agreement from such combined sources of funds.

Requirements Related to Arbitrage

In addition to the arbitrage requirements that apply to all tax-exempt bonds under Section 148 of the Code, the Agency must satisfy two additional arbitrage requirements. First, certain limitations are imposed upon the yield the Agency may receive from the Program Obligations. The Code and the Treasury regulations thereunder require that all fees, charges and other amounts borne by the mortgagor be taken into account in determining the yield on the Program Obligations. Accordingly, in computing the yield on the Program Obligations, the Agency takes into account all discount points paid by the seller and origination fees paid by the mortgagor. Since the Lenders are prohibited from charging any other fees and charges in excess of those which would be charged when owner financing is not provided through the use of tax-exempt bonds, the Agency does not have to take such other charges into account in such computation. In addition, the Agency has reserved the right to adjust the yield on the Program Loans should circumstances indicate that such an adjustment is necessary in order to comply with the arbitrage requirements. In addition, the Agency may make a “yield reduction payment” to the federal government that will reduce the yield on the portfolio of Program Obligations allocated to the Series 54 Bonds.

The second principal arbitrage requirement obligates the Agency to pay to the United States government amounts earned on non-mortgage investments in excess of the amounts which would have been earned on such investments if invested at a yield equivalent to the yield on the Series 54 Bonds, plus the earnings on such excess.

Other Requirements

Application of Certain Payments. The Federal Tax Requirements provide that prepayments and repayments of principal on financing provided by an issue of “qualified mortgage bonds” such as the Series 54 Bonds must be used not later than the close of the first semiannual period beginning after the payment is received to redeem the bonds of that issue, provided that this requirement does not apply to amounts received within ten years after the date of the issue, or in the case of a refunding bond, the date of issuance of the original bond (sometimes referred to as the “Ten-Year Rule”).

Targeted Area Requirement. In order to comply with the Federal Tax Requirements, the Agency will, for at least one year after owner financing is first made available with respect to new mortgage loans financed with proceeds of the Series 54-A Bonds, make available for mortgage loans in Targeted Areas within the State an amount equal to 20% of the proceeds of the Series 54-A Bonds deposited in the Series 54 Program Account. The Agency’s efforts to place mortgage financing in Targeted Areas will include the Agency’s general advertising that mortgage funds are available for such areas.

Information Reporting Requirement. In addition to the information reporting requirement applicable to all tax-exempt obligations, issuers of qualified mortgage bonds must compile and submit to the Internal Revenue Service (the “Service”) for each year in which proceeds of a qualified mortgage bond issue are used to provide mortgages, a report containing information on each mortgagor, including information with respect to the eligibility requirements and other data pertaining to a mortgagor’s income.

Recapture of Portion of Federal Subsidy. The Code imposes a recapture provision (the “Recapture Provision”), which requires a payment to the United States from certain mortgagors of an amount determined to be the subsidy provided by a qualified mortgage upon disposition of the residence financed by the Program Loan. The Agency has established procedures to comply with the requirements imposed on it by the Recapture Provision. The Agency has also created a Recapture Tax Reimbursement Program for borrowers who receive first mortgage loans derived from mortgage revenue bond financing. Eligible borrowers will be reimbursed by the Agency for any Recapture Provision payment that they pay to the federal government after they have sold their home. The Agency estimates that its liability will be minimal.

Good Faith Effort

An issue of qualified mortgage bonds that fails to meet the Eligibility Requirements will be treated as meeting all such requirements if:

- (i) the issuer in good faith attempted to meet such requirements before the mortgages were executed;
- (ii) 95% of the net proceeds devoted to owner-financing were devoted to residences with respect to which (at the time the mortgages were executed or assumed) all such requirements were met; and
- (iii) any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

Failure to meet one or more of the Eligibility Requirements can be corrected by either calling the non-qualifying mortgage or replacing it with a qualifying mortgage.

In determining whether the 95% requirement referred to in clause (ii) above is satisfied, the Treasury regulations provide that the Agency may rely on affidavits evidencing compliance from the mortgagors and sellers of residences and upon the examination by the Agency or its agents of the income tax returns filed by the mortgagors with the Internal Revenue Service for the preceding three years which indicate no prior home ownership during such period (or statements in the mortgagors affidavits that one or more of such returns were not required to have been filed).

The failure to meet the arbitrage and targeted area requirements will not affect the tax-exempt status of a qualified mortgage bond if:

- (i) the issuer in good faith attempted to meet all such requirements; and
- (ii) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with such requirements.

Agency Procedures

In order to comply with the Federal Tax Requirements, the Agency has established procedures that include an approval process that must be completed before the Agency enters into a conditional commitment to purchase a Program Loan or a Program Security securitizing a mortgage loan, including the examination of affidavits to determine applicant eligibility and Lender compliance, and guidance and assistance to the Lenders.

The Agency will not purchase any Program Loan or a Program Security securitizing a mortgage loan until it has reviewed the documentation to verify compliance with the Federal Tax Requirements. As described above

under “THE PROGRAM,” the Agency begins its review of the mortgage loan application after the Lender has processed and approved the loan application in accordance with applicable loan underwriting procedures. Once the Lender has completed its processing and has approved the mortgage loan, a submission package, which includes the loan application and the affidavits, is forwarded to the Agency.

The Agency will require that each submission package contain an affidavit from each mortgagor which represents and warrants, among other things (i) that he or she has not had a previous ownership interest in a principal residence within the preceding three years (the Code creates an exception from this requirement for mortgage loans in targeted areas and for mortgage loans and home ownership by veterans who have not previously benefitted by such mortgage loans); (ii) that he or she will occupy the premises as his or her principal residence within 60 days after the mortgage loan is made; (iii) that the residence is a completed residential unit which needs no alteration for normal occupancy; (iv) that no more than 15% of the property will be used for business purposes; and (v) that the statement of family income set forth in the application is true and complete. The Agency will also require each mortgagor to submit for inspection such mortgagor’s federal income tax returns for each of the three years preceding the origination of the mortgage loan or a certificate that the mortgagor was not required to file a federal income tax return during such period to verify the absence of prior home ownership during such period. The Agency will also require that each loan package contain an affidavit from the seller of the residence which evidences compliance with the purchase price limitations.

The Agency has published a Program Guide describing the compliance process each Lender must perform with respect to the Federal Tax Requirements. The Agency regularly holds training classes and has held conversations with mortgage lenders to explain the procedures designed to assure compliance.

Lenders will be required to make representations and warranties that certain Federal Tax Requirements have been met and to repurchase mortgage loans if misstatements or misrepresentations by any party in connection therewith adversely affect the loan’s eligibility for purchase under the Federal Tax Requirements.

OTHER AGENCY PROGRAMS AND INFORMATION REGARDING THE AGENCY

Single Family Programs

All Agency Programs involving the issuance of bonds to provide financing of home ownership are now carried out under the Trust Agreement.

Multifamily Programs

In addition to its home ownership programs, the Agency has several programs to provide financing for residential rental housing for low and moderate income households. As of December 31, 2023, the Agency had \$50,000 in multifamily mortgage loans in the Trust Agreement. These multifamily loans were not financed by Bonds issued under the Trust Agreement, but were deposited to the Trust Agreement following the final payment of the Agency’s bonds that financed the purchase of such mortgage loans. The Agency also provides “conduit” financing of residential rental developments from time to time as described below under “Other Activities.”

The Agency also administers the federal tax credit program along with other sources of state funds for qualifying rental production. These funds are available to developers, on a competitive basis, for the development of affordable rental housing in the State. The Agency’s goals include supporting the best developments possible given the limited resources available. Therefore, the Agency selects developments serving low-income residents for the longest period of time, at appropriate locations, with strong market demand, with the healthiest financial structures, the best architectural design and the best quality of building materials and workmanship. The Agency has administered this program since its inception in 1987 and, as of December 31, 2023, had helped create over 2,500 projects comprising over 112,900 rental units, allocating approximately \$875.6 million of tax credits.

Other Activities

The Agency established a mortgage credit certificate (“MCC”) program in July 1987. An MCC permits first-time homebuyers who meet federal limits for family income and acquisition costs to take a federal income

tax credit of up to 30% of annual mortgage interest for existing construction homes and up to 50% for newly-constructed homes, up to a maximum credit of \$2,000 per year. As of December 31, 2023, the Agency had issued over 41,600 certificates under the MCC program totaling over \$4.5 billion in mortgages.

Since 1987 the General Assembly of North Carolina has provided appropriations for the North Carolina Housing Trust Fund to produce housing for low-income households by leveraging private, local government, and federal resources. The Agency manages the Trust Fund and pays its operating costs so that all appropriated funds go directly into housing construction and rehabilitation. The annual appropriation for the Trust Fund has varied over its history, from the initial appropriation of \$21 million in 1987 to zero. Appropriations have remained steady in recent years at \$7.66 million per fiscal year. The Agency has also received special allocations for certain disaster recovery efforts. The annual appropriation for the Trust Fund does not affect the Agency's operating budget.

The Agency provides additional financing assistance for some residential rental housing through the issuance of bonds of the Agency, the proceeds of which are loaned to residential rental housing developers to acquire or construct and equip and furnish residential rental housing facilities. These bond issues are "conduit" financings in which the Agency's obligation for payment thereof is limited to the payment received from the third-party borrowers and the properties, revenues and the other security pledged to the payment of the bonds. The bonds are not secured by any funds or other assets that secure the payment of the Bonds issued under the Trust Agreement. As of December 31, 2023, the Agency had \$26,535,000 of conduit financing bonds outstanding.

The Agency may issue additional series of bonds under any of its programs, including the Program, and may adopt other programs under which bonds could be issued. The Agency's ability to issue additional bonds to finance its programs is restricted by federal tax law.

Cybersecurity

As increased threats persist to the cybersecurity of private companies and State and local governments and their Agencies nationwide, the Agency monitors Agency systems for any incidents or attempts to access protected systems and information. The Agency also has extensive information and system security policies to promote protection against cybersecurity threats. All employees are required to take cybersecurity training and the Agency has engaged outside consultants to test Agency systems and procedures for weaknesses against such threats. Policies and training material are reviewed at least annually by the Agency and revised if appropriate.

TAX TREATMENT

Series 54-A Bonds

Opinion of Bond Counsel. Certain federal tax requirements must be met subsequent to the initial issuance and delivery of the Series 54-A Bonds in order that interest on such Bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Agency has established procedures in its Program Documents and the Fifty-Fourth Supplemental Trust Agreement to meet the Federal Tax Requirements. The Agency has also covenanted in the Fifty-Fourth Supplemental Trust Agreement to comply with the requirements of Sections 143 and 148 of the Code. Bond Counsel is of the opinion that the procedures established as of the date hereof in the Agency's Program Documents and the Fifty-Fourth Supplemental Trust Agreement are sufficient, if followed, to comply with the Federal Tax Requirements. The Agency has also covenanted, in the Fifty-Fourth Supplemental Trust Agreement, to comply with the regulations promulgated with respect to the rebate and other arbitrage requirements under Sections 143 and 148 of the Code. Failure to comply with such aforementioned covenants or to carry out the procedures set forth in the Program Documents may cause interest on the Series 54-A Bonds to become included in gross income for federal income tax purposes retroactive from their date of issue.

In the opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, as Bond Counsel, assuming that the Agency will carry out the aforementioned procedures set forth in the Program Documents and comply with the aforementioned covenants contained in the Fifty-Fourth Supplemental Trust Agreement, interest on the Series 54-A Bonds is excluded from gross income for federal tax purposes and is not treated as a preference

item for purposes of calculating the alternative minimum tax, however interest on the Series 54-A Bonds held by certain corporations is included in the corporation's "adjusted financial statement of income" for purposes of computing the federal alternative minimum tax on such corporations. Interest on the Series 54-B Bonds is included in gross income of the owners thereof for federal income tax purposes.

Bond Counsel is further of the opinion that interest on the Series 54 Bonds is exempt from all income taxes of the State of North Carolina.

Original Issue Premium. The Series 54-A PAC Bonds (the "Series 54-A Premium Bonds") are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Series 54-A Premium Bonds are sold and (b) the principal payable at maturity of such Series 54-A Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Series 54-A Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Series 54-A Premium Bond is reduced from the owner's cost basis of such Series 54-A Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Series 54-A Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Series 54-A Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Series 54-A Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Series 54-A Premium Bond.

Other Tax Consequences. Ownership or transfer of, or the accrual or receipt of interest on, the Series 54-A Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual 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, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Prospective purchasers of the Series 54-A Bonds should consult their tax advisors as to any such possible collateral tax consequences. Except to the extent covered in their legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Internal Revenue 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 Series 54-A Bonds.

Interest paid on tax-exempt obligations, such as the Series 54-A Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Series 54-A Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Series 54-A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients" and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Service.

Series 54-B Bonds

Opinion of Bond Counsel. In the opinion of Bond Counsel, based on existing law, interest on the Series 54-B Bonds will not be excludable from gross income for purposes of federal income taxation imposed by the

Code. Bond Counsel is also of the opinion, based on existing law, that interest on the Series 54-B Bonds will be exempt from all State of North Carolina income taxes.

General Federal Income Tax Consequences. The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Series 54-B Bonds by original purchasers of the Series 54-B Bonds who are “*U.S. Holders*,” as defined below. This summary (a) is based on certain relevant provisions of the Code under existing law and are subject to change at any time, possibly with retroactive effect; (b) assumes that the Series 54-B Bonds will be held as “*capital assets*,” and (c) does not discuss all of the United States federal income tax consequences that may be relevant to an owner of the Series 54-B Bonds in light of its particular circumstances, such as the Medicare tax under Section 1411 of the Code, or to owners of the Series 54-B Bonds subject to special rules, such as insurance companies, certain plans subject to Section 4975 of the Code, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons or entities holding the Series 54-B Bonds as a position in a “*hedge*” or “*straddle*,” or owners whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or owners who acquire Series 54-B Bonds in the secondary market.

Owners of the Series 54-B Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 54-B Bonds, as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

The term “*U.S. Holder*” means a beneficial owner of a Series 54-B Bond that is (a) a citizen or resident of the United States, (b) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (c) an estate the income of which is subject to United States federal income taxation regardless of its source or (d) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Disposition and Defeasance. Generally, upon the sale, exchange, redemption or other disposition (which would include a legal defeasance) of a Series 54-B Bond, an owner of such Series 54-B Bond generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such owner’s adjusted tax basis in the Series 54-B Bond. Such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if such Series 54-B Bond has been held for more than one year at the time of sale, exchange, redemption or other disposition. An owner’s adjusted tax basis in a Series 54-B Bond generally will equal the cost of such Series 54-B Bond to the owner, increased by any original issue discount included in income and decreased by the amount of any payments other than “*qualified stated interest payments*” received and amortized bond premium taken with respect to such Series 54-B Bond.

The Agency may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 54-B Bonds to be deemed to be no longer outstanding under the Trust Agreement (a “*defeasance*”). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 54-B Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting. In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of original issue discount, on a Series 54-B Bond and the proceeds of the sale of a Series 54-B Bond before maturity within the United States. Such payments will be subject to backup withholding, except in the case of certain “*exempt payees*” as defined in the Code, if the owner of a Series 54-B Bond (a) fails to furnish to the Trustee such owner’s social security number or other taxpayer identification number (“*TIN*”), (b) furnished the Trustee an incorrect TIN, (c) fails to report properly interest, dividends or other “*reportable payments*” as defined in the Code or (d) under certain circumstances, fails to provide the Trustee with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that such owner is not subject to backup withholding. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which

constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Service.

Future Law Changes. No assurance can be given that future legislation or changes to law, including amendments to the Code, or interpretations thereof if enacted into law, will not contain provisions or produce results which could, directly or indirectly, affect federal or state tax treatment of interest on the Series 54-B Bonds.

FINANCIAL STATEMENTS

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix A have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein. Appendix A also contains the unaudited financial statements for the six months ended December 31, 2023.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned ratings of "Aa1" and "AA+" respectively, to the Series 54 Bonds. Such ratings are not a recommendation to buy, sell or hold securities. Any desired explanation of the significance of such ratings should be obtained from Moody's and S&P, respectively. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agency furnishing such rating, circumstances so warrant. Any suspension, downward revision or withdrawal of one or both of such ratings could have an adverse effect on the marketability or the market price of the Series 54 Bonds. The Agency assumes no responsibility to take any actions with regard to possible rating changes.

LITIGATION

At the time of the delivery of and payment for the Series 54 Bonds, the Agency will certify that, to the best of its knowledge, there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 54 Bonds, or in any way contesting or affecting the validity of the Series 54 Bonds or any proceedings of the Agency taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series 54 Bonds or the existence or powers of the Agency.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 54 Bonds are subject to the approving opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, Bond Counsel to the Agency. Copies of the approving opinion of said law firm in substantially the form included herein as Appendix B will be available at the time of delivery of the Series 54 Bonds. Certain legal matters will be passed upon for the Agency by the General Counsel for the Agency and for the Underwriters by their counsel, Bode, PLLC, Raleigh, North Carolina.

LEGAL INVESTMENT

The Act provides that the Series 54 Bonds shall be securities in which all public officers and public bodies of the State and its political subdivisions, and all North Carolina insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them.

UNDERWRITING

RBC Capital Markets, LLC, BofA Securities, Inc., Wells Fargo Bank, National Association, Morgan Stanley & Co. LLC, and Raymond James & Associates, Inc. (together, the "Underwriters"), have jointly and severally agreed, subject to certain conditions, to purchase all of the Series 54 Bonds at a price equal to the aggregate principal amount of the Series 54 Bonds, plus an original issue premium of approximately \$9,066,024.

The Underwriters will receive from the Agency a fee of approximately \$1,865,807. The initial public offering prices of the Series 54 Bonds may be changed from time to time by the Underwriters.

Certain of the Underwriters have provided the statements in the remainder of this section for inclusion in this Official Statement. The Agency does not take any responsibility for or make any representation as to its accuracy or completeness of such statements.

BofA Securities, Inc., an Underwriter of the Series 54 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 54 Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Series 54 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 54 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 54 Bonds with WFA. WFBNA also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 54 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 54 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 54 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Agency (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Agency. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

Caine Mitter & Associates Incorporated has served as financial advisor (the “Financial Advisor”) to the Agency with respect to the Series 54 Bonds and, in such capacity, has provided the Agency with cash flow projections and other quantitative analyses reflecting the structure of the Series 54 Bonds.

The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 54 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings. Caine Mitter & Associates Incorporated has registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

CONTINUING DISCLOSURE

Pursuant to the Fifty-Fourth Supplemental Trust Agreement, the Agency hereby undertakes, for the benefit of the beneficial owners of the Series 54 Bonds, to provide to the Municipal Securities Rulemaking Board (“MSRB”):

- (a) by not later than seven months from the end of each fiscal year of the Agency, audited financial statements of the Agency prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Agency are not available by seven months from the end of such fiscal year, unaudited financial statements of the Agency to be replaced subsequently by audited financial statements of the Agency to be delivered within fifteen (15) days after such audited financial statements become available for distribution;
- (b) concurrently with the delivery of the audited financial statements referred to in (a) above, the most recent financial and statistical data available to the Agency as of a date not earlier than the end of the preceding fiscal year, for the type of information included in the tables labeled “Bonds Payable” and “Program Obligations” under the heading “THE PROGRAM—Experience to Date Under the Program” in this Official Statement;
- (c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 54 Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
 - (5) substitution of any credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - (7) modification to the rights of the beneficial owners of the Series 54 Bonds;
 - (8) bond calls, other than calls for mandatory sinking fund redemption, if material, and tender offers;
 - (9) defeasance of any of the Series 54 Bonds;

- (10) release, substitution or sale of any property securing repayment of the Series 54 Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the Agency;
 - (13) the consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the Agency, any of which affect beneficial owners of the Series 54 Bonds, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Agency, any of which reflect financial difficulties; and
- (d) in a timely manner, notice of a failure of the Agency to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Agency shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

For the purposes of this Section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934 (“Rule 15c2-12”).

The Agency may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

The Agency reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Agency, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Agency;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners of the Series 54 Bonds, as determined by the Trustee or bond counsel to the Agency, or by approving vote of the Owners of a majority in principal amount of the Series 54 Bonds pursuant to the terms of the Trust Agreement at the time of the amendment.

In the event that the Agency makes such a modification, the annual financial information containing the modified operating data or financial information shall explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The continuing disclosure provisions of the Fifty-Fourth Supplemental Trust Agreement shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest with respect to all of the Series 54 Bonds.

In the event of a failure of the Agency to comply with any provision of the covenant set forth above, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Series 54 Bonds, shall), or any beneficial owner of the Series 54 Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with the continuing disclosure provisions of the Fifty-Fourth Supplemental Trust Agreement. However, a default with respect to the continuing disclosure provisions of the Fifty-Fourth Supplemental Trust Agreement shall not be deemed an Event of Default under the Trust Agreement, and the remedy in the event of any failure of the Agency to comply with the continuing disclosure provisions of the Fifty-Fourth Supplemental Trust Agreement shall be the actions referred to above.

The Agency has not failed in any material respect to file any information required to be provided by any undertaking previously made by the Agency pursuant to the requirements of Rule 15c2-12 in the last five years.

MISCELLANEOUS

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 a contract or agreement between the Agency and the purchasers or holders of any of the Series 54 Bonds.

NORTH CAROLINA HOUSING FINANCE AGENCY

By: /s/ Brett Warner
Chief Financial Officer

The interest rates, maturities, sale price and manner of sale of the Series 54 Bonds have been determined, with the approval of the North Carolina Housing Finance Agency and the Local Government Commission of the State of North Carolina.

By: /s/ Jennifer Wimmer
Deputy Secretary of the Local Government Commission
of North Carolina

Dated: June 5, 2024

APPENDIX A

FINANCIAL STATEMENTS
OF THE AGENCY

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NORTH CAROLINA HOUSING FINANCE AGENCY

Audited Financial Statements for
the Year Ended June 30, 2023

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NORTH CAROLINA

HOUSING
FINANCE
AGENCY



Audited Financial Statements

June 30, 2023

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2023

The management's discussion and analysis of the North Carolina Housing Finance Agency's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2023. The financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Overview

The North Carolina Housing Finance Agency (Agency) was created in 1973 to provide financing for residential housing, both ownership and rental, to North Carolina households with low and moderate incomes. The Agency issues bonds and sells mortgage-backed securities (MBS) on the secondary market to finance housing throughout the State of North Carolina (State). In addition, the Agency administers the funding for the Section 8 program, the HOME Investment Partnerships Program (HOME), the Low-Income Housing Tax Credits (LIHTC), the NC Homeowner Assistance Fund (HAF), the North Carolina Housing Trust Fund (HTF), the Workforce Housing Loan Program (WHLP), the National Housing Trust Fund (NHTF) and other federal and state programs. The Agency uses these funds to provide different types of assistance such as down payment assistance, low-interest mortgage loans, foreclosure prevention counseling, rent subsidies, and various types of rehabilitation of both single and multifamily properties.

Financial Highlights

The following information is an analysis of the Agency's performance for the year ended June 30, 2023, compared to the prior fiscal year's results and activities:

- *Total Assets* increased \$385,074,000, or 16.2%
- *Deferred Outflows of Resources* increased \$1,172,000, or 14.6%
- *Total Liabilities* increased \$230,382,000, or 14.5%
- *Deferred Inflows of Resources* decreased \$1,855,000, or 24.5%
- *Total Net Position* increased \$157,719,000, or 20.2%

The Agency issued bonds in fiscal year 2023 to finance a portion of its NC Home Advantage Mortgage (HomeAd) loans, which were securitized into MBS. These transactions caused an increase in *Investments*, *Bonds payable, net* as well as other related accounts. These transactions are primarily responsible for the increases and decreases in the accounts below:

- *Investments* increased \$259,879,000, or 21.9%
- *Bonds payable, net* increased \$197,950,000, or 13.2%
- *Interest on bonds* increased \$5,938,000, or 16.1%
- *Nonfederal program expense* increased \$7,329,000, or 27.0%
- *Net decrease in fair value of investments* decreased \$57,674,000, or 51.4%

In 2013, the Agency shifted from offering mortgages under the FirstHome program, in which the Agency owns the mortgage loan, to utilizing the HomeAd program, in which mortgage loans are pooled into MBS. As a result, the portfolio of mortgage loans in the FirstHome program continues to decline from prepayments, resulting in decreases in *Mortgage loans receivable, net*, *Program income/fees*, and related accounts as listed below:

- *Mortgage loans receivable, net* decreased \$33,612,000 or 9.7%
- *Accrued interest receivable on mortgage loans* decreased \$636,000, or 30.2%
- *Program income/fees* decreased \$21,299,000, or 20.1%

- *Interest on mortgage loans* decreased \$1,774,000, or 11.2%
- *Mortgage servicing expense* decreased \$124,000, or 13.9%

The US Department of the Treasury (Treasury) approved North Carolina's plan for the HAF program, which launched statewide on January 31, 2022. The majority of HAF funds were received in fiscal year 2023, and, of the funds received, all but \$15,195,000 were disbursed, resulting in increases in *Other assets*, *Unearned revenues*, *Federal program expense*, *Federal program awards received*, and *General and administrative expense* as listed below:

- *Other assets* increased \$8,951,000, or 53.9%
- *Unearned revenues* increased \$11,380,000, or 29.3%
- *Federal program expense* increased \$99,020,000, or 35.5%
- *Federal program awards received* increased \$167,163,000, or 79.9%
- *General and administrative expense* increased \$15,982,000, or 60.5%

State appropriations received increased \$200,000,000, or 1,876.2% in fiscal year 2023, because the Agency received non-recurring appropriations from the North Carolina General Assembly for WHLP and HTF of \$190,000,000 and \$10,000,000, respectively. This additional inflow and subsequent disbursement of funds, combined with rising interest rates resulted in increases in *Interest on investments*, *Accrued interest receivable on investments*, and *State program expense* as listed below:

- *Interest on investments* increased \$34,311,000, or 83.0%
- *Accrued interest receivable on investments* increased \$3,119,000, or 81.2%
- *State program expense* increased \$34,259,000, or 54.0%

The Agency is required to reflect its proportionate share of the State's pension liability and postemployment benefits, which are based on actuarial assumptions. The effect of these transactions is listed below:

- *Deferred outflows for pensions* increased \$2,466,000, or 75.4%
- *Deferred outflows for other postemployment benefits* decreased \$538,000, or 13.5%
- *Pension liability* increased \$5,832,000, or 213.6%
- *Other postemployment benefits* decreased \$3,495,000, or 22.2%
- *Deferred inflows for pensions* decreased \$3,327,000, or 96.6%
- *Deferred inflows for other postemployment benefits* increased \$1,472,000, or 35.7%

The net effect of the transactions detailed above, along with regular operations of the Agency, resulted in an increase in *Total Net Position* of \$157,719,000, or 20.2%. The primary driver of the change in net position is the State appropriation for WHLP. The Agency continues to proactively manage its programs to further its mission of creating affordable housing for North Carolinians with low and moderate incomes.

Financial Analysis

The following tables summarize the changes in net position between June 30, 2023 and June 30, 2022
(in thousands):

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%</u>
<u>Condensed Statements of Net Position</u>				
Assets*				
Cash and cash equivalents	\$ 938,040	\$ 811,458	\$ 126,582	15.6
Investments	1,445,769	1,185,890	259,879	21.9
Accrued interest receivable on investments	6,958	3,839	3,119	81.2
Mortgage loans receivable, net	313,158	346,770	(33,612)	(9.7)
Mortgage loans held for resale	22,717	-	22,717	100.0
Accrued interest receivable on mortgage loans	1,467	2,103	(636)	(30.2)
State receivables	4	552	(548)	(99.3)
Other assets, net	25,547	16,596	8,951	53.9
Capital assets, net	3,261	4,639	(1,378)	(29.7)
Total Assets	\$ 2,756,921	\$ 2,371,847	\$ 385,074	16.2
Deferred Outflows of Resources				
Deferred outflows for pensions	\$ 5,737	\$ 3,271	\$ 2,466	75.4
Deferred outflows for other postemployment benefits	3,455	3,993	(538)	(13.5)
Accumulated decrease in fair value of hedging derivative	-	756	(756)	(100.0)
Total Deferred Outflows of Resources	\$ 9,192	\$ 8,020	\$ 1,172	14.6
Liabilities*				
Bonds payable, net	\$ 1,700,399	\$ 1,502,449	\$ 197,950	13.2
Accrued interest payable	24,970	18,628	6,342	34.0
Accounts payable	17,732	4,676	13,056	279.2
Derivative instrument – interest rate swap	-	756	(756)	(100.0)
Unearned revenues	50,285	38,905	11,380	29.3
Pension liability	8,562	2,730	5,832	213.6
Other postemployment benefits	12,237	15,732	(3,495)	(22.2)
Other liabilities	6,996	6,349	647	10.2
Lease liability	2,038	2,612	(574)	(22.0)
Total Liabilities	\$ 1,823,219	\$ 1,592,837	\$ 230,382	14.5
Deferred Inflows of Resources				
Deferred inflows for pensions	\$ 117	\$ 3,444	\$ (3,327)	(96.6)
Deferred inflows for other postemployment benefits	5,600	4,128	1,472	35.7
Total Deferred Inflows of Resources	\$ 5,717	\$ 7,572	\$ (1,855)	(24.5)
Net Position				
Net investment in capital assets	\$ 3,261	\$ 4,639	\$ (1,378)	(29.7)
Restricted net position	799,651	672,729	126,922	18.9
Unrestricted net position	134,265	102,090	32,175	31.5
Total Net Position	\$ 937,177	\$ 779,458	\$ 157,719	20.2

*For information on current and noncurrent statement of net position items, please see the audited Statement of Net Position in the accompanying financial statements.

**Condensed Statements of Revenues, Expenses
and Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%</u>
Operating Revenues				
Interest on investments	\$ 75,651	\$ 41,340	\$ 34,311	83.0
Net decrease in fair value of investments	(54,549)	(112,223)	57,674	51.4
Interest on mortgage loans	14,074	15,848	(1,774)	(11.2)
Federal program awards received	376,313	209,150	167,163	79.9
Program income/fees	84,918	106,217	(21,299)	(20.1)
Other revenues	359	65	294	452.3
Total Operating Revenues	<u>\$ 496,766</u>	<u>\$ 260,397</u>	<u>\$ 236,369</u>	<u>90.8</u>
Operating Expenses				
Interest on bonds	\$ 42,709	\$ 36,771	\$ 5,938	16.1
Lease interest expense	32	20	12	60.0
Mortgage servicing expense	770	894	(124)	(13.9)
Federal program expense	378,299	279,279	99,020	35.5
Nonfederal program expense	34,476	27,147	7,329	27.0
General and administrative expense	42,404	26,422	15,982	60.5
Other expenses	176	408	(232)	(56.9)
Total Operating Expenses	<u>\$ 498,866</u>	<u>\$ 370,941</u>	<u>\$ 127,925</u>	<u>34.5</u>
Operating Loss	<u>\$ (2,100)</u>	<u>\$ (110,544)</u>	<u>\$ 108,444</u>	<u>98.1</u>
Non-Operating Revenues (Expenses)				
State appropriations received	\$ 210,660	\$ 10,660	\$ 200,000	1,876.2
State grants received	46,736	45,408	1,328	2.9
Noncapital contributions	93	95	(2)	(2.1)
State program expense	(97,670)	(63,411)	(34,259)	54.0
Total Non-Operating Revenues (Expenses)	<u>\$ 159,819</u>	<u>\$ (7,248)</u>	<u>\$ 167,067</u>	<u>2,305.0</u>
Change in Net Position	<u>\$ 157,719</u>	<u>\$ (117,792)</u>	<u>\$ 275,511</u>	<u>233.9</u>
Total Net Position - Beginning	<u>\$ 779,458</u>	<u>\$ 897,250</u>	<u>\$ (117,792)</u>	<u>(13.1)</u>
Total Net Position - Ending	<u>\$ 937,177</u>	<u>\$ 779,458</u>	<u>\$ 157,719</u>	<u>20.2</u>

New Business

In September 2021, the US Department of Housing and Urban Development (HUD) announced the award of \$65.6 million to the Agency for the HOME Investment Partnerships Program and Section 3205 of the American Rescue Plan (HOME-ARP). HOME-ARP is a new federal program to assist in the reduction of homelessness and increase housing stability. Program funds are available for obligation by HUD through September 2025 and available for Participating Jurisdiction expenditure through September 2030. The Agency has begun incurring start-up costs for this program as of June 30, 2023. Program awards and disbursements are expected to occur over the next 24 months.

The fiscal year 2023 State budget was approved on July 11, 2022 and included recurring appropriations for the Agency of \$7.66 million for HTF and \$3 million for HOME Match, along with non-recurring appropriations of \$190 million for WHLP and an additional \$10 million for HTF.

On April 1, 2023, the Agency increased the amount of NC 1st Home Advantage Down Payment Assistance associated with its bond funded loans from \$8,000 to \$15,000. This increase resulted in the highest quarter of reservation volume in the fourth quarter of fiscal year 2023 since the HomeAd program's inception in 2013.

Debt Administration

The Agency issued tax-exempt bonds in fiscal year 2023 to finance a portion of its HomeAd production. The Series 49 tax-exempt bond issuance closed in December 2022 for a total of \$180,000,000 par plus a premium of \$4,660,000. The Series 50 tax-exempt bond issuance closed in May 2023 for a total of \$180,000,000 par plus a premium of \$7,754,000. Proceeds have been used to finance production of both the Agency's first mortgage purchases and the NC 1st Home Advantage Down Payment Assistance.

In fiscal year 2023, the Agency had monthly bond calls and biannual debt service payments totaling \$168,730,000. In conjunction with the October 2022 bond call, the Agency redeemed its remaining variable rate debt totaling \$12,670,000, and terminated its remaining interest rate swaps.

The Agency issued conduit multifamily mortgage revenue bonds of \$6,000,000 in fiscal year 2021 for the construction of a multifamily development for seniors, which was a disaster recovery project. In August 2022, an additional \$2,981,000 of bonds were issued for the same project due to increased material and labor costs. Additionally, in August 2022, a conduit mortgage revenue bond was issued as a "draw down" bond for up to \$37,515,000 for the acquisition and construction of a multifamily development for persons of low and moderate income. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment.

Programs and Activities

The Agency's mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians. The Agency focuses its efforts on providing assistance to borrowers purchasing a home, financing affordable rental housing, and helping homeowners who are facing foreclosure or living in substandard housing.

For the year ended June 30, 2023, the Agency recorded expenditures of \$415,360,000 in federal funds for the following programs:

- Community Partners Loan Pool (CPLP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- Integrated Supportive Housing Program (ISHP)
- NC Homeowner Assistance Fund (HAF)
- Housing Stability Counseling Program (HSCP)
- Rental Production Program (RPP)
- Rental Production Program – Disaster Recovery (RPP-DR)
- Section 8 Project-Based Contract Administration (Section 8 PBCA)
- Self-Help Loan Pool (SHLP)

For the year ended June 30, 2023, the Agency recorded expenditures of \$97,804,000 in State funds for the following programs:

- Back@Home (BH)
- Displacement Prevention Partnership (DPP)
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery (ESFRLP-DR)
- Housing Counseling Capacity Building Program (HCCBP)
- Housing Services (HS)
- Integrated Supportive Housing Program (ISHP)
- Key Rental Assistance (Key)
- Rental Production Program (RPP)
- Rental Production Program – Disaster Recovery (RPP-DR)
- Supportive Housing Development Program (SHDP)

- Transitions to Community Living Voucher (TCLV)
- Urgent Repair Program (URP)
- Workforce Housing Loan Program (WHLP)

For the year ended June 30, 2023, the Agency recorded expenditures of \$469,892,000 from other funding sources for the following programs:

- Carryover Loan Program (COLP)
- Community Partners Loan Pool (CPLP)
- Construction Training Partnership (CTP)
- Essential Single-Family Rehabilitation Loan Pool (ESFRLP)
- NC Home Advantage Mortgage (HomeAd)
- NC 1st Home Advantage Down Payment Assistance (1st Home DPA)
- State Home Foreclosure Prevention Project (SHFPP)
- Urgent Repair Program (URP)

For the year ended June 30, 2023, the Agency made awards of \$267,393,000 for the following programs:

- Low-Income Housing Tax Credit (LIHTC)
- NC Home Advantage Tax Credit (MCC)
- NC Home Advantage Mortgage (HomeAd)

All major programs for which the Agency recorded expenditures or made awards in the year ended June 30, 2023 are described in the section below:

Home Ownership Programs The Agency offers low-cost mortgages, down payment assistance and mortgage credit certificates (MCCs) for qualified buyers through the following programs:

- NC Home Advantage Mortgage provides affordable mortgage options and forgivable down payment assistance to first-time or move-up homebuyers. Borrowers are offered 30-year fixed rate mortgages and 15-year deferred, forgivable second mortgages of 3% of the first mortgage amount.
- NC 1st Home Advantage Down Payment Assistance program provides another down payment assistance option for qualifying veterans and first-time homebuyers. This comes in the form of a \$15,000 deferred forgivable 15-year second mortgage.
- NC Home Advantage Tax Credit helps qualifying veterans and first-time homebuyers increase their mortgage affordability by providing MCCs. MCCs are federal tax credits that reduce tax liability annually by up to 30% of mortgage interest for existing homes or up to 50% for new construction, each with a maximum credit of \$2,000 annually.
- Self-Help Loan Pool provides affordable mortgage assistance to qualified homebuyers purchasing homes through nonprofit Self-Help Housing loan pool members. Homebuyers are offered interest-free amortizing loans in combination with SHLP nonprofit member financing.
- Community Partners Loan Pool provides down payment assistance to qualifying homebuyers purchasing a home through local governments and nonprofits. Homebuyers are offered interest-free, deferred second mortgages up to 25% of the purchase price when combined with a HomeAd mortgage or up to 10% when combined with a USDA Section 502 loan.

Housing Preservation Programs The Agency partners with local governments, nonprofits and regional councils to finance the rehabilitation of substandard owner-occupied homes to prevent displacement through the following programs:

- Essential Single-Family Rehabilitation Loan Pool provides essential and critical home rehabilitation for qualifying homeowners. Funds are provided to partners in the form of interest-free, deferred, forgiven loans. The program benefits homeowners earning up to 80% of area median income with full-time household members who are elderly, disabled, qualified veterans and/or children under the age of six years old frequently present in a home with lead hazards.
- Essential Single-Family Rehabilitation Loan Pool – Disaster Recovery program provides interest-free, deferred, forgiven loans to eligible homeowners to provide essential rehabilitations in response to damage from Hurricane Matthew and Tropical Storms Julia and Hermine. Homeowners earning up to 100% of area median income whose homes were affected by these storms in the counties listed in the Disaster Recovery Act of 2016 are eligible for loans for rehabilitation.
- Urgent Repair Program provides interest-free, deferred, forgiven loans to assist qualifying homeowners with emergency repairs and modifications that address imminent threats to health or safety. Homeowners who are elderly, special needs, veterans or disabled earning up to 50% of area median income are eligible.
- Displacement Prevention Partnership offers interest-free, deferred, forgiven loans through the North Carolina Division of Vocational Rehabilitation and Independent Living Offices to repair or improve home accessibility for qualifying homeowners with mobility issues. Homeowners who are disabled earning up to 50% of area median income are eligible for these loans.

Foreclosure Prevention Programs The Agency provides foreclosure prevention services in partnership with housing counseling organizations approved by HUD through various programs, including the following:

- NC Homeowner Assistance Fund provides mortgage payment assistance, mortgage reinstatement and housing related cost assistance, which may include insurance, homeowner fees and liens, and delinquent property taxes to eligible homeowners, to prevent homeowner delinquencies, defaults, foreclosures and homeowner displacement associated with housing-related hardships due to the COVID-19 pandemic.
- Housing Stability Counseling Program provides free counseling services from HUD-approved certified housing counselors to renters and homeowners facing housing instability.
- State Home Foreclosure Prevention Project provides free housing counseling and legal assistance to homeowners facing foreclosure. These services are funded through foreclosure filing fees, which are paid by servicers of North Carolina home loans.

Rental Development Programs The Agency finances affordable homes and apartments developed by local governments, nonprofits and private developers through various programs, including the following:

- Low-Income Housing Tax Credit provides eligible rental developers with financing necessary to develop and substantially rehabilitate affordable rental housing in the State. The tax credit reduces the investors' federal tax liability by up to 9% of the eligible project cost each year for 10 years, and participation in the program ensures the creation and/or preservation of affordable rental housing for households earning up to 80% of the area median income.
- Workforce Housing Loan Program provides long-term financing for tax credit developments. Assistance is available in the form of 30-year balloon loans for a percentage of development costs based on income designations for each county.
- Rental Production Program provides long-term financing for tax credit developments. Amortizing or deferred loans are available up to 20 years.

- Rental Production Program – Disaster Recovery provides loans to fund construction of affordable rental developments in counties with a federally-declared disaster designation due to Hurricane Florence in 2018 and Hurricane Matthew in 2016.
- Carryover Loan Program provides financing for the acquisition of land for 9% new construction tax credit properties.
- Integrated Supportive Housing Program provides long-term financing for developments that set aside up to 20% of units for people with disabilities. The Agency partners with the NC Department of Health and Human Services (DHHS) in administering this program.

Rental Assistance Programs The Agency administers rent assistance contracts for privately owned apartments or intermediaries through the following programs:

- Section 8 Project-Based Contract Administration (PBCA) rental assistance projects are administered by the Agency for certain project-based Section 8 Housing Assistance Payment contracts on behalf of HUD. The Agency partners with NC Quadel Consulting Corporation to manage the contract administration duties.
- Key Rental Assistance provides rental assistance for low-income persons with disabilities, including those experiencing homelessness. The Agency is responsible for executing agreements with property owners, reviewing income eligibility documentation at move-in and recertification periods, making rental assistance payments to owners and projecting costs of the program. The Agency partners with DHHS in administering this program.
- Transition to Community Living Voucher was established in 2016 to create an efficient and effective state housing administration system to allow people with certain disabilities to successfully live in the communities of their choice. The Agency supports Local Management Entities/Managed Care Organizations in administering vouchers through the development and maintenance of a secure electronic funds management and document collection system, reviewing payment requests for compliance and disbursing funds accordingly. The Agency partners with DHHS in administering this program.
- Back@Home supports homelessness prevention and rapid rehousing services needed as a result of the COVID-19 pandemic. The Agency reviews and reimburses expenditures incurred and submitted by designated rehousing agencies per contract with DHHS.

Supportive Housing Programs The Agency finances the development of supportive housing for North Carolinians through its partners across the State:

- The Supportive Housing Development Program provides amortizing or deferred loans to local governments, nonprofits and regional councils to finance the production of emergency and permanent supportive housing. This program benefits people earning up to 50% of the area median income who have supportive housing needs or are experiencing homelessness.

Additional Information

This discussion and analysis is intended to provide additional information regarding the activities of the North Carolina Housing Finance Agency. If you have questions about the report or need additional financial information, contact Brett Warner, Chief Financial Officer, North Carolina Housing Finance Agency, P.O. Box 28066, Raleigh, North Carolina 27611-8066, (919) 981-2519, bawarner@nchfa.com, or visit the Agency's website at www.nchfa.com.



Independent Auditor's Report

The Board of Directors
North Carolina Housing Finance Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and programs of the North Carolina Housing Finance Agency (the "Agency"), a public agency and component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and programs of the Agency, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BDO USA, P.C.
September 22, 2023

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2023

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$	142,568
Restricted cash and cash equivalents		795,472
Restricted investments		4,954
Accrued interest receivable on investments		6,958
Mortgage loans receivable		53,502
Mortgage loans held for resale		22,717
Accrued interest receivable on mortgage loans		1,467
State receivables		4
Other assets		25,547
TOTAL CURRENT ASSETS	\$	1,053,189

Noncurrent assets:

Restricted investments	\$	1,440,815
Mortgage loans receivable, net		259,656
Capital assets, net		3,261
TOTAL NONCURRENT ASSETS	\$	1,703,732
TOTAL ASSETS	\$	2,756,921

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$	5,737
Deferred outflows for other postemployment benefits		3,455
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	9,192

LIABILITIES

Current liabilities:

Bonds payable	\$	38,885
Accrued interest payable		24,970
Accounts payable		17,732
Unearned revenues		28,657
Other liabilities		1,242
TOTAL CURRENT LIABILITIES	\$	111,486

Noncurrent liabilities:

Bonds payable, net	\$	1,661,514
Unearned revenues		21,628
Pension liability		8,562
Other postemployment benefits		12,237
Other liabilities		5,754
Lease liability		2,038
TOTAL NONCURRENT LIABILITIES	\$	1,711,733
TOTAL LIABILITIES	\$	1,823,219

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for pensions	\$	117
Deferred inflows for other postemployment benefits		5,600
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	5,717

NET POSITION

Net investment in capital assets	\$	3,261
Restricted net position		799,651
Unrestricted net position		134,265
TOTAL NET POSITION	\$	937,177

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

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2023

(in thousands)

OPERATING REVENUES

Interest on investments	\$ 75,651
Net decrease in fair value of investments	(54,549)
Interest on mortgage loans	14,074
Federal program awards received	376,313
Program income/fees	84,918
Other revenues	359
TOTAL OPERATING REVENUES	\$ 496,766

OPERATING EXPENSES

Interest on bonds	\$ 42,709
Lease interest expense	32
Mortgage servicing expense	770
Federal program expense	378,299
Nonfederal program expense	34,476
General and administrative expense	42,404
Other expenses	176
TOTAL OPERATING EXPENSES	\$ 498,866

OPERATING LOSS

\$ (2,100)

NON-OPERATING REVENUES (EXPENSES)

State appropriations received	\$ 210,660
State grants received	46,736
Noncapital contributions	93
State program expense	(97,670)
TOTAL NON-OPERATING REVENUES	\$ 159,819

CHANGE IN NET POSITION

\$ 157,719

TOTAL NET POSITION - BEGINNING

\$ 779,458

TOTAL NET POSITION - ENDING

\$ 937,177

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

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

(in thousands)

Cash flows from operating activities:	
Interest on mortgage loans	\$ 14,562
Principal payments on mortgage loans	50,520
Purchase of mortgage loans	(16,407)
Purchase of mortgage loans held for resale	(22,717)
Federal program awards received	378,249
Federal program expense	(363,730)
Nonfederal program expense	(34,476)
Federal grant administration income	26,804
Program income/fees	58,353
Other expenses	(44,450)
Other revenues	278
Net cash provided by operating activities	<u>\$ 46,986</u>
Cash flows from non-capital financing activities:	
Issuance of bonds	\$ 360,000
Principal repayments on bonds	(168,730)
Interest paid	(26,812)
Bond issuance costs paid	(2,875)
State tax credits	90
State appropriations received	210,660
State grants received	46,736
State program expense	(97,670)
Noncapital contributions	93
Net cash provided by non-capital financing activities	<u>\$ 321,492</u>
Cash flows from investing activities:	
Proceeds from sales or maturities of investments	\$ 111,299
Purchase of investments	(426,050)
Earnings on investments	72,855
Net cash used in investing activities	<u>\$ (241,896)</u>
Net increase in cash and cash equivalents, unrestricted and restricted	\$ 126,582
Cash and cash equivalents, unrestricted and restricted, at beginning of year	811,458
Cash and cash equivalents, unrestricted and restricted, at end of year	<u>\$ 938,040</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,100)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Interest on investments	(75,651)
Decrease in fair value of investments	54,549
Interest on bonds	42,709
Change in operating assets and liabilities:	
Decrease in mortgage loans receivable	33,612
Decrease in accrued interest receivable on mortgage loans	636
Increase in mortgage loans held for resale	(22,717)
Increase in other assets	(7,545)
Increase in deferred outflows of resources	(1,928)
Increase in accounts payable and other liabilities	15,896
Decrease in deferred inflows of resources	(1,855)
Increase in unearned revenues	11,380
Total adjustments	<u>\$ 49,086</u>
Net cash provided by operating activities	<u>\$ 46,986</u>

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation The North Carolina Housing Finance Agency (Agency) is a public agency and component unit of the State of North Carolina (State). The accompanying financial statements represent the financial position of the Agency only. The Agency was created to provide financing for housing to residents of the State with low and moderate incomes. Pursuant to its enabling legislation, the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of \$3 billion. The debt obligations of the Agency do not constitute a debt, grant or line of credit of the State, and the State is not liable for the repayment of such obligations.

Basis of Presentation The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local government entities.

Measurement Focus and Basis of Accounting The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Programs The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. The Agency's primary programs are summarized below:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Among the most active programs are the federal Low-Income Housing Tax Credit (LIHTC) program and the State Home Foreclosure Prevention Project (SHFPP). The Agency administers LIHTC for the State, evaluating applications for the tax credits and monitoring the rental properties for the compliance period to ensure that they meet federal program requirements, among other responsibilities. The Agency earns fees related to the applications and monitoring of LIHTC properties.

In 2008, the State authorized the formation of SHFPP in response to the foreclosure crisis. State statute requires that all parties who wish to initiate a foreclosure against a home in North Carolina remit a \$75 fee to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners at risk of foreclosure. Any excess funds are allocated to the North Carolina Housing Trust Fund (HTF) annually.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the HTF and the North Carolina Housing Partnership (Housing Partnership). The purpose of the HTF is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy for the operation of several programs within the HTF. The Agency staff provides services to the Housing Partnership and administers the HTF programs. State appropriations are reported in *Non-Operating Revenues (Expenses)* in the accompanying financial statements, and include a recurring appropriation that is used to make loans and grants under the HTF programs and nonrecurring appropriations for the Workforce Housing Loan Program (WHLP).

The Agency receives funds from the North Carolina Department of Health and Human Services (DHHS) for the Community Living Housing Fund. In October 2022, Session Law 2022-180 established a \$3.8 million recurring appropriation which is reported in *State grants received*. Any funds received in addition to this appropriation are reported in *Deferred state grants* until appropriated by the North Carolina General Assembly (General Assembly), when they are moved to *State grants received*.

Federal and State Programs The Agency administers several federal programs including the NC Homeowner Assistance Fund (HAF), Section 8, the combined HOME Investment Partnerships Program (HOME) and the HOME Investment Partnerships American Rescue Plan Program (HOME-ARP), and National Housing Trust Fund (NHTF), which represent 46%, 45%, 6%, and 3% of federal expenditures, respectively. The Agency receives a fee for administering these programs. The HOME program is matched with State funds of up to \$3 million annually as appropriated by the General Assembly.

The Agency receives funds from DHHS for the Transitions to Community Living Voucher program (TCLV), the Key Rental Assistance (Key) program and other housing programs. TCLV is a tenant-based, rental assistance program, which also provides assistance with security deposits, holding fees and risk mitigation claims. The Key program provides assistance and services to low-income individuals with disabilities and those who are homeless. These funds are reported in *State grants received*.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through a single-family trust agreement and are restricted as to their use. The proceeds of individual bond issues are used to purchase qualifying mortgage loans for single-family residential units.

The Agency's former FirstHome program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable* and *Mortgage loans receivable, net* in the 1998 Home Ownership Bond Program. Mortgage loan interest income related to the Home Ownership Bond Programs is reported in *Interest on mortgage loans*.

The operations for the NC Home Advantage Mortgage (HomeAd) program are financed through the issuance of tax-exempt mortgage revenue bonds as well as the sale of mortgage-backed securities (MBS). The production related to the HomeAd program is reported in the 1998 Home Ownership Bond Program. In contrast to the FirstHome program, in which the Agency owns the mortgage loans, all HomeAd production is pooled into MBS, regardless of the method of financing. For HomeAd loans funded through the sale of MBS, the related program income is recorded in *Program income/fees*. The MBS funded with bond proceeds are reported in *Investments*, which also include US Agency securities held by the Agency, as described in Note B, "Cash, Cash Equivalents, Investments, Fair Value Measurements and Securities Lending Transactions." The corresponding earnings from the bond-funded MBS are reported in *Interest on investments*. The down payment assistance loans and lender compensation incurred by the HomeAd program are reported in *Nonfederal program expense*, regardless of the method of financing.

Significant Accounting Policies Below is a summary of the Agency's significant accounting policies:

Cash and Cash Equivalents *Cash and cash equivalents* are comprised of cash on hand, amounts on deposit with financial institutions which are insured or collateralized under provisions of State laws and regulations, amounts in pooled cash accounts managed by in the North Carolina State Treasurer (State Treasurer), and highly liquid investments with original maturities of three months or less. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of *Cash and cash equivalents* classified as restricted on the accompanying Statement of Net Position are for the Agency's debt service payments, bond calls, and for funding home ownership under the Agency's different programs.

Investments *Investments* are reported at fair value in accordance with GASB Codification Section 150, *Investments*.

Mortgage Loans Receivable, Net *Mortgage loans receivable, net* are carried at cost less a loan loss reserve. It is the Agency's policy to provide for potential mortgage loan losses based on a periodic evaluation of the loan portfolios.

Mortgage Loans Held For Resale Periodically, the Agency purchases a portion of HomeAd mortgage loans from its originating lenders to hold from the time of loan purchase to the subsequent securitization of the loan. When these loans are purchased, they are included in *Mortgage loans held for resale*. The interest income and servicing fees associated with these loans are included in *Interest on mortgage loans* and *Mortgage servicing expense*, respectively.

Other Assets *Other assets* for Federal and State Programs includes receivables related to the HOME, Section 8, HAF, and NHTF programs. *Other assets* reflected in the Home Ownership Bond Programs include mortgage payments collected by servicers that will be remitted to the Agency in the upcoming fiscal year.

Capital Assets, Net Fixed assets, net of accumulated depreciation and amortization, are included in *Capital assets, net* in the accompanying financial statements. Fixed assets of \$5,000 or greater, intangible assets of \$100,000 or greater, and internally developed software with development costs of \$1 million or greater are capitalized and depreciated over a five-year economic useful life using the straight-line method. Right-to-use (RTU) buildings and RTU machinery and equipment, net of accumulated amortization, are also included in *Capital assets, net*. RTU assets with a lease term of greater than 12 months are capitalized and amortized over the lesser of the lease term or the useful life of the asset, using the straight-line method.

Bond Premium and Discount Bond premium and discount represents the difference in the amount received upon the sale of bonds and the par value and is included as a component of *Bonds payable, net* in the accompanying financial statements. The bond premium and discount are amortized using the effective interest rate method over the life of the related bonds and are adjusted accordingly for any bond calls that occur during the year. The amortization of the bond premium and discount is included as a component of *Interest on bonds* in the accompanying financial statements.

Unearned Revenues *Unearned revenues* includes monitoring fees received upon the completion of LIHTC projects. Since the Agency's monitoring of LIHTC projects occurs over time, these fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan. Also included in *Unearned revenues* is funding from the US Department of the Treasury (Treasury) for HAF, and from NeighborWorks America for the Housing Stability Counseling Program (HSCP). As these funds are disbursed, unearned revenue is reduced and revenue is recognized as *Federal program awards received*.

Interprogram Receivable (Payable) During the normal course of operations, the Agency has numerous transactions among programs to provide services. If certain transactions among programs have not been settled as of June 30, 2023, these balances are recorded as *Interprogram receivable (payable)* and eliminated in the accompanying financial statements.

Deferred Outflows/Inflows of Resources In addition to Assets, the Statement of Net Position includes a separate section for *Deferred Outflows of Resources*. This section of the financial statements represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Agency has two items that meet the criterion: contributions to

the pension plan and contributions to other postemployment benefits (OPEB). In addition to Liabilities, the Statement of Net Position includes a separate section for *Deferred Inflows of Resources*. This section of the financial statements represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Agency has two items that meets the criterion: deferred inflows related to the pension plan and deferred inflows related to OPEB.

Net Position *Net Position* is reported as restricted when constraints placed on it are externally imposed by creditors, grantors, laws or regulations, or by law through constitutional provisions.

The Agency's Board of Directors approves an operating budget annually that is funded with revenues generated by administrative fees earned on programs, interest income earned on investments, repayment of program funds, and earnings and reserves from trust agreements. These revenue sources are used to cover operating expenses. The decision to use restricted or unrestricted receipts to fund a payment is considered at the transaction level depending on the nature of the payment.

Net position of the Home Ownership Bond Programs is restricted pursuant to the Agency's agreements with its bondholders as determined in its trust agreement. The Agency has restricted these funds in amounts sufficient to meet required debt service and operating expenses as defined by the trust agreement.

Net position of the HTF Programs is restricted in accordance with the policies of the Housing Partnership. The Agency and Federal and State Programs' net positions are restricted in accordance with each program's requirements.

Operating Revenues and Expenses As one of its primary funding sources, the Agency has the authority to issue bonds to the investing public to create inflows of private capital. These funds are used to finance mortgage loans for qualified borrowers. A significant amount of operating revenues is derived from federal programs, interest earned on mortgage loans and MBS that are financed with bonds, offset by GASB Statement No. 31 fair market value adjustments associated with the investments resulting from market fluctuations. Additional operating income is earned from the sale of MBS associated with the HomeAd program.

Accordingly, the primary operating expenses of the Agency are those related to federal programs and the interest expense on bonds outstanding. Other significant operating expenses include down payment assistance and lender compensation, which are reported in *Nonfederal program expense*, and Agency operations, which are reported in *General and administrative expense*.

Non-Operating Revenues and Expenses *State appropriations received* and *State grants received* are classified as *Non-Operating Revenues (Expenses)*. The related expenses are classified as *State program expense*.

General and Administrative Expense *General and administrative expense* is classified by the related program. To the extent allowed by federal and state programs and trust agreements, transfers are made from proceeds of federal and state programs or bond issuances to the Agency to reimburse allowable general and administrative expenses. Certain indirect costs are allocated to federal and state programs based on an independently prepared cost allocation plan.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the contingent and reported amounts of assets, liabilities, deferred inflows and outflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (e.g., loan loss reserve). Actual results could differ from estimates.

B. CASH, CASH EQUIVALENTS, INVESTMENTS, FAIR VALUE MEASUREMENTS AND SECURITIES LENDING TRANSACTIONS

Cash and Cash Equivalents As of June 30, 2023, the Agency had deposits with a carrying value of \$61,618,000 and a bank balance of \$62,085,000 in its primary operating account. Of this amount, \$59,110,000 was classified as restricted funds.

The Agency had deposits in pooled investment accounts of the State Treasurer with a carrying value of \$11,099,000 and a bank balance of \$6,691,000. Of this balance, \$6,837,000 was classified as restricted funds. The State Treasurer investment account has the characteristics of a demand deposit account in that the Agency may deposit and withdraw cash at any time without prior notice or penalty. Included in the investment accounts of the State Treasurer was \$3,754,000 of escrow and replacement reserves maintained on behalf of multifamily and single-family mortgagors; accordingly, a corresponding liability of the same amount is also included on the Statement of Net Position.

The Agency had deposits with a carrying value of \$865,320,000 and a bank balance \$867,076,000 on deposit with the Agency's fiduciary agents. Of this balance, \$729,523,000 was classified as restricted funds. Such deposits are held in accordance with State Statute 159-31(b) by a third-party custodian. The Agency also had deposits held in other financial institutions with a carrying value of \$3,000 and a bank balance of \$2,000. Of this balance, \$2,000 was classified as restricted funds.

Deposits - Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. At June 30, 2023, the Agency was not exposed to any material custodial credit risk.

Deposits - Foreign Currency Risk Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of a deposit. The Agency does not have exposure to foreign currency risk.

Investments The Agency's restricted investments include US Agency securities and MBS insured by the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

The Agency funds a portion of its HomeAd production with tax-exempt bonds. In the HomeAd program, mortgages are made by lenders, purchased by the Agency's master servicer and securitized into MBS. For MBS that are financed with tax-exempt bonds, the MBS are reflected in *Investments* on the Statement of Net Position.

At June 30, 2023, the Agency held the following investments with the listed maturities at annual rates ranging from 1.675% to 6.90%. Ratings are displayed with the Moody's Investors Service (Moody's) rating listed first and the Standard & Poor's (S&P) rating listed second (*in thousands*):

Investments	Carrying Amount	Investment Maturities (<i>In Years</i>)			
		Less Than 1	1 – 5	6 – 10	More Than 10
GNMA MBS					
Rated Aaa/AA+	\$ 732,087	\$ 2	\$ -	\$ -	\$ 732,085
FNMA MBS					
Rated Aaa/AA+	615,324	-	-	-	615,324
FHLMC MBS					
Rated Aaa/AA+	91,137	-	-	-	91,137
US Agency Securities					
Rated Aaa/AA+	7,221	4,952	2,269	-	-
Total Categorized	\$1,445,769	\$ 4,954	\$ 2,269	\$ -	\$1,438,546

Interest Rate Risk Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. The Agency's investment strategy is designed to match the life of the asset with the date of its related liability. The Agency seeks to minimize interest rate risk by structuring the portfolio to meet ongoing program and operational cash requirements without having to sell securities prior to maturity.

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the US Government; (ii) obligations issued by an approved agency or corporation wholly-owned by the US Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) repurchase agreements with banks and financial institutions which are chartered outside of the State and meet specified rating and collateral requirements of the various trust agreements. The MBS are securitized by FNMA, GNMA, and FHLMC. The US Agency securities are direct obligations of the Federal Farm Credit Bank and Federal Home Loan Bank.

Concentration of Credit Risk Concentration of credit risk is the risk of loss related to the percentage of the Agency's investment portfolio in any single issuer, except for investments explicitly backed by the US government. The Agency's investments in FNMA and FHLMC both exceed 5% of total investments as of June 30, 2023.

Custodial Credit Risk Custodial credit risk occurs when investment securities are uninsured and are not registered in the name of the Agency, and there is a failure of the counterparty. At year end, the Agency was not exposed to custodial credit risk. The US Agency Securities are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent.

Foreign Currency Risk Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Agency does not have investments denominated in foreign currencies, and thus does not have exposure to foreign currency risk.

Fair Value Measurements To the extent available, the Agency’s investments are recorded at fair value within the fair value hierarchy established by GAAP, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
Level 2	Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
Level 3	Investments with unobservable inputs and may require a degree of professional judgment.

The Agency had the following recurring fair value measurements as of June 30, 2023 (*in thousands*):

Investment Type	Fair Value	Input Level	
Short Term Investment Fund (STIF)	\$10,938	Level 2	The ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the State’s custodian.
US Agency Securities	\$7,221	Level 2	Valuation of the underlying assets is performed using the policies and procedures established by the Agency’s custodian.
MBS	\$1,438,548	Level 2	Valuation of the underlying assets is performed using the policies and procedures established by the Agency’s custodian.

Securities Lending Transactions GASB Codification Section I60, *Investments—Security Lending* (GASB I60), establishes accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer is authorized to engage in these types of transactions under State Statute 147-69.3(e). The types of securities include government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be

maintained at 100% of the market value of the original securities. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions.

Throughout fiscal year 2023, the Agency had deposits in the pooled investment accounts of the State Treasurer. The risk associated with these transactions will be recorded by the State in its fiduciary funds. No allocation will be made to the Agency; therefore, the accompanying financial statements do not reflect the risk associated with securities lending transactions in accordance with GASB I60.

C. MORTGAGE LOANS RECEIVABLE

The Agency's mortgage loans are derived from various funding sources. Loans receivable, as of June 30, 2023 are as follows (*in thousands*):

	<u>Agency Programs</u>	<u>Housing Trust Fund Programs</u>	<u>Federal and State Programs</u>	<u>Home Ownership Bond Programs</u>	<u>Total</u>
Mortgage loans receivable	\$ 10,307	\$ 10,466	\$ 83,664	\$ 208,973	\$ 313,410
Less: allowance for loan losses	(1)	(13)	(100)	(138)	(252)
	<u>\$ 10,306</u>	<u>\$ 10,453</u>	<u>\$ 83,564</u>	<u>\$ 208,835</u>	<u>\$ 313,158</u>
Less: current portion	(9,275)	(1,073)	(7,244)	(35,910)	(53,502)
Mortgage loans receivable, net	<u>\$ 1,031</u>	<u>\$ 9,380</u>	<u>\$ 76,320</u>	<u>\$ 172,925</u>	<u>\$ 259,656</u>

For the Home Ownership Bond Programs, the Agency has collateralized \$196,557,000 in mortgage loans receivable and \$1,835,942,000 in cash and investments pledged to repay the \$1,650,715,000 single-family bonds payable outstanding as of June 30, 2023. Proceeds from the bonds issued were used to finance housing throughout the State. The outstanding bonds are payable through fiscal year 2054 and are repaid from principal and interest on mortgage loans and MBS, unexpended bond proceeds, proceeds from the sale of investments as well as interest income from investments. The Agency expects 100% of the mortgage loans and MBS, both principal and interest, to pay the principal and interest debt service requirements on the bonds. The total debt service requirement based on projected cash flows as of June 30, 2023 is \$2,638,545,000 (see "Maturities" under Note D).

For the current fiscal year, debt service payments, bond calls and related interest payments totaling \$195,542,000 were made for the Home Ownership Bond Programs. Payments received on mortgage loans and MBS for the Home Ownership Bond Programs were \$42,324,000 and \$156,551,000, respectively.

The existing and future mortgage loans which the Agency may purchase under the Home Ownership Bond Programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration, guaranteed by the Veterans Administration, guaranteed by the US Department of Agriculture, Rural Development, insured under a private mortgage insurance program, or have a loan-to-value ratio equal to or less than 80%. As of June 30, 2023, all outstanding FirstHome mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements and have stated interest rates ranging from 3% to 10.35%.

D. BONDS PAYABLE

Bonds issued by the Agency are limited obligations payable solely from and secured by a pledge of mortgage loans, MBS or other assets for payment of principal and interest. The bonds are collateralized under a single bond indenture, and subject to all of the covenants, agreements and conditions of the trust agreement. In addition, certain assets are further restricted for payment of interest and principal in the event that the related debt service and other available funds are insufficient. Such assets are segregated within various funds and held in cash or investments.

Bonds payable activity for the year ended June 30, 2023 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 1,445,965	\$ 360,000	\$ (155,250)	\$ 1,650,715
Home Ownership (Direct Placement)	13,480	-	(13,480)	-
	<u>\$ 1,459,445</u>	<u>\$ 360,000</u>	<u>\$ (168,730)</u>	<u>\$ 1,650,715</u>
Unamortized Bond Premium/Discount	43,004	12,414	(5,734)	49,684
Total Bonds Payable, Net	<u>\$ 1,502,449</u>	<u>\$ 372,414</u>	<u>\$ (174,464)</u>	<u>\$ 1,700,399</u>

Bonds payable as of June 30, 2023 are as follows (*in thousands*):

<u>Issue</u>	<u>Stated Rates (%)</u>	<u>Final Maturity</u>	<u>Principal Amount</u>
Home Ownership Revenue Bonds (1998 Housing Revenue Bonds Trust Agreement)			
Series 34	2.812	7/1/2035	\$ 2,620
Series 35	2.870	7/1/2032	3,925
Series 36	3.000 – 3.482	1/1/2033	4,635
Series 37	1.950 – 3.500	7/1/2039	35,430
Series 38	2.000 – 4.000	7/1/2047	103,880
Series 39	2.600 – 4.000	7/1/2048	48,355
Series 40	2.600 – 4.250	7/1/2047	20,310
Series 41	1.900 – 4.000	1/1/2050	89,190
Series 42	1.300 – 4.000	1/1/2050	102,820
Series 43	1.350 – 4.000	7/1/2050	108,755
Series 44	1.300 – 4.000	7/1/2050	99,965
Series 45	0.400 – 3.000	7/1/2051	165,815
Series 46	0.350 – 3.000	7/1/2051	147,905
Series 47	0.200 – 3.000	7/1/2051	157,405
Series 48	1.450 – 5.000	7/1/2052	199,705
Series 49	3.000 – 6.000	7/1/2053	180,000
Series 50	2.600 – 5.500	1/1/2054	180,000
Total Bonds Outstanding			<u>\$ 1,650,715</u>
Plus Unamortized Bond Premium & Discount			<u>\$ 49,684</u>
Total Bonds Payable, Net			<u>\$ 1,700,399</u>

Maturities Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2023, are as follows (*in thousands*):

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 38,885	\$ 52,155
2025	43,940	53,863
2026	44,275	53,075
2027	44,770	52,265
2028	45,970	51,271
2029-2033	244,165	238,132
2034-2038	274,110	201,217
2039-2043	297,595	155,823
2044-2048	344,275	98,464
2049-2053	260,650	31,158
2054	12,080	407
Total Requirements	\$ 1,650,715	\$ 987,830

Bond Redemptions The trust agreements provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues, from excess revenues, or from funds released via the related decreases in the respective debt service reserve requirements.

For the year ended June 30, 2023, bond redemptions were as follows (*in thousands*):

Issue	Amount Redeemed
Housing Revenue Bonds (1998 Trust Agreement)	\$ 168,730

Special Facilities (Conduits) The Agency issued Multifamily Housing Revenue Bonds which are not presented in the financial statements of the Agency. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment. These bonds do not constitute a debt of and are not guaranteed by the State or any political subdivision thereof. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of June 30, 2023 for special facilities are as follows (*in thousands*):

Issue	Bond Type	Bonds Outstanding
Series 2021 (Wind Crest Senior Living, LP)	Multifamily Housing Revenue Bonds	\$6,000
Series 2022 (Wind Crest Senior Living, LP)	Multifamily Housing Revenue Bonds	2,981
Series 2022 (Five Points Crossing, LP)*	Multifamily Housing Revenue Bonds	4,261
Series 2022 (South Emerson Hills Apartment Homes)**	Multifamily Housing Revenue Bonds	9,212
Total		\$22,454

* The bonds were issued as “draw down” bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$4,700,000. As of June 30, 2023, \$4,261,000 has been advanced.

** The bonds were issued as “draw down” bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$37,515,000. As of June 30, 2023, \$9,212,000 has been advanced.

Bonds related to special facilities that were redeemed in fiscal year 2023 are as follows:

<u>Issue</u>	<u>Bond Type</u>	<u>Redemption Date</u>
Series 2021 (Johnson Court Housing Partners, LP)	Multifamily Housing Revenue Bonds	4/1/2023

E. DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

Summary Information During fiscal year 2023, the Agency redeemed its direct placement bonds in Series 37C, and terminated the existing swaps with Bank of America, N.A. and Goldman Sachs Mitsui Marine used to hedge those bonds.

The Agency’s three pay-fixed, interest rate swap agreements with two financial counterparties were designated as hedging derivative instruments representing cash flow hedges for the organization (*in thousands*):

<u>Hedgeable Item</u>	<u>Notional Amount</u>	<u>Classification</u>	<u>FMV at June 30, 2023 Liability</u>	<u>Classification</u>	<u>Net Change in FMV</u>	<u>Termination Value</u>
Series 37C (formerly Series 16C)	\$0	Hedging Derivative	\$0	Deferred Outflows of Resources	\$182	\$(107)
Series 37C (formerly Series 17C)	\$0	Hedging Derivative	\$0	Deferred Outflows of Resources	\$409	\$(233)
Series 37C (formerly Series 18C)	\$0	Hedging Derivative	\$0	Deferred Outflows of Resources	\$165	\$(75)

There were no derivative instruments reclassified from a hedging derivative to an investment derivative instrument during the period. There was no deferral amount within investment revenue due to any reclassifications during the period.

Objective The Agency entered into interest rate swaps, in connection with all its variable-rate revenue bonds associated with the series listed in the above table, as a means to manage the future cash flow impact associated with the hedged debt. The intention of the swaps was to create more certainty for the Agency associated with the interest rate spread between its assets and liabilities.

Fair Value In total, the swaps were terminated at their fair value of negative \$415,000 on October 31, 2022. The variable-rate bonds for which the swap provided a hedge were redeemed on the same day. Their notional amount at the time of termination was \$12,670,000 and the fair value was determined based on market interest rates at the time of termination.

Interest Rate Risk Under all of the swaps, the Agency paid the counterparties a fixed rate and received a variable payment. The Agency does not have current interest rate risk since the swaps were terminated and bonds redeemed during the fiscal year.

Basis Risk and Termination Risk The swaps exposed the Agency to basis risk to the extent that the interest payments on its variable-rate bonds did not match the variable-rate payments received on the associated swaps. The Agency's swaps were subject to termination if the counterparty's or the Agency's rating fell below Baa2 as issued by Moody's or BBB as issued by S&P. The Agency does not face current risk to these factors since the swaps were terminated during the fiscal year.

Credit Risk Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2023, all contracts have been terminated, therefore, the Agency does not have current credit risk. The Agency monitors the ratings of its counterparties to ascertain credit risk.

Foreign Currency Risk Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Agency's swaps were denominated in US dollars and, therefore, were not subject to foreign currency risk.

Rollover Risk Rollover risk exists when the derivative does not last as long as the associated debt is outstanding. The maturity dates of the Agency's swap contracts matched the maturity dates of the hedged debts, and the swaps were terminated in conjunction with associated outstanding debt being redeemed; therefore, the Agency has no rollover risk.

Market Access Risk Market access risk is the risk that the Agency will not be able to enter credit markets as planned or that credit will become more costly. The Agency has no current market access risk since the Series 37C variable-rate bonds have been redeemed and associated swaps have been terminated.

F. NONCURRENT LIABILITIES

Noncurrent liabilities for the year ended June 30, 2023 were as follows (*in thousands*):

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
Bonds payable, net	\$ 1,459,445	\$ 360,000	\$(168,730)	\$ 1,650,715	\$ 38,885
Unamortized bond premium	43,004	12,414	(5,734)	49,684	-
Derivative instrument –					
interest rate swap	756	-	(756)	-	-
Unearned revenues	38,905	205,764	(194,384)	50,285	28,657
Pension liability	2,730	5,832	-	8,562	-
OPEB liability	15,732	15	(3,510)	12,237	-
Other noncurrent liabilities					
Arbitrage rebate payable	-	463	-	463	-
Compensated absences	1,894	85	-	1,979	588
Deposits payable	3,607	1,696	(1,543)	3,760	14
Workers' compensation	244	15	(55)	204	50
Lease liability	3,216	673	(1,261)	2,628	590
	\$ 1,569,533	\$ 586,957	\$ (375,973)	\$ 1,780,517	\$ 68,784

G. LEASES

As of June 30, 2023, the Agency leases a building with a five-year term, which expires September 30, 2027, a copier with a 24-month term, which expires July 31, 2023, and a postage meter with a 60-month term, which expires May 6, 2028.

Lease asset activity for the year ended June 30, 2023 was as follows (*in thousands*):

Asset Class	Beginning Asset	Lease Asset Modifications	Accumulated Amortization	Ending Net Asset
Buildings	\$ 3,747	\$ (21)	\$ (1,196)	\$ 2,530
Machinery & Equipment	60	19	(47)	32
	\$ 3,807	\$ (2)	\$ (1,243)	\$ 2,562

Lease liability activity for the year ended June 30, 2023, each of the five subsequent years, and in five-year increments thereafter is as follows (*in thousands*):

Fiscal Year	Principal	Interest
Ending June 30		
Buildings		
2023	\$ 568	\$ 31
2024	582	36
2025	600	37
2026	618	42
2027	690	43
2028	160	10
Machinery & Equipment		
2023	\$ 30	\$ 1
2024	8	1
2025	6	1
2026	6	1
2027	6	1

H. FEDERAL AWARDS

As a designated public housing agency for the US Department of Housing and Urban Development (HUD) Section 8 program, the Agency requisitions Section 8 program funds and makes disbursements to eligible landlords. For the year ended June 30, 2023, \$179,701,000 was received by the Agency and disbursed to property owners.

The Agency is designated as the participating entity under grant agreements with HUD for the HOME, HOME-ARP and the NHTF programs. The HOME and HOME-ARP programs provide funding for the purpose of developing affordable housing for persons of low and very low income. For the year ended June 30, 2023, \$9,857,000 in entitlement funds was received and the Agency disbursed \$19,481,000 in entitlement and program income funds.

The NHTF provides funding to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low and very low income households. For the year ended June 30, 2023, \$11,384,000 was received and disbursed by the Agency.

The Agency received Community Development Block Grant Disaster Recovery funds from the NC Office of Recovery and Resiliency, a component of the NC Department of Public Safety, who is the participating entity with HUD. These funds are to be used for new construction of multifamily rental

housing in counties impacted by Hurricane Matthew. For the year ended June 30, 2023, \$982,000 was received and disbursed by the Agency.

The Agency was designated by the NC Office of State Budget and Management to accept and administer HAF funding received by the NC Pandemic Recovery Office. These funds may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes. The Agency contracts with Innovative Emergency Management Inc. (IEM) to administer this program. For the year ended June 30, 2023, the Agency received \$173,399,000 and disbursed \$173,520,000 to program participants.

HSCP provides funding for local partners to conduct housing counseling for renters and homeowners. The Agency received \$715,000 and disbursed \$624,000 for HSCP for the year ended June 30, 2023.

The Agency earned fees of \$28,734,000 for administering these and other federal programs for the year ended June 30, 2023. Of these fees, \$4,985,000 was paid to Quadel Consulting Corporation for the Section 8 Project-Based Contract Administration, \$16,633,000 was paid to IEM and other partners for HAF administration, and \$113,000 was paid to supportive housing partners in implementing the Supportive Housing American Rescue Plan program funded by HOME-ARP. These fees are reported in *General and administrative expense*.

Federal awards are subject to audit by the grantor agencies. The Agency could be held liable for amounts received in excess of allowable expenditures.

I. PENSION PLAN

Plan Description All permanent, full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. TSERS provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the General Assembly. TSERS is included in the Annual Comprehensive Financial Report (Annual Report) for the State. The State's Annual Report includes financial statements and required supplementary information for TSERS. The report may be obtained from the website for the North Carolina Office of State Controller (OSC) using the following link: <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Funding Policy Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The fiscal year 2023 rate is 17.38% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the General Assembly. The following table represents the three-year trend of the annual contributions made by the Agency to the State retirement system. The

Agency made 100% of its required contributions for the years ended June 30, 2023, 2022, and 2021 (*in thousands*):

	2023	2022	2021
Retirement Contribution	\$1,935	\$1,722	\$1,512
Percentage of Covered Payroll	17.38%	16.38%	14.78%

Net Pension Liability At June 30, 2023, the Agency reported a liability of \$8,562,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions listed below. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2022 and at June 30, 2021, the Agency's proportion was 0.05769% and 0.05829%, respectively.

Deferred Outflows/Inflows of Resources Related to Pensions For the year ended June 30, 2023, the Agency recognized pension expense of \$1,973,000, which is reported in *General and administrative expense*. At June 30, 2023, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to pensions from the following sources (*in thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 37	\$ 117
Changes of assumptions	676	-
Net difference between projected and actual earnings on pension plan investments	2,812	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	277	-
Contributions subsequent to the measurement date	1,935	-
Total	\$ 5,737	\$ 117

Deferred Outflows of Resources of \$1,935,000 related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2023 related to pensions will be recognized as pension expense as follows (*in thousands*):

Year ending June 30:	
2024	\$ 1,077
2025	944
2026	317
2027	1,348
Total	\$ 3,686

Actuarial Assumptions The total pension liability was determined by an actuarial valuation performed as of December 31, 2021. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age

normal actuarial cost method was utilized. Inflation is assumed to be 2.5%, and salary increases range from 3.25% to 8.05% which includes 3.25% inflation and productivity factor. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5% and is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2022 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 is 0.78%.

Discount Rate The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension

plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the Agency’s proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the Agency’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (*in thousands*):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Agency's proportionate share of the net pension liability	\$15	\$9	\$3

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Report for the State.

J. OTHER POSTEMPLOYMENT BENEFITS

Plan Description In addition to providing pension benefits, the Agency participates in two postemployment benefit plans, the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC), that are administered by the State as pension and other employee benefit trust funds. The Agency makes monthly contributions to the State for these benefits. The State’s Annual Report includes financial statements and required supplementary information for each plan. See Note I. “Pension Plan” for information about obtaining the Annual Report from OSC.

The RHBF has been established as a fund to provide health benefits to long-term disability beneficiaries of the DIPNC and retirees who have at least five years of creditable service with TSERS. TSERS pays the full cost of coverage for retirees enrolled in the State’s self-funded Teachers’ and State Employees’ Preferred Provider Organization medical plan who were hired prior to October 1, 2006, and retire with five or more years of State TSERS membership service. For employees hired on or after October 1, 2006 and before January 1, 2021, TSERS will pay the full cost of coverage for retirees with 20 or more years of service, TSERS will pay 50% of the cost of coverage for retirees with at least 10 years but less than 20 years of service, and the retiree with less than 10 years of service will pay the full cost of coverage. Employees hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Short-term and long-term disability benefits are provided through the DIPNC. Long-term disability benefits are payable from the DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service with TSERS earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers’ compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees’ usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; (5) the employee must not be eligible to receive unreduced retirement benefits from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. In addition, recipients of long-term disability benefits are eligible to receive the State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee’s annual base rate of compensation reduced by any social security or workers’ compensation to which the recipient may be entitled up to a

maximum of \$3,900 per month. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from the DIPNC cease, and the employee will commence retirement under TSERS.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payrolls. Annually, the State sets monthly contribution rates for postemployment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

Contributions Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly and coincide with the State’s fiscal year. The Agency assumes no liability for retiree health care or long-term disability benefits other than its required contributions.

The following table represents the three-year trend of the annual contributions made by the Agency to the State post-employment benefit plans. The Agency made 100% of its required contributions for the years ended June 30, 2023, 2022, and 2021 (*in thousands*):

	2023	2022	2021
Health Care Benefit	\$ 767	\$ 660	\$ 683
Disability Benefit	\$ 11	\$ 9	\$ 9
Percentage of Covered Payroll			
Health Care Benefit	6.89%	6.29%	6.68%
Disability Benefit	0.10%	0.09%	0.09%

Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

Net OPEB Liability At June 30, 2023, the Agency reported a liability of \$12,222,000 and \$15,000 for its proportionate share of the collective net OPEB liability for RHBF and DIPNC, respectively. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Agency’s proportion of the net OPEB liability was based on the present value of future salaries for the Agency relative to the present value of future salaries for all participating employers, actuarially-determined. At June 30, 2022 and at June 30, 2021, the Agency’s proportion was 0.05769% and 0.05829%, respectively.

Actuarial Assumptions The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

	<u>RHBF</u>	<u>DIPNC</u>
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical	5% - 6%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5% - 9.5%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	0% - 5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	N/A

*Salary increases include 3.25% inflation and productivity factor.

**Investment rate of return is net of OPEB plan investment expense, including inflation.

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the US population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are

annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 (the valuation date) was 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2021 valuations were based on the results of an actuarial experience study prepared as of December 31, 2019.

Discount Rate The discount rate used to measure the total OPEB liability for RHBF was 3.54%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate The following presents the Agency's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (*in thousands*):

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$16	\$14	\$12
	1% Decrease (2.08%)	Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	-	-	-

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (*in thousands*):

RHBF	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
	\$11	\$14	\$17

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus, the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

Deferred Outflows/Inflows of Resources Related to OPEB For the year ended June 30, 2023, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to OPEB from the following sources (*in thousands*):

Deferred Outflows of Resources Related to OPEB by Classification

	<u>RHBF</u>	<u>DIPNC</u>	<u>TOTAL</u>
Difference between actual and expected experience	\$ 118	\$ 16	\$ 134
Changes of assumptions	979	1	980
Net difference between projected and actual earnings on OPEB plan investments	106	16	122
Change in proportion and differences between Agency's contributions and proportionate share of contributions	1,438	3	1,441
Contributions subsequent to the measurement date	767	11	778
Total	\$ 3,408	\$ 47	\$ 3,455

Deferred Inflows of Resources Related to OPEB by Classification

	<u>RHBF</u>	<u>DIPNC</u>	<u>TOTAL</u>
Difference between actual and expected experience	\$ 33	\$ -	\$ 33
Changes of assumptions	5,563	3	5,566
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	-	1	1
Contributions subsequent to the measurement date	-	-	-
Total	\$ 5,596	\$ 4	\$ 5,600

Amounts reported as *Deferred outflows of resources* related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for RHBF and DIPNC in the fiscal year ended June 30, 2023. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2023 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ending June 30:	RHBF	DIPNC
2024	\$ (977)	\$ 8
2025	(668)	9
2026	(869)	7
2027	(442)	5
2028	-	2
Thereafter	-	2
Total	\$ (2,956)	\$ 33

K. RISK MANAGEMENT

The Agency’s risk management policies provide for participation in the State’s risk management programs. The following types of risk are covered under these programs, as disclosed in the State’s Annual Report:

- Automobile, Fire and Other Property Losses
- Public Officers’ and Employees’ Liability Insurance
- Employee Dishonesty and Computer Fraud
- Statewide Workers’ Compensation Program/Fund

The State is responsible for the administration of all liability insurance policies. The deductible and amount of loss in excess of the policy is the responsibility of the Agency.

In addition to the State’s policies, the Agency has Cyber Liability and Fraudulent Instruction coverage, which is intended to mitigate financial losses associated with criminal acts of breach and fraudulent impersonation of Agency vendors and staff.

L. SUBSEQUENT EVENTS

The Agency has evaluated subsequent events and determined that there have been no events that have occurred that would require adjustments to our disclosures in the fiscal year 2023 consolidated financial statements.

North Carolina Housing Finance Agency

Supplementary Information



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421 Fayetteville Street, Suite 300
Raleigh, NC 27601

Independent Auditor's Report on Supplementary Information

We have audited the financial statements of the business-type activities and programs of the North Carolina Housing Finance Agency (the "Agency"), as of and for the year ended June 30, 2023, and have issued our report thereon dated September 22, 2023 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information presented in the following section of this report is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.
September 22, 2023

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2023

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	Total
		Housing Trust Fund Programs	Federal and State Programs		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 114,290	\$ -	\$ 28,278	\$ -	\$ 142,568
Restricted cash and cash equivalents	49,293	242,637	109,995	393,547	795,472
Restricted investments	-	-	-	4,954	4,954
Accrued interest receivable on investments	-	4	-	6,954	6,958
Mortgage loans receivable	9,275	1,073	7,244	35,910	53,502
Mortgage loans held for resale	-	-	-	22,717	22,717
Accrued interest receivable on mortgage loans	1	8	58	1,400	1,467
State receivables	-	-	4	-	4
Other assets	196	-	23,095	2,256	25,547
Interprogram receivable (payable)	3,685	135	(4,244)	424	-
TOTAL CURRENT ASSETS	\$ 176,740	\$ 243,857	\$ 164,430	\$ 468,162	\$ 1,053,189
Noncurrent assets:					
Restricted investments	\$ -	\$ -	\$ -	\$ 1,440,815	\$ 1,440,815
Mortgage loans receivable, net	1,031	9,380	76,320	172,925	259,656
Capital assets, net	3,261	-	-	-	3,261
TOTAL NONCURRENT ASSETS	\$ 4,292	\$ 9,380	\$ 76,320	\$ 1,613,740	\$ 1,703,732
TOTAL ASSETS	\$ 181,032	\$ 253,237	\$ 240,750	\$ 2,081,902	\$ 2,756,921
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows for pensions	\$ 5,737	\$ -	\$ -	\$ -	\$ 5,737
Deferred outflows for other postemployment benefits	3,455	-	-	-	3,455
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 9,192	\$ -	\$ -	\$ -	\$ 9,192
LIABILITIES					
Current liabilities:					
Bonds payable	\$ -	\$ -	\$ -	\$ 38,885	\$ 38,885
Accrued interest payable	-	-	-	24,970	24,970
Accounts payable	491	-	16,920	321	17,732
Unearned revenues	2,576	-	26,081	-	28,657
Other liabilities	1,238	-	4	-	1,242
TOTAL CURRENT LIABILITIES	\$ 4,305	\$ -	\$ 43,005	\$ 64,176	\$ 111,486
Noncurrent liabilities:					
Bonds payable, net	\$ -	\$ -	\$ -	\$ 1,661,514	\$ 1,661,514
Unearned revenues	21,628	-	-	-	21,628
Pension liability	8,562	-	-	-	8,562
Other postemployment benefits	12,237	-	-	-	12,237
Other liabilities	5,291	-	-	463	5,754
Lease liability	2,038	-	-	-	2,038
TOTAL NONCURRENT LIABILITIES	\$ 49,756	\$ -	\$ -	\$ 1,661,977	\$ 1,711,733
TOTAL LIABILITIES	\$ 54,061	\$ -	\$ 43,005	\$ 1,726,153	\$ 1,823,219
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows for pensions	\$ 117	\$ -	\$ -	\$ -	\$ 117
Deferred inflows for other postemployment benefits	5,600	-	-	-	5,600
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,717	\$ -	\$ -	\$ -	\$ 5,717
NET POSITION					
Net investment in capital assets	\$ 3,261	\$ -	\$ -	\$ -	\$ 3,261
Restricted net position	20,778	253,237	169,887	355,749	799,651
Unrestricted net position	106,407	-	27,858	-	134,265
TOTAL NET POSITION	\$ 130,446	\$ 253,237	\$ 197,745	\$ 355,749	\$ 937,177

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust Fund Programs	Federal and State Programs	BOND PROGRAMS	
OPERATING REVENUES					
Interest on investments	\$ 4,958	\$ 6,788	\$ 2,818	\$ 61,087	\$ 75,651
Net decrease in fair value of investments	-	-	-	(54,549)	(54,549)
Interest on mortgage loans	261	515	1,035	12,263	14,074
Federal program awards received	-	-	376,313	-	376,313
Program income/fees	23,290	2,504	46,934	12,190	84,918
Other revenues	51	-	11	297	359
TOTAL OPERATING REVENUES	\$ 28,560	\$ 9,807	\$ 427,111	\$ 31,288	\$ 496,766
OPERATING EXPENSES					
Interest on bonds	\$ -	\$ -	\$ -	\$ 42,709	\$ 42,709
Lease interest expense	32	-	-	-	32
Mortgage servicing expense	-	-	-	770	770
Federal program expense	-	-	378,299	-	378,299
Nonfederal program expense	907	-	-	33,569	34,476
General and administrative expense	20,195	-	21,731	478	42,404
Other expenses	3	-	101	72	176
TOTAL OPERATING EXPENSES	\$ 21,137	\$ -	\$ 400,131	\$ 77,598	\$ 498,866
OPERATING LOSS	\$ 7,423	\$ 9,807	\$ 26,980	\$ (46,310)	\$ (2,100)
NON-OPERATING REVENUES (EXPENSES)					
Transfers in (out)	\$ 13,253	\$ 56	\$ (12,807)	\$ (502)	\$ -
State appropriations received	-	207,660	3,000	-	210,660
State grants received	-	3,575	43,161	-	46,736
Noncapital contributions	93	-	-	-	93
State program expense	-	(57,482)	(40,188)	-	(97,670)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 13,346	\$ 153,809	\$ (6,834)	\$ (502)	\$ 159,819
CHANGE IN NET POSITION	\$ 20,769	\$ 163,616	\$ 20,146	\$ (46,812)	\$ 157,719
TOTAL NET POSITION - BEGINNING	\$ 109,677	\$ 89,621	\$ 177,599	\$ 402,561	\$ 779,458
TOTAL NET POSITION - ENDING	\$ 130,446	\$ 253,237	\$ 197,745	\$ 355,749	\$ 937,177

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust Fund Programs	Federal and State Programs	BOND PROGRAMS	
Cash flows from operating activities:					
Interest on mortgage loans	\$ 261	\$ 518	\$ 1,126	\$ 12,657	\$ 14,562
Principal payments on mortgage loans	5,981	1,078	9,339	34,122	50,520
Purchase of mortgage loans	(8,804)	(11)	(7,592)	-	(16,407)
Purchase of mortgage loans held for resale	-	-	-	(22,717)	(22,717)
Federal program awards received	-	-	378,249	-	378,249
Federal program expense	-	-	(363,730)	-	(363,730)
Nonfederal program expense	(907)	-	-	(33,569)	(34,476)
Federal grant administration income	-	-	26,804	-	26,804
Program income/fees	24,318	2,503	19,342	12,190	58,353
Other expenses	(21,360)	-	(21,401)	(1,689)	(44,450)
Other revenues	(752)	(151)	458	723	278
Net cash provided by (used in) operating activities	\$ (1,263)	\$ 3,937	\$ 42,595	\$ 1,717	\$ 46,986
Cash flows from non-capital financing activities:					
Issuance of bonds	\$ -	\$ -	\$ -	\$ 360,000	\$ 360,000
Principal repayments on bonds	-	-	-	(168,730)	(168,730)
Interest paid	-	-	-	(26,812)	(26,812)
Bond issuance costs paid	-	-	-	(2,875)	(2,875)
Net transfers	13,253	56	(12,807)	(502)	-
State tax credits	90	-	-	-	90
State appropriations received	-	207,660	3,000	-	210,660
State grants received	-	3,575	43,161	-	46,736
State program expense	-	(57,482)	(40,188)	-	(97,670)
Noncapital contributions	93	-	-	-	93
Net cash provided by (used in) non-capital financing activities	\$ 13,436	\$ 153,809	\$ (6,834)	\$ 161,081	\$ 321,492
Cash flows from investing activities:					
Proceeds from sales or maturities of investments	\$ -	\$ -	\$ -	\$ 111,299	\$ 111,299
Purchase of investments	-	-	-	(426,050)	(426,050)
Earnings on investments	4,958	6,824	2,818	58,255	72,855
Net cash provided by (used in) investing activities	\$ 4,958	\$ 6,824	\$ 2,818	\$ (256,496)	\$ (241,896)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 17,131	\$ 164,570	\$ 38,579	\$ (93,698)	\$ 126,582
Cash and cash equivalents, unrestricted and restricted, at beginning of year	146,452	78,067	99,694	487,245	811,458
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 163,583	\$ 242,637	\$ 138,273	\$ 393,547	\$ 938,040
Reconciliation of operating income (loss) to net cash provided by operating activities:					
cash provided by (used in) operating activities:					
Operating income (loss)	\$ 7,423	\$ 9,807	\$ 26,980	\$ (46,310)	\$ (2,100)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest on investments	(4,958)	(6,788)	(2,818)	(61,087)	(75,651)
Decrease in fair value of investments	-	-	-	54,549	54,549
Interest on bonds	-	-	-	42,709	42,709
Change in operating assets and liabilities:					
Decrease (increase) in mortgage loans receivable	(2,870)	1,067	1,736	33,679	33,612
Decrease (increase) in accrued interest receivable on mortgage loans	-	3	91	542	636
Decrease (increase) in mortgage loans held for resale	-	-	-	(22,717)	(22,717)
Decrease (increase) in other assets	630	(152)	(8,746)	723	(7,545)
Decrease (increase) in deferred outflows of resources	(1,928)	-	-	-	(1,928)
Increase (decrease) in accounts payable and other liabilities	1,267	-	15,000	(371)	15,896
Increase (decrease) in deferred inflows of resources	(1,855)	-	-	-	(1,855)
Increase (decrease) in unearned revenues	1,028	-	10,352	-	11,380
Total adjustments	\$ (8,686)	\$ (5,870)	\$ 15,615	\$ 48,027	\$ 49,086
Net cash provided by (used in) operating activities	\$ (1,263)	\$ 3,937	\$ 42,595	\$ 1,717	\$ 46,986

This audit report required 800 audit hours at a cost of \$117,150.

NORTH CAROLINA

HOUSING
FINANCE
AGENCY

Our mission is to create affordable housing options for North Carolinians whose needs are not met by the market.

Our vision is to lead the nation in creating sustainable housing opportunities that people can afford.

Our Values: We Care, We Act, We Lead.

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NORTH CAROLINA HOUSING FINANCE AGENCY

Unaudited Financial Statements
For the Six Months Ended December 31, 2023

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**NORTH
CAROLINA
HOUSING**
FINANCE AGENCY



Semi Annual Financial Statements

December 31, 2023

Semi-Annual Financial Statements

Six months ended December 31, 2023

North Carolina Housing Finance Agency

**NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023**

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NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023

(Unaudited)

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 159,543
Restricted cash and cash equivalents	806,535
Restricted investments	4,998
Accrued interest receivable on investments	9,733
Mortgage loans receivable	49,156
Mortgage loans held for resale	6,906
Accrued interest receivable on mortgage loans	1,348
State receivables	1,436
Other assets	18,211
TOTAL CURRENT ASSETS	\$ 1,057,866

Noncurrent assets:

Restricted investments	\$ 1,906,313
Mortgage loans receivable, net	246,150
Capital assets, net	2,778
TOTAL NONCURRENT ASSETS	\$ 2,155,241
TOTAL ASSETS	\$ 3,213,107

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$ 5,737
Deferred outflows for other postemployment benefits	3,455
Accumulated decrease in fair value of hedging derivative	2,047
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 11,239

LIABILITIES

Current liabilities:

Bonds payable	\$ 43,375
Accrued interest payable	32,003
Accounts payable	2,183
Unearned revenues	14,946
Other liabilities	1,259
TOTAL CURRENT LIABILITIES	\$ 93,766

Noncurrent liabilities:

Bonds payable, net	\$ 2,148,089
Derivative instrument - interest rate swap	2,047
Unearned revenues	22,185
Pension liability	8,562
Other postemployment benefits	12,237
Other liabilities	5,225
Lease liability	1,803
TOTAL NONCURRENT LIABILITIES	\$ 2,200,148
TOTAL LIABILITIES	\$ 2,293,914

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for pensions	\$ 117
Deferred inflows for other postemployment benefits	5,600
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,717

NET POSITION

Net investment in capital assets	\$ 2,778
Restricted net position	768,270
Unrestricted net position	153,667
TOTAL NET POSITION	\$ 924,715

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

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SIX MONTHS ENDED DECEMBER 31, 2023

(Unaudited)

(in thousands)

OPERATING REVENUES	
Interest on investments	\$ 58,280
Net increase in fair value of investments	24,486
Interest on mortgage loans	7,164
Federal program awards received	167,313
Program income/fees	41,742
Other revenues	66
TOTAL OPERATING REVENUES	\$ 299,051
OPERATING EXPENSES	
Interest on bonds	\$ 32,040
Lease interest expense	19
Mortgage servicing expense	377
Federal program expense	176,642
Nonfederal program expense	42,194
General and administrative expense	17,040
Other expenses	155
TOTAL OPERATING EXPENSES	\$ 268,467
OPERATING INCOME	\$ 30,584
NON-OPERATING REVENUES (EXPENSES)	
State appropriations received	\$ 5,330
State grants received	38,163
State program expense	(86,539)
TOTAL NON-OPERATING EXPENSES	\$ (43,046)
CHANGE IN NET POSITION	\$ (12,462)
TOTAL NET POSITION - BEGINNING	\$ 937,177
TOTAL NET POSITION - ENDING	\$ 924,715

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

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2023

(Unaudited)

(in thousands)

Cash flows from operating activities:

Interest on mortgage loans	\$ 7,184
Principal payments on mortgage loans	21,219
Purchase of mortgage loans	(4,251)
Principal payments on mortgage loans held for resale	22,717
Purchase of mortgage loans held for resale	(6,906)
Federal program awards received	160,803
Federal program expense	(192,158)
Nonfederal program expense	(42,194)
Federal grant administration income	8,378
Program income/fees	33,901
Other expenses	(13,220)
Other revenues	(4,746)
Net cash used in operating activities	\$ (9,273)

Cash flows from non-capital financing activities:

Issuance of bonds	\$ 549,000
Principal repayments on bonds	(65,685)
Interest paid	(13,188)
Bond issuance costs paid	(4,069)
State tax credits	(150)
State appropriations received	5,330
State grants received	38,163
State program expense	(86,539)
Net cash provided by non-capital financing activities	\$ 422,862

Cash flows from investing activities:

Proceeds from sales or maturities of investments	\$ 50,939
Purchase of investments	(491,995)
Earnings on investments	55,505
Net cash used in investing activities	\$ (385,551)

Net increase in cash and cash equivalents, unrestricted and restricted	\$ 28,038
Cash and cash equivalents, unrestricted and restricted, at beginning of year	938,040
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 966,078

Reconciliation of operating loss to net cash provided by operating activities:

Operating income	\$ 30,584
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Adjustments to reconcile operating loss to net cash provided by operating activities:

Interest on investments	(58,280)
Increase in fair value of investments	(24,486)
Interest on bonds	32,040

Change in operating assets and liabilities:

Decrease in mortgage loans receivable	17,852
Decrease in accrued interest receivable on mortgage loans	119
Decrease in mortgage loans held for resale	15,811
Decrease in other assets	2,918
Decrease in accounts payable and other liabilities	(12,677)
Decrease in unearned revenues	(13,154)
Total adjustments	\$ (39,857)
Net cash used in operating activities	\$ (9,273)

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

NOTES TO FINANCIAL STATEMENTS *(Unaudited)*

- A. BASIS OF PRESENTATION** The accompanying financial statements of the North Carolina Housing Finance Agency (Agency) have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governments. The Governmental Accounting Standards Board establishes standards of financial accounting and reporting for state and local government entities. For full note disclosure, refer to the June 30, 2023 financial statements posted on the Agency's website at www.nchfa.com.

Programs The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. The Agency's primary programs are summarized below:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Among the most active programs are the federal Low-Income Housing Tax Credit (LIHTC) program and the State Home Foreclosure Prevention Project (SHFPP). The Agency administers LIHTC for the State of North Carolina (State). The Agency evaluates applications for the tax credits and monitors the rental properties for the compliance period to ensure that they meet federal program requirements, among other responsibilities. The Agency earns fees related to the applications and monitoring of LIHTC properties.

In 2008, the State authorized the formation of SHFPP in response to the foreclosure crisis. State statute requires that all parties who wish to initiate a foreclosure against a home in North Carolina remit a \$75 fee to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners at risk of foreclosure. Any excess funds are allocated to the North Carolina Housing Trust Fund (HTF) annually.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the HTF and the North Carolina Housing Partnership (Housing Partnership). The purpose of the HTF is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy for the operation of several programs within the HTF. The Agency staff provides services to the Housing Partnership and administers the HTF programs. State appropriations are reported in *Non-Operating Revenues (Expenses)* in the accompanying financial statements, and include a recurring appropriation that is used to make loans and grants under the HTF programs and a nonrecurring appropriation for the Workforce Housing Loan Program.

Federal and State Programs The Agency administers several federal programs. Of the Agency's federal programs, the Section 8 program, NC Homeowner Assistance Fund, the HOME Investment Partnerships Program (HOME), Community Development Block Grant, and the National Housing Trust Fund represent 52%, 27%, 11%, 8% and 2% of federal expenditures, respectively. The Agency receives a fee for administering these programs. The HOME program is matched with State funds of up to \$3 million annually as appropriated by the General Assembly.

The Agency receives funds from DHHS for the Transitions to Community Living Voucher (TCLV) program, the Key Rental Assistance (Key) program and other housing programs. TCLV is a tenant-based, rental assistance program, which provides assistance in the form of security deposits, holding fees and risk mitigation claims. The Key program provides assistance and services to low-income individuals with disabilities and those who are homeless. These funds are reported in *State grants received*.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through a single-family trust agreement and are restricted as to their use. The proceeds of individual bond issues are used to purchase qualifying mortgage loans for single-family residential units.

The Agency's former FirstHome Mortgage program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable* and *Mortgage loans receivable, net* in the 1998 Home Ownership Bond Program. Mortgage loan interest income related to the Home Ownership Bond Programs is reported in *Interest on mortgage loans*.

The operations for the NC Home Advantage Mortgage (HomeAd) program are financed through the issuance of tax-exempt mortgage revenue bonds as well as the sale of mortgage-backed securities (MBS). The production related to the HomeAd program is reported in the 1998 Home Ownership Bond Program. In contrast to the FirstHome program, in which the Agency owns the mortgage loans, all HomeAd production is pooled into MBS, regardless of the method of financing. For HomeAd loans funded through the sale of MBS, the related program income is recorded in *Program income/fees*. The MBS funded with bond proceeds are reported in *Investments*, which also include US Agency securities held by the Agency. The corresponding earnings from the bond-funded MBS are reported in *Interest on investments*. The down payment assistance loans and lender compensation incurred by the HomeAd program are reported in *Nonfederal program expense*, regardless of the method of financing.

B. BONDS PAYABLE

Bonds payable activity for the six months ended December 31, 2023 was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 1,650,715	\$ 549,000	\$ (65,685)	\$ 2,134,030
Unamortized Bond Premium/Discount	49,684	11,780	(4,030)	57,434
Total Bonds Payable, Net	\$ 1,700,399	\$ 560,780	\$ (69,715)	\$ 2,191,464

Bonds payable as of December 31, 2023 are as follows (*in thousands*):

<u>Issue</u>	<u>Stated Rates (%)</u>	<u>Final Maturity</u>	<u>Principal Amount</u>
Home Ownership Revenue Bonds			
(1998 Housing Revenue Bonds Trust Agreement)			
Series 34	2.812	7/1/2035	\$ 1,855
Series 35	2.870	7/1/2032	3,115
Series 36	3.232 – 3.482	7/1/2025	3,305
Series 37	2.050 – 3.500	7/1/2039	29,665
Series 38	2.100 – 4.000	7/1/2047	95,660
Series 39	2.600 – 4.000	7/1/2048	44,440
Series 40	2.700 – 4.250	7/1/2047	17,750
Series 41	1.950 – 4.000	1/1/2050	85,060
Series 42	1.350 – 4.000	1/1/2050	97,780
Series 43	1.450 – 4.000	7/1/2050	103,225
Series 44	1.450 – 4.000	7/1/2050	95,705
Series 45	0.500 – 3.000	7/1/2051	158,760
Series 46	0.400 – 3.000	7/1/2051	141,605
Series 47	0.250 – 3.000	7/1/2051	151,820
Series 48	1.750 – 5.000	7/1/2052	195,740
Series 49	3.000 – 6.000	7/1/2053	179,545
Series 50	2.600 – 5.500	1/1/2054	180,000
Series 51	3.250 – 5.750	1/1/2054	199,000
Series 52 A/B	3.600 – 6.500	1/1/2055	310,000
Series 52 C	Variable	7/1/2049	40,000
Total Bonds Outstanding			<u>\$ 2,134,030</u>
Plus Unamortized Bond Premium & Discount			<u>\$ 57,434</u>
Total Bonds Payable, Net			<u><u>\$ 2,191,464</u></u>

Special Facilities (Conduits) The Agency issues Multifamily Housing Revenue Bonds, which are not presented in the financial statements of the Agency. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment. These bonds do not constitute a debt of and are not guaranteed by the State or any political subdivision thereof. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable for special facilities as of December 31, 2023 are as follows (*in thousands*):

<u>Issue</u>	<u>Bond Type</u>	<u>Bonds Outstanding</u>
Series 2021 (Wind Crest Senior Living, LP)	Multifamily Housing Revenue Bonds	\$ 6,000
Series 2022 (Wind Crest Senior Living, LP)	Multifamily Housing Revenue Bonds	2,981
Series 2022 (Five Point Crossing, LP)*	Multifamily Housing Revenue Bonds	4,364
Series 2022 (South Emerson Hills Apartment Homes)**	Multifamily Housing Revenue Bonds	13,190
Total		\$ 26,535

* The bonds were issued as “draw down” bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$4,700,000. As of December 31, 2023, \$4,364,000 has been advanced.

** The bonds were issued as “draw down” bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$37,515,000. As of December 31, 2023, \$13,190,000 has been advanced.

North Carolina Housing Finance Agency

Additional Information

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023

(Unaudited)

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust	Federal and	BOND PROGRAMS	
		Fund Programs	State Programs		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 127,425	\$ -	\$ 32,118	\$ -	\$ 159,543
Restricted cash and cash equivalents	50,160	196,430	95,974	463,971	806,535
Restricted investments	-	-	-	4,998	4,998
Accrued interest receivable on investments	-	-	-	9,733	9,733
Mortgage loans receivable	7,140	1,079	7,662	33,275	49,156
Mortgage loans held for resale	-	-	-	6,906	6,906
Accrued interest receivable on mortgage loans	1	6	61	1,280	1,348
State receivables	150	-	1,286	-	1,436
Other assets	228	-	15,914	2,069	18,211
Interprogram receivable (payable)	7,524	-	(7,863)	339	-
TOTAL CURRENT ASSETS	\$ 192,628	\$ 197,515	\$ 145,152	\$ 522,571	\$ 1,057,866
Noncurrent assets:					
Restricted investments	\$ -	\$ -	\$ -	\$ 1,906,313	\$ 1,906,313
Mortgage loans receivable, net	981	9,308	74,170	161,691	246,150
Capital assets, net	2,778	-	-	-	2,778
TOTAL NONCURRENT ASSETS	\$ 3,759	\$ 9,308	\$ 74,170	\$ 2,068,004	\$ 2,155,241
TOTAL ASSETS	\$ 196,387	\$ 206,823	\$ 219,322	\$ 2,590,575	\$ 3,213,107
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows for pensions	\$ 5,737	\$ -	\$ -	\$ -	\$ 5,737
Deferred outflows for other postemployment benefits	3,455	-	-	-	3,455
Accumulated decrease in fair value of hedging derivative	-	-	-	2,047	2,047
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 9,192	\$ -	\$ -	\$ 2,047	\$ 11,239
LIABILITIES					
Current liabilities:					
Bonds payable	\$ -	\$ -	\$ -	\$ 43,375	\$ 43,375
Accrued interest payable	-	-	-	32,003	32,003
Accounts payable	79	-	1,404	700	2,183
Unearned revenues	2,575	-	12,371	-	14,946
Other liabilities	1,253	3	3	-	1,259
TOTAL CURRENT LIABILITIES	\$ 3,907	\$ 3	\$ 13,778	\$ 76,078	\$ 93,766
Noncurrent liabilities:					
Bonds payable, net	\$ -	\$ -	\$ -	\$ 2,148,089	\$ 2,148,089
Derivative instrument - interest rate swap	-	-	-	2,047	2,047
Unearned revenues	22,185	-	-	-	22,185
Pension liability	8,562	-	-	-	8,562
Other postemployment benefits	12,237	-	-	-	12,237
Other liabilities	4,762	-	-	463	5,225
Lease liability	1,803	-	-	-	1,803
TOTAL NONCURRENT LIABILITIES	\$ 49,549	\$ -	\$ -	\$ 2,150,599	\$ 2,200,148
TOTAL LIABILITIES	\$ 53,456	\$ 3	\$ 13,778	\$ 2,226,677	\$ 2,293,914
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows for pensions	\$ 117	\$ -	\$ -	\$ -	\$ 117
Deferred inflows for other postemployment benefits	5,600	-	-	-	5,600
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,717	\$ -	\$ -	\$ -	\$ 5,717
NET POSITION					
Net investment in capital assets	\$ 2,778	\$ -	\$ -	\$ -	\$ 2,778
Restricted net position	21,656	206,820	173,849	365,945	768,270
Unrestricted net position	121,972	-	31,695	-	153,667
TOTAL NET POSITION	\$ 146,406	\$ 206,820	\$ 205,544	\$ 365,945	\$ 924,715

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SIX MONTHS ENDED DECEMBER 31, 2023

(Unaudited)

(in thousands)	AGENCY	GRANT		HOME OWNERSHIP	Total
	PROGRAMS	Housing Trust Fund Programs	Federal and State Programs	BOND PROGRAMS	
OPERATING REVENUES					
Interest on investments	\$ 4,139	\$ 5,508	\$ 2,612	\$ 46,021	\$ 58,280
Net increase in fair value of investments	-	-	-	24,486	24,486
Interest on mortgage loans	254	248	476	6,186	7,164
Federal program awards received	-	-	167,313	-	167,313
Program income/fees	17,357	706	15,586	8,093	41,742
Other revenues	1	-	65	-	66
TOTAL OPERATING REVENUES	\$ 21,751	\$ 6,462	\$ 186,052	\$ 84,786	\$ 299,051
OPERATING EXPENSES					
Interest on bonds	\$ -	\$ -	\$ -	\$ 32,040	\$ 32,040
Lease interest expense	19	-	-	-	19
Mortgage servicing expense	-	-	-	377	377
Federal program expense	-	-	176,642	-	176,642
Nonfederal program expense	553	-	-	41,641	42,194
General and administrative expense	11,013	-	5,715	312	17,040
Other expenses	3	1	107	44	155
TOTAL OPERATING EXPENSES	\$ 11,588	\$ 1	\$ 182,464	\$ 74,414	\$ 268,467
OPERATING INCOME	\$ 10,163	\$ 6,461	\$ 3,588	\$ 10,372	\$ 30,584
NON-OPERATING REVENUES (EXPENSES)					
Transfers in (out)	\$ 5,797	\$ (39)	\$ (5,582)	\$ (176)	\$ -
State appropriations received	-	3,830	1,500	-	5,330
State grants received	-	-	38,163	-	38,163
State program expense	-	(56,669)	(29,870)	-	(86,539)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 5,797	\$ (52,878)	\$ 4,211	\$ (176)	\$ (43,046)
CHANGE IN NET POSITION	\$ 15,960	\$ (46,417)	\$ 7,799	\$ 10,196	\$ (12,462)
TOTAL NET POSITION - BEGINNING	\$ 130,446	\$ 253,237	\$ 197,745	\$ 355,749	\$ 937,177
TOTAL NET POSITION - ENDING	\$ 146,406	\$ 206,820	\$ 205,544	\$ 365,945	\$ 924,715

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

SIX MONTHS ENDED DECEMBER 31, 2023

(Unaudited)

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	Total
		Housing Trust Fund Programs	Federal and State Programs		
Cash flows from operating activities:					
Interest on mortgage loans	\$ 254	\$ 250	\$ 473	\$ 6,207	\$ 7,184
Principal payments on mortgage loans	3,326	565	3,389	13,939	21,219
Purchase of mortgage loans	(1,140)	(500)	(2,611)	-	(4,251)
Principal payments on mortgage loans held for resale	-	-	-	22,717	22,717
Purchase of mortgage loans held for resale	-	-	-	(6,906)	(6,906)
Federal program awards received	-	-	160,803	-	160,803
Federal program expense	-	-	(192,158)	-	(192,158)
Nonfederal program expense	(553)	-	-	(41,641)	(42,194)
Federal grant administration income	-	-	8,378	-	8,378
Program income/fees	17,913	706	7,189	8,093	33,901
Other expenses	(11,713)	3	(1,185)	(325)	(13,220)
Other revenues	(3,871)	135	(1,282)	272	(4,746)
Net cash provided by (used in) operating activities	\$ 4,216	\$ 1,159	\$ (17,004)	\$ 2,356	\$ (9,273)
Cash flows from non-capital financing activities:					
Issuance of bonds	\$ -	\$ -	\$ -	\$ 549,000	\$ 549,000
Principal repayments on bonds	-	-	-	(65,685)	(65,685)
Interest paid	-	-	-	(13,188)	(13,188)
Bond issuance costs paid	-	-	-	(4,069)	(4,069)
Net transfers	5,797	(39)	(5,582)	(176)	-
State tax credits	(150)	-	-	-	(150)
State appropriations received	-	3,830	1,500	-	5,330
State grants received	-	-	38,163	-	38,163
State program expense	-	(56,669)	(29,870)	-	(86,539)
Net cash provided by (used in) non-capital financing activities	\$ 5,647	\$ (52,878)	\$ 4,211	\$ 465,882	\$ 422,862
Cash flows from investing activities:					
Proceeds from sales or maturities of investments	\$ -	\$ -	\$ -	\$ 50,939	\$ 50,939
Purchase of investments	-	-	-	(491,995)	(491,995)
Earnings on investments	4,139	5,512	2,612	43,242	55,505
Net cash provided by (used in) investing activities	\$ 4,139	\$ 5,512	\$ 2,612	\$ (397,814)	\$ (385,551)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 14,002	\$ (46,207)	\$ (10,181)	\$ 70,424	\$ 28,038
Cash and cash equivalents, unrestricted and restricted, at beginning of year	163,583	242,637	138,273	393,547	938,040
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 177,585	\$ 196,430	\$ 128,092	\$ 463,971	\$ 966,078
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 10,163	\$ 6,461	\$ 3,588	\$ 10,372	\$ 30,584
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest on investments	(4,139)	(5,508)	(2,612)	(46,021)	(58,280)
Increase in fair value of investments	-	-	-	(24,486)	(24,486)
Interest on bonds	-	-	-	32,040	32,040
Change in operating assets and liabilities:					
Decrease (increase) in mortgage loans receivable	2,185	66	1,732	13,869	17,852
Decrease (increase) in accrued interest receivable on mortgage loans	-	2	(3)	120	119
Decrease (increase) in mortgage loans held for resale	-	-	-	15,811	15,811
Decrease (increase) in other assets	(3,388)	135	5,899	272	2,918
Increase (decrease) in accounts payable and other liabilities	(1,161)	3	(11,898)	379	(12,677)
Increase (decrease) in unearned revenues	556	-	(13,710)	-	(13,154)
Total adjustments	\$ (5,947)	\$ (5,302)	\$ (20,592)	\$ (8,016)	\$ (39,857)
Net cash provided by (used in) operating activities	\$ 4,216	\$ 1,159	\$ (17,004)	\$ 2,356	\$ (9,273)



**NORTH
CAROLINA
HOUSING**
FINANCE AGENCY

Our mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians.

A self-supporting public agency.

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APPENDIX B
LEGAL OPINION

Upon the delivery of the Series 54 Bonds, Womble Bond Dickinson (US) LLP, Bond Counsel to the Agency, proposes to issue its approving opinion in substantially the following form:

June 21, 2024

North Carolina Housing Finance Agency
Raleigh, North Carolina

We have acted as bond counsel to the North Carolina Housing Finance Agency (the “Agency”) in connection with the authorization and issuance of the \$199,500,000 North Carolina Housing Finance Agency Home Ownership Revenue Bonds, Series 54-A (the “Series 54-A Bonds”) and the \$100,000,000 North Carolina Housing Finance Agency Home Ownership Revenue Bonds, Series 54-B (the “Series 54-B Bonds”) (1998 Trust Agreement) (collectively, the “Series 54 Bonds”). We have examined (i) the Constitution and laws of the State of North Carolina, including Chapter 122A of the General Statutes of North Carolina, as amended (the “Act”), (ii) certified copies of the proceedings of the Agency authorizing the issuance, sale and delivery of the Series 54 Bonds, (iii) executed originals of the Trust Agreement, dated as of May 1, 1998, by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2023 (the “Trust Agreement”), and the Fifty-Fourth Supplemental Trust Agreement, dated as of June 1, 2024 (the “Fifty-Fourth Supplemental Trust Agreement”) pursuant to which the Series 54 Bonds are issued and (iv) other proofs submitted relative to the issuance and sale of the Series 54 Bonds.

The Series 54 Bonds are dated as of their date of delivery. The Series 54 Bonds are issued for the purposes of providing funds to the Agency, together with other available funds, to (a) purchase Program Securities securitizing mortgage loans made to low and moderate income persons for single family residential housing in North Carolina, (b) purchase Series 54 DPA Loans as described in the Fifty-Fourth Supplemental Trust Agreement and (c) pay a portion of the costs of issuance of the Series 54 Bonds.

The Series 54 Bonds are issued under and pursuant to the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement. The Agency has heretofore issued fifty-three series of Bonds under the Trust Agreement (the “Existing Bonds”). The Trust Agreement also provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional Bonds. The Existing Bonds, the Series 54 Bonds and any such additional Bonds are herein collectively referred to as the “Bonds.”

The Series 54 Bonds are subject to redemption prior to their maturity at the times, in the manner and upon the terms set forth in the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement.

The Series 54-A Bonds are subject to the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder, that must be met subsequent to the issuance and delivery of the Series 54 Bonds in order that interest on the Series 54-A Bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Agency has established procedures to meet the requirements of the Code. The Agency has also covenanted in the Fifty-Fourth Supplemental Trust Agreement to comply with the requirements of the Code, and in particular Sections 143 and 148 of the Code. Our opinion in paragraph 6 below with respect to the treatment of interest on the Series 54-A Bonds for purposes of federal income taxation is rendered on the assumption that the Agency will carry out its procedures and comply with the aforementioned covenant contained in the Fifty-Fourth Supplemental Trust Agreement.

From such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Agency has been duly created as a body politic and corporate constituting a public agency and instrumentality of the State of North Carolina with good, right and lawful authority to carry

out the program of purchasing the Program Obligations and to perform its obligations under the terms and conditions of the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement.

2. The Agency has duly authorized, executed and delivered the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement and such Agreements constitute legal, valid and binding agreements of the Agency, enforceable in accordance with their terms.
3. The Series 54 Bonds are valid and binding special obligations of the Agency secured by a valid pledge in the manner and to the extent set forth in the Trust Agreement, enforceable in accordance with their terms.
4. The Trust Agreement creates the valid and binding pledge it purports to create of the Program Obligations, Revenues and Prepayments (as such terms are defined in the Trust Agreement), and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement, to secure the payment of the Bonds in accordance with the terms thereof, subject to the provisions of the Trust Agreement permitting the disposition, use and payment thereof for or to the purposes and on the terms and conditions of the Trust Agreement. Such pledge shall become effective with respect to the assets and revenues so pledged immediately upon the receipt thereof by the Agency in the manner provided in the Trust Agreement.
5. The Series 54 Bonds do not constitute a debt, liability or obligation of the State of North Carolina or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision, but are payable solely from the revenues and assets of the Agency pledged therefor.
6. Assuming that the Agency will carry out the procedures mentioned above and comply with the covenants with respect to the Code contained in the Fifty-Fourth Supplemental Trust Agreement and other certificates and documents, interest on the Series 54-A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 54-A Bonds is not treated as a preference item in computing the alternative minimum tax imposed by the Code; however interest on the Series 54-A Bonds held by certain corporations is included in the computation of “adjusted financial statement income” for purposes of computing the federal alternative minimum tax on such corporations.
7. Interest on the Series 54-B Bonds is not excluded from the gross income of the owners thereof for federal income tax purposes. This opinion is not intended or provided by this firm to be used and cannot be used by an owner of the Series 54-B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 54-B Bonds. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Series 54-B Bonds. Each owner of the Series 54-B Bonds should seek advice based on its particular circumstances from an independent tax advisor.
8. Interest on the Series 54 Bonds is exempt from all income taxes of the State of North Carolina.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states, and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 54 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Series 54 Bonds and the enforceability thereof and of the Trust Agreement and Fifty-Fourth Supplemental Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

[To be signed “Womble Bond Dickinson (US) LLP”]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED TRUST
AGREEMENT AND THE FIFTY-FOURTH SUPPLEMENTAL TRUST AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED TRUST AGREEMENT AND THE FIFTY-FOURTH SUPPLEMENTAL TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement.

Definitions

In addition to words and terms elsewhere defined in this Official Statement, the following words and terms have the following meanings under the Trust Agreement, the Supplemental Trust Agreements thereunder and as used in this Official Statement, unless some other meaning is plainly intended:

“Agency Mortgage Loan Default Advance” means an advancement by the Agency, at its discretion, from funds available to the Agency to a Principal/Special Redemption Account of an amount equal to the principal balance of a Program Loan the payment on which is delinquent for the lesser of ninety (90) calendar days or a sufficient time for the Agency to proceed with a claim for the benefits of any insurance or guaranty insuring or guaranteeing the payment of such Program Loan.

“Bank Bonds” means Bonds that are held by the provider of a credit facility or a liquidity facility securing payment of the principal or purchase price thereof pursuant to the terms of the credit facility or liquidity facility on account of a failed remarketing of the Bonds.

“Bond Insurance” means an irrevocable policy of municipal bond insurance, a guaranty agreement or any similar instrument issued or entered into with a municipal bond insurer assuring timely payment of principal and interest on all or a portion of a Series of Bonds.

“Borrower” means the borrower under a Program Loan.

“Capital Appreciation Bond” means any Bond or Bonds of a Series sold at a price less than the principal amount thereof payable at maturity, if such Bond or Bonds are designated as a Capital Appreciation Term or Serial Bond or Bonds (or such other term describing Bonds having the characteristics of Capital Appreciation Bonds) by the Supplemental Trust Agreement providing for the issuance of such Series of Bonds.

“Cash Flow Certificate” means a certificate that is filed as required or permitted by an Authorized Officer, which certificate, after taking into account the effect of the conditions or circumstances for which such certificate is required, will show that scheduled payments of principal and interest on the Program Obligations are such that the Revenues, including, without limitation, investment income (based on the investment rates reasonably expected by the Agency to be received from the investment of amounts held under the Trust Agreement and to be set forth in such certificate) on the Funds and Accounts available for such payments, excluding the investment of amounts held in the Insurance Reserve Fund, and the moneys held for the credit of the Debt Service Reserve Fund (and any Special Debt Service Reserve Account with respect to any Bonds secured by a Special Debt Service Reserve Account) shall be sufficient to pay when due the principal of, Sinking Fund Requirements on account of, and interest on the Bonds and the Program Expenses.

Each Cash Flow Certificate shall set forth the assumptions upon which the investments therein are based, which assumptions shall be based upon the Agency’s reasonable expectations at the time such Cash Flow Certificate is filed.

In determining the amount held in any Fund or Account under the Trust Agreement for purposes of preparing a Cash Flow Certificate, accrued but unpaid interest on amounts held in such Fund or Account invested in Investment Obligations shall be credited to the Fund or Account as if the same had been received and deposited

to such Fund or Account on the date of calculation. In determining the amount held in the Funds and Accounts under the Trust Agreement, amounts held under any Fund or Account created under a Supplemental Trust Agreement shall be included in the calculation, unless the Supplemental Trust Agreement expressly excludes such amounts.

“Compounded Amount” means the amount of principal and accrued interest of a Capital Appreciation Bond as of a given date determined in the manner provided in the Supplemental Trust Agreement authorizing the issuance of such Capital Appreciation Bond.

“Debt Service Reserve Requirement” means, as of any particular time of calculation, the sum of the amounts established in each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds secured by the Debt Service Reserve Fund as the portion of the Debt Service Reserve Requirement attributable to that Series (which amounts may decrease or increase over time in accordance with the terms of the Supplemental Trust Agreement). The portion of the Debt Service Reserve Requirement attributable to any Series of Bonds may be met through a deposit of cash, Investment Obligations or Reserve Alternative Instruments, or any combination thereof, as the case may be.

“Defeasance Obligations” means (a) noncallable Government Obligations and (b) Defeased Municipal Obligations.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are rated the highest rating category by each Rating Agency, the provision for the payment of the principal of, premium, if any, and interest on which shall have been made by deposit with a trustee or escrow agent of Government Obligations, the maturing principal of and interest on which, when due and payable, shall provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers. References in this definition to state or local government bond issuers shall mean the State of North Carolina, local government bond issuers, and, to the extent permitted by law, states other than the State of North Carolina and local government bond issuers other than North Carolina local government bond issuers.

“DPA Loan” means a loan made by the Agency to a borrower in connection with the origination of a Program Loan or a Securitized Mortgage Loan, which loan is made for down payment assistance and is made with proceeds of a Series of Bonds or other funds deposited to a Program Account. DPA Loans may have such programmatic features, including a zero-interest rate and principal reductions upon meeting prescribed terms, and may be secured on a subordinated basis, as are provided for herein. DPA Loans are “Program Loans” for purposes of the Trust Agreement.

“Federal Mortgage Agency” means the Government National Mortgage Association, Fannie Mae, Freddie Mac and any other public or private agency created by the United States Congress for the purpose of housing finance and which is an agency or instrumentality of the United States or sponsored thereby.

“FHA Insured Program Loan” means a Program Loan the payment of which is insured by the Federal Housing Administration under the National Housing Act of 1934, as amended.

“Financing Fees” means any fees, charges or deposits that are authorized to be collected by the Agency from a Borrower or a Lender in order for the Agency to assure that funds are available in the Program Fund to purchase a Program Obligation on behalf of a specific Borrower. Financing Fees may be refundable or non-refundable as shall be specified in the Supplemental Trust Agreement authorizing the issuance of the Bonds financing the segment of the Program for which such Financing Fees are paid. Financing Fee shall not be “Revenues” within the meaning of the Trust Agreement unless a Supplemental Trust Agreement specifically designates such funds as Revenues.

“Government Obligations” means direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government.

“Insurance Reserve Requirement” means, as of any particular time of calculation, the sum of the amounts, if any, established in each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds as the portion of the Insurance Reserve Requirement attributable to that Series (which amounts may increase or decrease over time in accordance with the terms of the Supplemental Trust Agreement). The portion of the Insurance Reserve Requirement attributable to any Series of Bonds may be met through a deposit of cash, Investment Obligations or Reserve Alternative Instruments, or any combination thereof, as the case may be.

“Interest Payment Date” means for any Bond the dates specified in the Supplemental Trust Agreement authorizing such Bonds as the “Interest Payment Date” therefor, notwithstanding that in respect of Capital Appreciation Bonds all or some portion of the interest is paid on a deferred basis.

“Investment Obligations” means

(1) Government Obligations,

(2) bonds, debentures, notes or other similar obligations (but not including “stripped” coupon obligations or the principal portion of any stripped obligation purchased in excess of par) issued by the Federal Intermediate Credit Bank, the Federal Home Loan Banks, Fannie Mae, the Bank for Cooperatives, the Federal Financing Bank, the Federal Farm Credit Bank, Freddie Mac, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the Federal Land Banks, if the timely payment of the principal of and interest thereon is secured by the full faith and credit of the United States of America,

(3) interest bearing time deposits or certificates of deposit or such other forms of deposit as the Local Government Commission may approve in any bank or trust company located outside or in the State, including a Depository, provided that such bank or trust company with which moneys are invested as herein provided: (i) is duly chartered under the laws of the United States or any state within the United States and authorized to engage in banking or trust activities, (ii) has a credit rating from a Rating Agency with respect to such bank’s or trust company’s long-term unsecured debt (or, if the debt of the bank is not rated, if its parent holding company has such a rating and the obligations of such institution are expressly and unconditionally guaranteed by the parent holding company) in one of its top two ratings categories, without regard to gradations within a category, and (iii) is approved by the Local Government Commission,

(4) deposits with the State Treasurer in an investment program established pursuant to Section 147-69.3 of the General Statutes of North Carolina,

(5) repurchase agreements that meet the requirements of Section 122A-11(5) of the General Statutes of North Carolina or any successor statute,

(6) participating shares in a mutual fund for North Carolina local governments if the investments of the fund are limited to those qualifying for investment under Section 159-30(c) of the North Carolina General Statutes, as amended, and the fund is certified by the Local Government Commission of North Carolina as a mutual fund permitted for local government investment;

(7) any other investment in which the Agency is authorized from time to time to invest the moneys held under the Trust Agreement, if such investment would not impair such Rating Agency's Rating then in effect with respect to any Bonds.

"Lender" means any bank or trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company, mortgage banking company, any governmental entity or other entity or institution authorized to transact mortgage lending business in the State, including the Agency and any local housing authority.

"Market Value" means the fair market value of property financed by a Program Loan, as demonstrated by an appraisal prepared by an appraiser acceptable to the Agency. "Mortgage" means a deed of trust or other instrument securing a Program Loan that, unless the Mortgage secures a Series 54 DPA Loan, constitutes a first lien upon the property secured thereby, subject to minor easements, rights of way, and similar exceptions customarily acceptable to lenders of funds secured by residential real property and acceptable to the Agency.

"Officer's Certificate" means a certificate signed by an Authorized Officer, including certificates signed by an "electronic signature" of such Authorized Officer.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise expressly provided in the Trust Agreement) be counsel for the Agency.

"Outstanding," when used with reference to the Bonds, shall mean, as of a particular date, all Bonds theretofore authenticated and delivered under the Trust Agreement, except:

- (1) Bonds theretofore canceled by the Trustee;
- (2) Bonds for the payment or redemption of which moneys or Defeasance Obligations, or both, in the necessary amount have theretofore been deposited in separate accounts with the Trustee in trust for the Owners (whether upon or prior to maturity or the redemption date of such Bonds), the principal of and the interest on such Defeasance Obligations, if any, when due, providing sufficient moneys to pay, with such other moneys so deposited with the Trustee, the principal and redemption premium of and the interest on such Bonds being paid or redeemed; and
- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Trust Agreement.

"PMI Insured Program Loan" means a Program Loan the payment of which has been insured by a private mortgage insurance company that has been approved by Fannie Mae or Freddie Mac to insure mortgages purchased by them.

"Prepayments" means any moneys representing principal of a Program Obligation received or recovered by or for the account of the Agency from any payment of principal of any Program Obligation prior to the scheduled payment of principal called for by such Program Obligation, including, without limitation, (i) any payments of principal of any Program Obligation prior to the scheduled payment of principal called for by such Program Obligation, including any prepayment penalty, fee, premium or other additional charge as may be provided by the terms of such Program Obligation, (ii) amounts received upon the sale, assignment or other disposition of any Program Obligation, (iii) proceeds from the condemnation of any property financed by a Program Obligation, (iv) amounts received from any legal proceedings taken upon an event of default by a Borrower, (v) any amounts received by the Agency from a claim under any mortgage insurance, mortgage guarantee, mortgage pool insurance, title insurance or hazard insurance (other than amounts to be applied to replace, repair or restore the property with respect to which the hazard insurance payment was paid), (vi) amounts received from the sale or other disposition, including pursuant to foreclosure proceedings, of any property financed under a Program Obligation, and (vii) transfers from the Insurance Reserve Fund or the Revenue Reserve Fund

of amounts to cover the deficiencies between the principal amount of a Program Loan and the amount received by the Agency upon the disposition of the same from the proceeds of foreclosure and any applicable insurance or guaranty payments.

“Program” means the Agency’s program created under the Trust Agreement for the Agency to acquire Program Obligations and to hold the same, all for the purpose of assisting in providing housing to low and moderate income persons in the State.

“Program Expenses” means the Agency’s expenses of carrying out and administering its powers, duties and functions relating to the Program as authorized by the Enabling Act, including, without limiting the generality of the foregoing, administrative expenses, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee and Depositaries, cost of issuance of Bonds not paid from proceeds of such Bonds, payments for pension, retirement, health and hospitalization and life and disability insurance benefits and any other expenses required or permitted to be paid by the Agency under the provisions of the Enabling Act or the Agreement, all to the extent such expenses are properly allocable to the Program in accordance with generally accepted accounting principles.

“Program Loan” means an obligation made or purchased by the Agency in order to finance or otherwise provide housing principally on behalf of households of low and moderate income with moneys in the Program Fund derived from the proceeds of, or otherwise made available in connection with the issuance of, Bonds pursuant to the Trust Agreement or that was purchased with the proceeds of bonds issued under another trust agreement or bond resolution of the Agency, which bonds were refunded by Bonds issued under the Trust Agreement. For purposes of Series 54 Bonds, Program Loans include Series 54 DPA Loans.

“Program Obligation” means any Program Loan or Program Security.

“Program Security” means an obligation representing an undivided interest in a pool of Program Loans, to the extent the payments to be made on such obligations are guaranteed or insured by a Federal Mortgage Agency, acquired by the Agency by the expenditure of funds from the Program Fund or that was purchased with the proceeds of bonds issued under another trust agreement or bond resolution, which bonds were refunded by Bonds issued under the Trust Agreement.

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

“Rating Agency” means any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued under the Trust Agreement.

“Reserve Alternative Instrument” means an insurance policy, surety bond, irrevocable letter of credit, guaranty or similar instrument deposited in any Fund or Account created under the Trust Agreement, including any Supplemental Trust Agreement, in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Debt Service Reserve Requirement, Insurance Reserve Requirement, a Special Debt Service Reserve Account Requirement or other requirement of such Fund or Account. The Reserve Alternative Instrument shall be payable to make the payments otherwise required to be paid from such Fund or Account in a timely manner. Except as provided in the Trust Agreement, the provider of a Reserve Alternative Instrument shall be, at the time such Reserve Alternative Instrument is delivered to the Trustee (a) an insurer whose long term debt or claims paying ability has been assigned a rating by each Rating Agency in one of the two highest rating categories (without regard to gradations, such as “plus” or “minus,” of such categories), or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are assigned a rating by each Rating Agency in one of the two highest rating categories (without regard to gradations

such as “plus” or “minus” of such categories). In the event that a Reserve Alternative Instrument is being delivered to provide all or a portion of a requirement of a Special Debt Service Reserve Account, then the Reserve Alternative Instrument and the requirements of the provider thereof shall meet the requirements set forth in the Supplemental Trust Agreement creating such Special Debt Service Reserve Account. Whenever for any purposes of the Trust Agreement the amounts on deposit in the Funds or Accounts under the Trust Agreement are required to be determined, the amount available to be drawn under any Reserve Alternative Instrument shall be deemed to be cash on deposit in the applicable Fund or Account.

“Reserve Fund Surety Bonds” means any surety bonds issued with regard to the Debt Service Reserve Fund Requirements or Insurance Reserve Fund Requirements for a particular series of Bonds.

“Revenues” means all payments of principal of and interest on the Program Obligations including both timely and delinquent payments (including late charges to the extent such late charges are collected by the Agency), including Prepayments, and investment earnings on any amounts held in any Fund or Account under the Trust Agreement to the extent said earnings are required pursuant to the Trust Agreement or a Supplemental Trust Agreement to be deposited to the Revenue Fund, but shall not include Escrow Payments, Program Obligation Accrued Interest or Financing Fees, or escrow fees or servicing fees received by a Servicer pursuant to a Servicing Agreement (including the Agency acting as Servicer).

“Securitized Mortgage Loan” means a mortgage loan obligation secured by real property located in the State that after origination is pooled with other mortgage loans to create a Program Security acquired by the Agency by the expenditure of amounts in a Program Account.

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in fixed installments on a fixed payment date, rather than through mandatory redemption in accordance with Sinking Fund Installments, as designated by the Supplemental Trust Agreement authorizing the issuance thereof.

“Series” means any issued or authorized to be issued at any one time pursuant to the Trust Agreement and authorized as “Series” of Bonds by the Supplemental Trust Agreement authorizing the issuance thereof.

“Series 54 DPA Loans” means loans that are made to Borrowers in connection with the origination of Series 54 Securitized Mortgage Loans, which loans are made for down payment assistance and are made with proceeds of the Series 54 Bonds deposited to the Series 54 Program Account. Series 54 DPA Loans may have such programmatic features, including a zero interest rate and principal reductions upon meeting prescribed terms, and may be secured on a subordinated basis, as are provided for in the Trust Agreement. Series 54 DPA Loans are “Program Loans” for purposes of the Trust Agreement.

“Servicer” means any bank or trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company and other mortgage banker or financial institution which shall service any of the Program Loans pursuant to a Servicing Agreement with the Agency, or the Agency if the Agency determines to service any Program Loans held pursuant to the Trust Agreement.

“Servicing Agreement” means an agreement between the Agency and a Servicer, if the Agency is not the Servicer, for the servicing of any of the Program Loans by the Servicer.

“Sinking Fund Calculation Period” means the period of time set forth in the Supplemental Trust Agreement authorizing the issuance of Term Bonds during which the Agency is to deposit to the credit of Principal/Special Redemption Account for the Series of Bonds an established amount to be applied to the purchase or redemption of such Term Bonds in accordance with a Sinking Fund Requirement for such period also established in such Supplemental Trust Agreement.

“Sinking Fund Requirement” means, with respect to the Term Bonds of any Sinking Fund Calculation Period, the principal amount fixed or computed for such Sinking Fund Calculation Period for the retirement of

such Term Bonds by purchase or redemption (or by payment at maturity in the case of the final Sinking Fund Requirement for any maturity).

“State Treasurer” means the Treasurer of the State of North Carolina.

“Subordinated Indebtedness” means all indebtedness incurred by the Agency in respect of the Program that is made payable from the Revenues, but only after the payments described below under the heading “Application of Revenues and Other Moneys” have been made, to the extent incurred in accordance with the requirements of the Trust Agreement.

“Supplemental Trust Agreement” means a resolution of the Board providing for the issuance of any particular Series of Bonds which is required to be executed and delivered prior to the issuance of such Series.

“Swap Agreement” means any interest rate swap agreement entered into by the Agency with a Swap Provider, pursuant to which the Agency and the Swap Provider agree to make payments thereunder with respect to a notional amount corresponding to Bonds for the purpose of effectively converting the interest rate on the Agency’s bonds bearing interest at a variable interest rate to a fixed interest rate, or converting the interest rate on the Agency’s bonds bearing interest at a fixed interest rate to a variable interest rate.

“Swap Agreement Periodic Payments” means payments required to be paid by the Agency under a Swap Agreement, other than Swap Agreement Termination Payments.

“Swap Agreement Termination Payments” means payments required to be paid by the Agency under a Swap Agreement in connection with the termination of the Swap Agreement, whether voluntarily or upon the occurrence of an event of default or similar event thereunder.

“Swap Provider” means any financial institution with which the Agency enters into an interest rate swap agreement with respect to Bonds.

“Term Bonds” means the Bonds of a Series designated Term Bonds in the Supplemental Trust Agreement authorizing the issuance thereof.

“Trustee” means the Trustee serving as such under the Trust Agreement, whether original or successor.

“USDA Guaranteed Program Loan” means a Program Loan the payment of which is guaranteed by the United States Department of Agriculture Rural Development under its loan guarantee program created under Title V of the Housing Act of 1949, or any successor program.

“VA Guaranteed Program Loan” means a Program Loan the payment of which is guaranteed by the United States Veterans Administration.

Additional Bonds; Supplemental Trust Agreements

Bonds of the Agency may be issued under and secured by the Trust Agreement from time to time for the purpose of providing sufficient funds, with any other available funds, for (a) the making or purchase by the Agency of Program Obligations, (b) refunding Bonds of the Agency issued under the Trust Agreement or under trust agreements or bond resolutions other than the Trust Agreement, including the payment of any redemption premium thereon, (c) the payment of Program Expenses, (d) the payment of interest on such Bonds for the period specified in the Supplemental Trust Agreement authorizing the issuance thereof, and (e) the making of any deposit to the credit of the Debt Service Reserve Fund, the Insurance Reserve Fund or a Special Debt Service Reserve Account required in connection with the issuance of such Series of Bonds.

Before any Bonds shall be issued under the Trust Agreement, the Agency and the Trustee shall enter into a Supplemental Trust Agreement authorizing the issuance of such Bonds fixing the amount and the details thereof.

Such Supplemental Trust Agreement shall designate the Series of Bonds and shall set forth the authorized denominations, dates, maturities, interest rates, Interest Payment Dates, redemption provisions, Sinking Fund Requirements and other terms of the details of the Bonds authorized thereby. Each Supplemental Trust Agreement shall specify whether the Series of Bonds authorized thereby shall be entitled to the benefit of the Debt Service Reserve Fund, a Special Debt Service Reserve Account created under the Supplemental Trust Agreement or neither and shall specify the Debt Service Reserve Requirement or the requirement for the Special Debt Service Reserve Account in connection with the Bonds of such Series. Each Supplemental Trust Agreement shall specify the Insurance Reserve Requirement in connection with the Program Obligations to be financed with the proceeds of the Bonds issued thereunder. Each Supplemental Trust Agreement shall specify any requirements for the Program Obligations to be purchased with the proceeds of the Bonds authorized thereby, including how payment of such Program Obligations must be insured, guaranteed or otherwise secured. Each Supplemental Trust Agreement shall specify whether a policy of Bond Insurance will be delivered in connection with the issuance of such Bonds and provide any additional covenants and provisions with respect thereto.

Funds and Accounts

The Trust Agreement and certain of the Supplemental Trust Agreements create the following Funds and Accounts:

- (a) Revenue Fund
- (b) Bond Service Fund
 - (i) Interest Account
 - (ii) Principal /Special Redemption Account for each Series of outstanding Bonds as provided below
 - (iii) Principal Account
- (c) Swap Agreement Payment Fund
- (d) Reserve Alternative Instrument Payment Fund
- (e) Debt Service Reserve Fund
 - (i) Contribution Reserve Account
 - (ii) Equity Reserve Account
 - (iii) Proceeds Reserve Account
 - (iv) 1974 Appropriation Reserve Fund
- (f) Insurance Reserve Fund
 - (i) Insurance Reserve Equity Account
 - (ii) Insurance Reserve Contribution Account
- (g) Optional Redemption Fund
- (h) Revenue Reserve Fund

- (i) Revenue Funded Account
- (ii) Equity Account
- (iii) Revenue Reserve Refunding Account

- (i) TBA Loan Administrative Account
- (j) Program Fund and an Account for each Series of Bonds

A Supplemental Trust Agreement may provide for the creation of a Special Debt Service Reserve Account for the Bonds authorized by such Supplemental Trust Agreement and for the deposit of moneys to and withdrawal of moneys from such Account.

Pursuant to the Trust Agreement and the Supplemental Trust Agreements pursuant to which the existing Bonds have been issued, there has been created a special account within the Bond Service Fund designated the "Principal/Special Redemption Account" corresponding to the Series of Bonds (e.g. the "Series 54 Principal/Special Redemption Account"). In connection with the issuance of any new Series of Bonds, there shall be created a Principal/Special Redemption Account corresponding to the new Series.

Notwithstanding the creation of the Principal/Special Redemption Accounts and the deposit and application of funds as described below, all amounts deposited and held in the Bond Service Fund remain pledged for the benefit, security and protection of all present and future Owners of Bonds issued and secured under the Trust Agreement, without preference, priority or distinction as to lien or otherwise of any one Bond over any other Bond, except as may be specifically provided in a Supplemental Trust Agreement.

Program Fund

Each Supplemental Trust Agreement authorizing the issuance of a Series of Bonds shall create a separate account in the Program Fund for the Program Obligations associated with the Bonds of such Series.

Money held for the credit of any Program Account shall be used to pay the following costs of the Program relating to the Series of Bonds for which such Account was established:

- (a) the amount determined by the Agency to be required to make or purchase any Program Obligation;
- (b) Costs of Issuance;
- (c) interest on such Bonds to the extent set forth in the Supplemental Trust Agreement authorizing such Series of Bonds;
- (d) any obligation or expense heretofore or hereafter incurred or paid by the Agency for any of the items mentioned in clause (b) above; and
- (e) to pay, either at maturity or otherwise in accordance with their terms, any notes theretofore issued by the Agency to provide interim financing for any of the purposes for which Bonds may be issued pursuant to the Trust Agreement.

The Agency covenants that immediately after any moneys are paid by the Trustee to a Lender or other person, firm, or corporation for the making of or purchase by the Agency of any Program Loans, or any notes of the Agency are paid pursuant to the Trust Agreement, the Agency will physically deliver, or cause to be physically delivered, to the Trustee the note or other instrument evidencing each Program Loan made or acquired as a result of such payment.

The Trustee shall not apply any moneys in the Program Fund to the purchase of a Program Security unless arrangements have been made so that immediately after such use the Trustee shall hold, on behalf of the Owners, a first perfected security interest in such Program Security, either through physical delivery of such Program Security or adequate notation on book-entry records for book-entry only securities. No Program Security shall be financed unless such Program Security represents a pass through or participation in a pool of mortgage loans that the Agency is eligible to finance under the Enabling Act and the Program Security provides for a guaranty of all payments to be made thereunder by a Federal Mortgage Agency.

Any Program Obligation may be withdrawn from the Program Fund and transferred by the Trustee to the recipient directed by the Agency free and clear from any pledge, lien, security interest or other interest created under the Trust Agreement upon the delivery to the Trustee of an Officer's Certificate directing such transfer and certifying that:

(a) such transfer is being made in order to provide for the redemption (whether optional or special, to the extent permitted by the applicable Supplemental Trust Agreement) or purchase of Bonds having a value corresponding to the value of the Program Obligation being withdrawn as reasonably estimated by the Agency and set forth in the Officer's Certificate; and

(b) the proposed transfer of the Program Obligation to the Agency and the sale, assignment, transfer or other disposition thereof by the Agency would not have a material adverse effect on the ability of the Agency to pay the principal of, and interest on, and premium, if any on the Bonds as the same become due, and to pay the Program Expenses.

In the event that the payment on a Program Loan is delinquent for the lesser of ninety (90) calendar days or a sufficient time for the Agency to file a claim for the benefits of any insurance or guaranty insuring or guaranteeing the payment of such Program Loan, the Agency may at its option and in its discretion, advise the Trustee that it will advance to the Principal/Special Redemption Account for such Program Loan from any funds available to the Agency for such purpose an amount equal to the principal balance of the Program Loan in default. Upon the advancement of such amount by the Agency, the amount advanced shall be treated as a Prepayment of the Program Loan for all purposes of the Trust Agreement and the Supplemental Trust Agreement. If the Agency so advances funds to a Principal/Special Redemption Account, then any funds realized upon the foreclosure on the delinquent Program Loan or under any insurance policy or guarantee with respect to the payment of the delinquent Program Loan shall be deposited, upon receipt, to the credit of the fund or account from which the Agency advanced the funds and upon this deposit shall not be treated as a Prepayment under the Trust Agreement and the Supplemental Trust Agreement. Upon such deposit, the funds realized may be used for any purpose for which funds in the Revenue Reserve Fund may be used, and may be withdrawn from this Trust Agreement

Pledge

Pursuant to the Trust Agreement, the Agency has pledged for the security of the Bonds, subject to the provisions of the Trust Agreement:

(a) All Program Obligations, Revenues, Program Obligation Accrued Interest, and Financing Fees and all moneys, securities and Funds and Accounts held or set aside pursuant to the Trust Agreement; and

(b) All money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to the Trust Agreement, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Trust Agreement as security only for a specified Series of Bonds and a Special Debt Service Reserve Account (hereinafter defined) and except money and securities held by or on behalf of the Trustee in the Revenue Reserve Refunding Account of the Revenue Reserve Fund and the TBA Loan Administration Fund, which are specifically excepted from such pledge.

The pledge of the moneys, securities and Funds and Accounts and of the Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees is valid and binding from and after the delivery of the first Bond delivered under the Trust Agreement. The Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees and other moneys and securities so pledged and then or thereafter received by the Agency shall immediately be subject to the lien of such pledge without any physical delivery or further act, except that the Program Obligations shall be subject to the lien of such pledge only after the delivery of the Program Loan notes to the Trustee and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof.

Application of Revenues and Other Moneys

All Revenues, Program Obligation Accrued Interest and Financing Fees shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee or with a qualified Depository or Depositories designated by the Agency which shall receive the same as deposits of moneys held by the Trustee. The Trustee is only responsible for money actually deposited as described in the Trust Agreement.

All Revenues derived from payments of principal and interest on Program Obligations, other than Prepayments on DPA Loans, which shall be applied as provided below, shall be collected by or on behalf of the Agency and deposited as received in the name of the Trustee. The Trustee shall apply the amounts received as follows:

- (1) All amounts comprising the payment of interest on the Program Obligations shall be deposited by the Trustee to the credit of the Revenue Fund.
- (2) All other amounts received shall be deposited to the credit of the Principal/Special Redemption Account for the Series of Bonds that funded the purchase of the Program Obligations. If a Program Obligation was purchased with the proceeds or other funds associated with more than one Series of Bonds, the amount received shall be distributed pro rata among the Bonds of the Series.

Accordingly, the Fifty-Fourth Supplemental Trust Agreement provides that the Agency shall direct the Trustee to deposit principal payments on the Series 54 Program Obligations, whether constituting scheduled principal payments or Prepayments, to the Series 54 Principal/Special Redemption Account, to be applied as provided in the Fifty-Fourth Supplemental Trust Agreement as described in the Official Statement under the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 54 BONDS— Series 54 Principal/Special Redemption Account, and Disposition of Certain Funds."

Prepayments on DPA Loans shall be collected by the Trustee and deposited directly to the Principal Account to be used to pay principal on the Series of Bonds that provided the funding for the purchase of the DPA Loan. Such amounts shall be applied to the payment of principal of the Serial Bonds of such Series on the next principal maturity date, and after the maturity of all Serial Bonds of such Series, shall be applied to the Sinking Fund Redemption of the Term Bonds of such Series on the next date the Term Bonds are to be redeemed in accordance with the Sinking Fund Requirements for the Series. In the event that at the time of receipt of a Prepayment of a DPA Loan the amount required to pay the next principal payment or Sinking Fund Redemption on the Bonds of such Series is already funded in the Principal Account, the Prepayment shall nonetheless be deposited to the Principal Account for application.

Any Financing Fees attributable to a Series of Bonds received by the Agency shall be deposited by the Agency as received as shall be provided in the Supplemental Trust Agreement for such Series.

Any moneys or other assets received by the Trustee from the Agency with instructions that the same be deposited to the credit of any Fund or Account under the Trust Agreement shall be so deposited to such Fund or Account.

The Trustee, as of the last business day of each month, shall withdraw from the Revenue Fund and deposit to the credit of the following several Funds or Accounts, but as to each Fund or Account only within the limitation herein below indicated with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

First: To the credit of the Interest Account, to the extent, if any, needed to increase the amount in the Interest Account so that it equals the amount of interest then or to become within the next ensuing six months due and payable on the Bonds of each Series then Outstanding; provided, however, that if interest on any Bonds is payable on a periodic basis other than a semi-annual basis, then the deposit requirement for the Interest Account may be adjusted to reflect the payment of interest on such other periodic basis.

Second: To the credit of the Swap Agreement Payment Fund the amount, if any, needed to increase the amount in the Accounts therein so that the Accounts equal the amount estimated at the time of transfer to be necessary to pay to any Swap Providers the Swap Agreement Periodic Payments required to be paid during the ensuing six months. In the event that the Agency enters into more than one Swap Agreement and there are not sufficient funds at the end of a month to make all deposits to all Accounts of the Swap Agreement Payment Fund, amounts shall be deposited to the Swap Agreement Payment Fund and any other Account created with respect to a Swap Agreement on a pro rata basis.

Third: To the credit of the Reserve Fund Alternative Instrument Payment Fund the amount, if any, necessary make payments to the issuers of any Reserve Fund Alternative Instruments to reimburse such issuers for payments with respect to the Reserve Fund Alternative Instruments in accordance with the terms of the agreements between the Agency and such issuers in connection therewith.

Fourth: To the credit of the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement.

Fifth: To the credit of any Special Debt Service Reserve Account, to the extent, if any, needed to increase the amount in such Special Debt Service Reserve Account to the amount required to be on deposit therein by the Supplemental Trust Agreement creating such Special Debt Service Reserve Account; in the event that there are deficiencies in more than one Special Debt Service Reserve Account, to the extent there are insufficient funds to make the deposits required to be made to all Special Debt Service Reserve Accounts, the available amount shall be deposited to all of the Special Debt Service Reserve Accounts pro rata based upon the amounts then required to be deposited to each such Special Debt Service Reserve Account.

Sixth: To the credit of the Insurance Reserve Fund, to the extent, if any, needed to increase the amount in the Insurance Reserve Fund so that it equals the Insurance Reserve Requirement.

Seventh: To the credit of the Swap Agreement Payment Fund the amount, if any, needed to increase the amount in the Accounts therein so that the Accounts equal the amount necessary to pay to any Swap Providers any Swap Agreement Termination Payments then due and payable. In the event that the Agency enters into more than one Swap Agreement and there are not sufficient funds at the end of a month to make all deposits to all Accounts of the Swap Agreement

Payment Fund to pay the Swap Agreement Termination Payments, amounts shall be deposited to the Swap Agreement Payment Fund and any other Account created with respect to a Swap Agreement on a pro rata basis.

Eighth: To the credit of the Revenue Reserve Fund, for deposit therein, the balance remaining.

A Supplemental Trust Agreement may provide for the deposit of Revenues to a Fund or Account created thereunder or for another application of Revenues prior to the deposit of remaining Revenues to the credit of the Debt Service Reserve Fund, a Special Debt Service Reserve Account, the Insurance Reserve Fund or the Revenue Reserve Fund; provided however, that the Supplemental Trust Agreement providing for such change in the application of Revenues shall not be effective without the prior written consent of any Swap Provider that is adversely affected by such change.

Amounts deposited to a Principal/Special Redemption Account shall be applied as follows, in the following order of priority:

First: The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Principal/Special Redemption Account for such Series and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series of Bonds pursuant to Section is the amount sufficient to pay the principal of all Serial Bonds of such Series maturing within the next six months shall be transferred to the Principal Account.

Second: The amount, if any, needed to increase the amount in the Principal Account so that the amount in the Principal Account funded from (i) transfers from the Principal/Special Redemption Account for such Series and (ii) Prepayments on DPA Loans deposited directly to the Principal Account to be used to pay principal on the Series of Bonds is the amount sufficient to meet the Sinking Fund Requirements of the Term Bonds for the Series of Bonds to be redeemed within the next six months shall be transferred to the Principal Account.

Third: The amount, if any, needed to increase the amount in the Principal/Special Redemption Account for the Series of Bonds so that the amount on deposit therein is sufficient to redeem the Bonds of the Series, if any, that are required to be redeemed pursuant to their Special Redemption provisions from amounts deposited to the Principal/Special Redemption Account for the Series of Bonds in accordance with the Supplemental Trust Agreement for the Series of shall be applied to such redemption on the dates and in the amounts set forth in the Supplemental Trust Agreement for such Bonds.

Fourth: Any remaining amount shall be applied, at the direction of the Agency to (a) the Special Redemption of additional Bonds of the Series other than the Bonds required to be redeemed as described in the preceding paragraph; (b) redeem Bonds of another Series to the extent the Supplemental Trust Agreement authorizing the issuance of the other Series of Bonds allows for the Special Redemption of such Bonds from such amounts; or (c) transferred to the Program Account for the Series to purchase additional Program Obligations that meet the requirements of the Supplemental Trust Agreement pursuant to which the Principal/Special Redemption Account is created. Any Supplemental Trust Agreement may provide that principal payments deposited to the Principal/Special Redemption Account created thereby may be applied to redeem Bonds other than the Series of Bonds authorized thereby, and may provide any additional conditions that must be met prior to such a redemption.

The Agency may at any time purchase Bonds from the Owners thereof at such price as the Agency and the Owner agree, and delivered the Bonds to the Trustee for cancellation. If the Agency so purchases Term Bonds and delivers the Term Bonds to the Trustee for cancellation, the remaining Sinking Fund Requirements for the maturity of Term Bonds delivered shall be reduced by the amount of the Term Bonds purchased and delivered, such reduction to be applied to the Sinking Fund Requirements for the dates and in the amounts specified to the Trustee by the Agency

Interest Account and Principal Account

Except as described below, the Trustee shall, on each Interest Payment Date, remit payment of interest on the Bonds then due from the Interest Account.

If a Swap Agreement Periodic Payment is also due on a day that is an Interest Payment Date and on the prior Business Day there are not sufficient funds in the Swap Agreement Payment Fund to make such Swap Agreement Periodic Payment, then on such prior Business Day the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund an amount so that the sum of (i) the amount in the Interest Account for paying interest on the Bonds and (ii) the amount in the Swap Agreement Payment Fund to pay the Swap Agreement Periodic Payment are deposited pro rata among such amounts. If a Swap Agreement Periodic Payment is due on a date that is not an Interest Payment Date and on the Business Day prior to the date of the Swap Agreement Periodic Payment there are not sufficient funds in the Swap Agreement Payment Fund to make such Swap Agreement Periodic Payment, the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund an amount sufficient to pay the Swap Agreement Periodic Payment, unless the Trustee determines that sufficient funds will not be available in the Interest Account to pay interest on the Bonds on the next Interest Payment Date, in which event the Trustee shall transfer from the Interest Account to the Swap Agreement Payment Fund the amount so that the sum of (i) the amount in the Interest Account for paying interest on Bonds on the next Interest Payment Date and (ii) the amount in the Swap Agreement Payment Fund to pay the next Swap Agreement Periodic Payment are held pro rata among such amounts.

The amount deposited to the Principal Account from the Principal/Special Redemption Account to be used for payment of maturing principal of Bonds shall be so applied on the maturity date. The amount deposited to the Principal Account from the Principal/Special Redemption Account to be applied on the sinking fund redemption date to redeem Term Bonds pursuant to the Sinking Fund Requirement therefor shall be so applied.

Optional Redemption Fund

In addition to moneys held for the credit of the Principal Account or a Principal/Special Redemption Account to be applied to the mandatory sinking fund redemption or Special Redemption of Bonds, the Agency may at any time deliver to the Trustee funds from any lawful source, including the proceeds of refunding Bonds, and including funds that are not restricted as to use under the Trust Agreement, for deposit to the Optional Redemption Fund to be applied to the purchase of Bonds or portions of Bonds, or optional redemption of Bonds then subject to optional redemption, including the payment of premiums, if any.

Reserve Alternative Instrument Replacement Fund

Amounts deposited to the Reserve Alternative Instrument Replacement Fund shall be applied to reimburse the issuer of the respective Prior Reserve Surety Bonds for the amount of drawings and to pay expenses with respect to drawings, including interest expenses, incurred by the Agency under agreements entered by the Agency in connection with the procurement of the Prior Reserve Fund Surety Bonds.

Swap Agreement Payment Fund

Amounts deposited to the Swap Agreement Payment Fund shall be applied to make payments to any Swap Provider in accordance with the terms of the corresponding Swap Agreement as set forth in the Supplemental Trust Agreement. Funds in the Swap Agreement Payment Fund may be used to pay Swap Agreement Periodic Payments at the times and amounts set forth in the Swap Agreement. Funds in the Swap Agreement Payment Fund may be used to pay Swap Agreement Termination Payments only if at the time of payment the Bond Service Fund, the Reserve Fund Alternative Instrument Payment Fund, the Debt Service Reserve Fund (including any Special Debt Service Reserve Account) and the Insurance Reserve Fund are fully funded to the then required level and all Swap Agreement Periodic Payments then due have been paid.

A Supplemental Trust Agreement may provide that to the extent an insurer or guarantor makes any payment to a Swap Provider to cover the obligation under a Swap Agreement of the Agency, such third party may become subrogated to the rights of the Swap Provider to receipt of such payment from the Agency, and if such a provision occurs, amounts paid by the an insurer or guarantor under the Swap Policy shall not be deemed paid for purposes of the Trust Agreement, and the obligations of the Agency under the Swap Policy shall continue to be due and owing.

Debt Service Reserve Fund

Moneys deposited to the credit of the Debt Service Reserve Fund shall be credited to the Proceeds Reserve Account to the extent such moneys are proceeds of Bonds, to the Contribution Reserve Account to the extent that such moneys are derived from appropriations by the State to the Agency and to the Equity Reserve Account to the extent such moneys are not proceeds of Bonds or are not derived from appropriations by the State to the Agency. Any amounts deposited to the Debt Service Reserve Fund from the Revenue Fund as described above under the heading “Application of Revenues and Other Moneys” shall be credited to the Proceeds Reserve Account, Contribution Reserve Account or the Equity Reserve Account as necessary to replenish the amounts withdrawn from such respective Accounts as hereinafter described.

If at any time the moneys held for the credit of the Bond Service Fund, including moneys transferred from the Revenue Reserve Fund as described below under the heading “Revenue Reserve Fund” and any amounts transferred under Funds and Accounts created under any Supplemental Trust Agreement to the extent required to be transferred to the Bond Service Fund or an Account thereof, shall be insufficient to pay when due the interest, principal and Sinking Fund Requirements of the Bonds secured by the Debt Service Reserve Fund the Trustee shall transfer from the Debt Service Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up any such deficiency.

Amounts shall be transferred from the Debt Service Reserve Fund to the Bond Service Fund only to the extent necessary to pay the interest on and principal and Sinking Fund Requirements of Bonds secured by the Debt Service Reserve Fund. In the event that any portion of the Debt Service Reserve Requirement is being provided by a Reserve Alternative Instrument, the Trustee shall make such drawings under such Reserve Alternative Instrument, pursuant to the terms thereof, as shall be necessary so that the proceeds of such drawing shall be available to make the transfers to the Bond Service Fund required by this paragraph.

If at any time the moneys held for the credit of the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement and all transfers of moneys from the Debt Service Reserve Fund have been made, subject to certain provisions of the Trust Agreement, the Agency, by an Officer’s Certificate, may instruct the Trustee to withdraw from the Debt Service Reserve Fund the amount of the excess therein over the Debt Service Reserve Requirement. If the Trustee is directed to make such withdrawal, the Trustee shall (i) if the withdrawal is from the Proceeds Reserve Account, deposit the amount withdrawn to the Optional Redemption Fund or a Principal/Special Redemption Account as shall be directed in such Officer’s Certificate, or (ii) if the amount withdrawn is from the Contribution Reserve Account or the Equity Reserve Account, pay the amount as directed by the Agency, including depositing such amounts to the credit of the Optional Redemption Fund or a Principal/Special Redemption Account.

Any deficiency in the Debt Service Reserve Fund, whether resulting from a drawing on a Reserve Alternative Instrument or transfers of cash, may be satisfied through the deposit of additional moneys or the providing of an additional, or increase in a, Reserve Alternative Instrument. If a drawing under a Reserve Alternative Instrument occurs, amounts held in the Debt Service Reserve Fund shall be applied to reimburse the issuer of the Reserve Alternative Instrument, including interest thereon, in connection with such drawing under such terms as shall be agreed upon between the Agency and the issuer of the Reserve Alternative Instrument.

Insurance Reserve Fund

The Insurance Reserve Requirement with respect to each Series of Bonds, if any, is to be set forth in the Supplemental Trust Agreement authorizing the issuance of such Bonds. To date, The Insurance Reserve Requirement for each Series of Bonds, if any, has been a percentage of the Program Loans, other than DPA Loans, to be financed with the proceeds of the Bonds, with the percentage based upon whether the Program Loan is an FHA Insured Program Loan, a VA Guaranteed Program Loan, a USDA Guaranteed Program Loan, a PMI Insured Program Loan or a Program Loan that does not require insurance or a guaranty. There is no Insurance Reserve Requirement with respect to the Series 54 Bonds and the provisions of the Trust Agreement regarding the Insurance Reserve Fund do not apply to the Program Obligations deposited to the Series 54 Program Account.

The Insurance Reserve Requirement for any subsequent Series of Bonds, if any, will be set forth in the Supplemental Trust Agreement authorizing the issuance of such Bonds.

Money deposited in the Insurance Reserve Fund shall be used for the purpose of paying the portion of any loss with respect to a Program Loan in default that is not paid from any public or private insuring or guaranteeing agency. To the extent any amounts in the Insurance Reserve Fund are required to be applied to the payment of Bonds, the Agency is not required to replenish such amounts.

Revenue Funded Account of the Reserve Fund

Money deposited in the Revenue Funded Account of the Reserve Fund shall be used in the following order of priority:

1. If at any time the Agency is required to make a Swap Agreement Periodic Payment, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to pay the applicable payment to the Swap Provider.
2. In the event there is a Swap Agreement Periodic Payment required to be paid by the Agency, and such payment is paid by an insurer or guarantor, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to reimburse the payment of the Swap Agreement Periodic Payment or a Swap Agreement Termination Payment by such insurer or guarantor.
3. If at any time the moneys held to the credit of the Bond Service Fund shall be insufficient to pay when due the interest, principal or the Sinking Fund Requirements of any Bonds, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up any such deficiency.
4. If at any time the Agency is required to make a Swap Agreement Termination Payment and sufficient funds are not available in the Swap Agreement Payment Fund, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to pay the Swap Agreement Termination Payment to the Swap Provider.
5. In the event there is a Swap Agreement Termination Payment required to be paid by the Agency, and such payment is paid by an insurer or guarantor, the Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Swap Agreement Payment Fund the amount required to reimburse the payment of the Swap Agreement Termination Payment by such insurer or guarantor.
6. If the Agency is required to make a payment to the United States of America or to the borrowers under the Program Obligations in order for the Agency to comply with the applicable covenants made by the Agency regarding the exclusion of interest on the Bonds from federal income taxation, funds in the Revenue Funded Account of the Revenue Reserve Fund may be used for such purpose.

7. If Prepayments are received with respect to any defaulted Program Loan, funds in the Revenue Funded Account of the Revenue Reserve Fund may be transferred to the credit of the applicable Principal/Special Redemption Account, the amount, if any, by which the portion of such Prepayments to be deposited in such Principal/Special Redemption Account, representing the payment of principal on such Program Loan, is less than the amount by which the principal balance of the defaulted Program Loan has been reduced as a result of the receipt of such Prepayments.

8. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Agency any amount certified in an Officer's Certificate filed with the Trustee as necessary for the payment of real estate taxes, insurance, foreclosure fees, including appraisal and legal fees, and similar expenses incurred by the Agency in connection with the acquisition of any property secured by a mortgage on behalf of the Agency or expenses for repairs, rehabilitation, improvements, maintenance, renting or sale and similar expenses incurred by the Agency in connection with such property.

9. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Optional Redemption Account or any Principal/Special Redemption Account the amount specified to the Trustee by the Agency to redeem Bonds.

10. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to any Program Account the amount specified to the Trustee by the Agency in an Officer's Certificate for the purpose of paying Issuance Costs in connection with the issuance of a new Series of Bonds or to purchase additional Program Obligations.

11. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund the amount specified to the Trustee by the Agency in an Officer's Certificate for the purpose of paying Program Expenses if, as shown by an Officer's Certificate filed with the Trustee, the Agency has purchased and owns Program Obligations with scheduled payments of principal and interest such that the Revenues estimated by the Agency in good faith to be received from such Program Obligations, together with any other moneys estimated in good faith to be available for the payments hereinafter mentioned, including, without limitation, investment income on the Funds and Accounts available for such payments and the moneys held for the credit of the Debt Service Reserve Fund and any Special Debt Service Reserve Account, shall be sufficient to pay when due (i) the Program Expenses and (ii) the principal of, Sinking Fund Requirements on account of, and interest on the Bonds.

12. The Trustee shall transfer from the Revenue Funded Account of the Revenue Reserve Fund to the Agency's General Fund the amount specified to the Trustee by the Agency in an Officer's Certificate, at any time by which (A) the amount in the Revenue Funded Account of the Revenue Reserve Fund, together with the amount in all other Funds and Accounts under the Trust Agreement (other than the Interest Account and the Insurance Reserve Account) and the outstanding principal balance of all Program Obligations exceeds (B) 102% of the Outstanding principal amount of Bonds; but only if as shown by an Officer's Certificate filed with the Trustee, the Agency has purchased and owns Program Obligations with scheduled payments of principal and interest such that the Revenues estimated by the Agency in good faith to be received from such Program Obligations, together with any other moneys estimated in good faith to be available for the payments hereinafter mentioned, including, without limitation, investment income on the Funds and Accounts available for such payments and the moneys held for the credit of the Debt Service Reserve Fund and any Special Debt Service Reserve Account, shall be sufficient to pay when due (A) the Program Expenses and (B) the principal of, Sinking Fund Requirements on account of, and interest on the Bonds. For purposes of determining whether such a transfer to the General Fund may be made, investments in all Funds and Accounts shall be valued at cost plus amortization of discount or minus amortization of premium.

Revenue Reserve Equity Account of the Revenue Reserve Fund

The Revenue Reserve Equity Account of the Revenue Reserve Fund is funded with available funds of the Agency that are not derived from Revenues hereunder. Amounts in the Revenue Reserve Equity Account are subject to all provisions of this Trust Agreement relating to the Revenue Funded Account of the Revenue Reserve Fund, including the provisions regarding the pledge of the Funds and Accounts under the Trust Agreement as provided herein and the provisions of Section 511 regarding the application of moneys in the Revenue Funded Account of the Revenue Reserve Fund.

1974 Appropriation Reserve Fund

In addition to the foregoing, the Twelfth Supplemental Trust Agreement created the 1974 Appropriation Reserve Fund. In connection with the issuance of the Series 12 Bonds, the Agency deposited \$4,000,000 to the 1974 Appropriation Reserve Fund. If at any time the moneys held to the credit of the Bond Service Fund shall be insufficient to pay when due the principal and Sinking Fund Requirements of, and interest on, the Bonds, and if the amounts transferred to the credit of the Bond Service Fund from the Debt Service Reserve Fund and the Revenue Reserve Fund are insufficient to make up the deficiency, the Trustee shall transfer from the 1974 Appropriation Reserve Fund to the credit of the Bond Service Fund an amount sufficient to make up the deficiency.

The Board may from time to time by resolution direct the Trustee to withdraw any moneys held for the credit of the 1974 Appropriation Reserve Fund and pay such moneys to the Agency or to the trustee under a bond resolution or trust agreement of the Agency other than the Trust Agreement for deposit by the Agency or such trustee to the credit of one or more debt service reserve funds securing bonds of the Agency not issued under the provisions of the Trust Agreement.

Investment of Money

Money held for the credit of each Fund and Account shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee, at the direction of the Agency, in Investment Obligations. The Investment Obligations may be purchased by the Trustee through its own investment division or other bank facilities established for such purpose.

Encumbrances

The Agency covenants that it will not create or suffer to be created any lien, encumbrance or charge upon the Program Obligations, Revenues or Funds and Accounts pledged under the Trust Agreement except the pledge, lien and charge for the security of the Bonds secured hereby upon the Program Obligations, Revenues and Funds and Accounts, except as otherwise provided in the Trust Agreement.

To the extent of their respective rights therein, the Agency and the Trustee have granted to the Swap Provider(s) a security interest in the moneys, securities and Funds and Accounts and Program Obligations, Revenues, Program Obligation Accrued Interest and Financing Fees (the "Trust Estate") to secure the obligations of the Agency to the Swap Providers under any Swap Agreements entered into by the Agency. Such security interest shall be subject and subordinate to the security interest in and pledge of the Trust Estate created in favor of the Trustee and the holders of the Bonds under the Trust Agreement and the security interest and pledge made by the Agency to the issuers of the Reserve Fund Surety Bonds to secure the payments required to be paid to such issuers in connection with drawings under such surety bonds from the Reserve Fund Surety Reimbursement Fund in accordance with the provisions of the Seventeenth Supplemental Trust Agreement.

The Agency may at any time issue indebtedness secured by a lien, pledge or other security interest in the Program Obligations, Revenues and Funds and Accounts pledged under the Trust Agreement if such indebtedness constitutes Subordinated Indebtedness. The Agency shall not incur such Subordinated Indebtedness unless:

(i) Prior to incurring such Subordinated Indebtedness, the Agency shall file with the Trustee an Officer's Certificate to the effect that the incurrence of such Subordinated Indebtedness and the payment thereof from the Revenues and other amounts available will not materially and adversely affect the ability of the Agency to pay the principal of, Sinking Fund Requirements on account of, and interest on the Bonds then outstanding. (ii) The terms of such Subordinated Indebtedness shall provide that payment of such indebtedness shall be subordinate and junior in right of payment to the prior payment in the event (a) of any insolvency or bankruptcy proceedings, any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the Agency or the Program, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Agency or the Program whether or not involving insolvency or bankruptcy, (b) any Subordinated Indebtedness is declared or otherwise becomes due and payable before its stated maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinated Indebtedness was incurred, or (c) any Event of Default under the Trust Agreement shall occur and be continuing and (1) written notice of such default shall have been given to the Agency and (2) judicial proceedings shall be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on the Bonds and within 90 days in the case of any other default after the giving of such notice, then, for so long as any action described in clause (a), (b) or (c) hereof shall not have been remedied or cured in the opinion of the Trustee, the Owners of the Bonds shall be entitled to receive payment in full of all principal, premium and interest on all Bonds before the owners of the Subordinated Indebtedness are entitled to receive any payment on account of principal of or interest on the Subordinated Indebtedness, and to that end the Owners of the Bonds shall be entitled to receive for application in payment thereof any payment or distribution of any kind of character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of the Subordinated Indebtedness after giving effect to any concurrent payment or distribution in respect to the Bonds.

Records and Accounts

The Agency covenants that promptly after the close of each Fiscal Year it will cause an audit to be made of its books and accounts by an independent firm of certified public accountants of recognized ability and standing. The Agency covenants that it will cause an annual report of the operations and accomplishments of each program of the Agency to be prepared. As soon as practicable thereafter, reports of each such audit and copies of each annual report shall be filed with the Trustee and the Local Government Commission, and copies of such reports shall be mailed to all Owners who have sent the Agency a written request for such reports.

Program Covenants

The Agency shall do all such acts and things necessary to receive and collect Revenues and Escrow Payments, and to enforce the Servicing Agreements, as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Program Obligations. The Agency may, in its discretion, reduce the amounts to be collected under any Program Loan to the extent that such action is required in connection with the federal income tax requirements relating to the tax-exempt status of the Agency's Bonds.

The Agency shall not cause Bonds to be purchased or redeemed unless, after such purchase or redemption, there shall be no material adverse effect on the ability of the Agency to pay when due the principal of and the interest on, and any Sinking Fund Requirements on account of, the Bonds then Outstanding.

The Agency will make or purchase Program Obligations with the proceeds of such Bonds with scheduled payments of principal and interest such that the Revenues estimated by the Agency to be received from such

Program Obligations, together with any other moneys estimated to be available will be sufficient to pay when due the principal of, Sinking Fund Requirements on account of, and interest on the Bonds.

The Agency will not cause money to be withdrawn from the Debt Service Reserve Fund unless an Authorized Officer shall determine in an Officer's Certificate which shall be filed with the Trustee at the time of such withdrawal that such amounts being so withdrawn are not likely to be needed while any Bonds are Outstanding under the provisions of the Trust Agreement for paying the principal of, Sinking Fund Requirements on account of, and interest on Bonds secured by the Debt Service Reserve Fund.

The Agency will not delay in the prosecution and collection of any claim for a mortgage insurance or guarantee payment to which it shall be entitled, permit any such delay under its control nor fail to elect to assign any Program Obligation whenever it shall be necessary to do so to obtain the benefits of mortgage insurance or guarantees. The Agency shall not delay in the prosecution or collection of any claim for insurance which it shall be entitled to make or permit any such delay under its control.

Whenever necessary in order to protect and enforce the interests and security of Owners of the Bonds, the Agency shall commence foreclosure or pursue other appropriate remedies with respect to any Program Obligation which is in default. In the event that the Agency shall, in its discretion, determine such action to be in the best interests of the Owners of the Bonds, the Agency may bid for and purchase the premises covered by any such Program Obligation at any foreclosure sale thereof and may otherwise take possession of or acquire such property.

The Agency shall not expend for Program Expenses in any Fiscal Year more than is reasonable and necessary therefor.

Default and Remedies

Each of the following events is an "Event of Default":

(a) payment of the principal or Redemption Price of any of the Bonds is not made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest on any of the Bonds is not made when the same shall become due and payable; or

(c) the total amount deposited in the Sinking Fund Account in any applicable period set forth in a Supplemental Trust Agreement shall be less than the Sinking Fund Requirements for such period; or

(d) final judgment for the payment of money is rendered against the Agency and any such judgment is not discharged within sixty (60) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment was granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(e) an order or decree is entered, with the consent or acquiescence of the Agency, appointing a receiver or receivers of any Revenues or other money or assets, including the Program Obligations pledged under the provisions of the Trust Agreement, or if such order or decree, having been entered without the consent or acquiescence of the Agency, is not vacated, discharged or stayed on appeal within ninety (90) days after the entry thereof; or

(f) any proceeding is instituted, with the consent or acquiescence of the Agency, for the purpose of effecting a composition between the Agency and its creditors or for the purpose of

adjusting the claims of such creditors pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any Revenues or other moneys or assets, including the Program Obligations, pledged under the provisions of the Trust Agreement; or

(g) the Agency defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Trust Agreement or any Supplemental Trust Agreement on the part of the Agency to be performed, and such default continues for thirty (30) days after written notice specifying such default and requiring it to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if the default cannot be corrected within such thirty day period and the Agency is pursuing diligent efforts to cure such default, then an Event of Default shall not have occurred so long as the Agency continues diligent efforts to cure the default.

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, by a notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; subject to certain actions by the Agency to cure the Event of Default before the Bonds are paid.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all unpaid amounts then or during any default becoming and at any time remaining, due from the Agency for principal, interest or otherwise under any of the provisions of the Trust Agreement or of the Bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce any judgment or decree against the Agency, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money in the Funds and Accounts pledged to secure the Bonds under the provisions of the Trust Agreement and any other money available for such purpose) in any manner provided by law, the money adjudged or decreed to be payable.

If at any time the money in the Bond Service Fund shall not be sufficient to pay the interest on or the principal of the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purpose, including any money then held for the credit of any Funds and Accounts pledged to secure the payment of the Bonds, whether through the exercise of the remedies provided for in this Article or otherwise, after payment of amounts then due to the Trustee, shall be applied as follows:

(a) If the principal of all the Bonds shall not have become or shall not have been declared due and payable, all such money shall be applied:

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds then due and payable and to any Swap Provider entitled thereto of any Swap Agreement Periodic Payment then due and payable, in each case in the order in which such payments became due and payable and, if the amount available shall not be sufficient to pay in full a particular installment of interest on the Bonds or Swap Agreement Periodic Payment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and the amount due on the Swap Agreement Periodic Payment;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement) in the order of their due dates, with interest on the principal amount of such Bonds at the respective rates specified therein from the respective dates upon which such Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds due and payable on any particular date, together with such interest, then principal of the Bonds due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

third: to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied:

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds then due and payable prior to maturity, if any, and to any Swap Provider entitled thereto of any Swap Agreement Periodic Payment then due and payable, in each case in the order in which such payments became due and payable and, if the amount available shall not be sufficient to pay in full a particular installment of interest on the Bonds or Swap Agreement Periodic Payment, then to the payment, ratably, according to the amounts due on such installment of interest on the Bonds and Swap Agreement Periodic Payment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and the amount due on the Swap Agreement Periodic Payment, and then to the payment of any interest due and payable after maturity on the Bonds, ratably, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds

second: to the payment of the principal of the Bonds, ratably, to the persons entitled thereto, without preference or priority of any Bond over any other Bond.

Control of Proceedings by the Owners

The Owners of a majority in principal amount of the Bonds then Outstanding shall have the right, subject to the indemnification provisions described below to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

No Owner shall have any right to institute any suit, whether in equity or at law, on any Bond or for the execution of any trust under the Trust Agreement or for any other remedy unless such Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty per centum (20%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action,

suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Nothing impairs the right of any Owner to enforce the payment of the principal of and interest on his Bond, or the obligation of the Agency to pay the principal of and interest on each Bond to the Owner thereof, at the time and place in said Bond expressed.

Concerning the Trustee

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Trust Agreement, until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability.

Any bank or trust company acting as Trustee under the Trust Agreement, and its directors, officers, board or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under and secured by the Trust Agreement, may join in any action which any Owner may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Trust Agreement.

The Trustee may resign and thereby become discharged from the trusts hereby created by notice in writing to the Local Government Commission, the Agency and to all the Owners, but such resignation shall take effect immediately upon the appointment of a successor Trustee. If no Event of Default shall have occurred and be continuing, and no event that but for the giving of notice on the passage of time would become an Event of Default shall have occurred and be continuing, the Agency may remove the Trustee at any time. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Agency or of the Owners of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding.

Supplemental Trust Agreements

The Agency and the Trustee may from time to time and at any time enter into such Agreements supplemental hereto to amend the provisions hereof as, in the opinion of the Agency and the Trustee, shall not materially adversely affect the interests of the Owners (which supplemental indentures shall thereafter form a part hereof), including supplemental indentures:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision therein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement which shall not be inconsistent with the provisions of the Trust Agreement, or

(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 Owners or the Trustee, including, without limitation, the issuance of bearer Bonds with appurtenant interest coupons, or

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to amend any of the provisions of the Trust Agreement to the extent required to permit compliance by the Agency with the Internal Revenue Code of 1986, as amended, and the regulations in effect thereunder, or

(e) to add to the covenants and agreements of the Agency in the Trust Agreement other covenants and agreements thereafter, to be observed by the Agency or to surrender any right or power herein reserved to or conferred upon the Agency, or

(f) to make any other change to the provisions of the Trust Agreement that do not materially impair the security of the Owners.

The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may consent to and approve the adoption by the Board of such other supplemental trust agreements as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding in any particular any of the terms or provisions contained in the Trust Agreement or in any supplemental indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a reduction in the principal amount or Redemption Price of any Bond, any Sinking Fund Requirement on account of the Bonds or the rate of interest on any Bond, (c) the creation of a lien upon or a pledge of the Program Obligations, Revenues and other money and assets pledged other than the lien and pledge created by the Trust Agreement, (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture without the consent of the Owners of all Bonds Outstanding under the Trust Agreement.

A Supplemental Agreement that relates only to the issuance of a particular Series of Bonds and that does not purport to alter or amend the rights or security of any Owners of any Bonds of any other Series shall not be deemed or considered to be a supplemental trust agreement for purposes of the amendment provisions.

Defeasance

If, the Bonds have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Agency to the Trustee, the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds then Outstanding shall be paid or sufficient money, or Government Obligations the principal of and the interest on which when due will provide sufficient money to pay such whole amount, shall be held by the Trustee for such purpose under the provisions of the Trust Agreement, and provision shall also be made for paying all other sums payable by the Agency, then and in that case the right, title and interest of the Trustee under the Trust Agreement shall thereupon cease, determine and become void.

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 54 Bonds. The Series 54 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 54 Bond certificate will be issued for each maturity of the Series 54 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 54 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 54 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 54 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 54 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 54 Bonds, except in the event that use of the book-entry system for the Series 54 Bonds is discontinued.

To facilitate subsequent transfers, all Series 54 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 54 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 54 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 54 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 54 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 54 Bonds, such as redemptions, tenders, defaults, and

proposed amendments to the security documents. For example, Beneficial Owners of Series 54 Bonds may wish to ascertain that the nominee holding the Series 54 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 54 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 54 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 54 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 54 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 54 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 54 Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 54 Bonds will be printed and delivered to DTC.

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

APPENDIX E

**SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE
AND FREDDIE MAC CERTIFICATE PROGRAM**

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SUMMARY OF GINNIE MAE CERTIFICATE, FANNIE MAE CERTIFICATE AND FREDDIE MAC CERTIFICATE PROGRAM

Ginnie Mae and the Ginnie Mae Certificates

The summary and explanation of the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), Ginnie Mae's mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to the *Ginnie Mae Mortgage-Backed Securities Guide* (HUD Handbook 5500.3) (the “Ginnie Mae Guide”) and to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, the Ginnie Mae Guide and general information regarding Ginnie Mae can be accessed at <http://www.ginniemae.gov>. The Agency makes no representation regarding the content, accuracy or availability of the Ginnie Mae Guide or any information provided at such web site. Such web site is not part of this Official Statement. Further, the procedures and fees described below and in the Ginnie Mae Guide are those currently in effect and are subject to change at any time by Ginnie Mae.

Ginnie Mae is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. Ginnie Mae's powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

Ginnie Mae is authorized by Section 306(g) of the National Housing Act to guarantee the timely payment of the principal of and interest on securities (“Ginnie Mae Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen's Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the U.S. Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of HUD under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The Ginnie Mae Certificates are issued by approved servicers and not by Ginnie Mae. Ginnie Mae guarantees the timely payment of principal of and interest on the Ginnie Mae Certificates.

Section 306(g) of the National Housing Act further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities (which are set forth in “Ginnie Mae Guaranty Agreements”) are authorized to be made by Ginnie Mae and “would constitute general obligations of the United States backed by its full faith and credit.”

In its corporate capacity under Section 306(d) of Title III of the Housing Act, Ginnie Mae may issue its general obligations to the U.S. Department of the Treasury (“Treasury”) in an amount outstanding at any one time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Ginnie Mae Certificate. Treasury is authorized to purchase any obligations so issued by Ginnie Mae and has indicated in a letter dated February 13, 1970, from the Secretary of Treasury to the Secretary of HUD that Treasury will make loans to Ginnie Mae, if needed, to implement Ginnie Mae's guaranty. Ginnie Mae has covenanted to borrow from Treasury any amounts necessary to enable Ginnie Mae to honor its guaranty of the Ginnie Mae Certificates.

Ginnie Mae administers two guarantee programs – the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” The principal differences between the two programs relate to the interest rate structure of the mortgages backing the Ginnie Mae Certificates and the means by which principal and interest payments are made. These differences are not expected to affect adversely the availability of Revenues to pay principal of and interest on the Series 54 Bonds. The Agency permits Mortgage Lenders to issue Ginnie Mae Certificates under either Ginnie Mae program.

To issue Ginnie Mae Certificates, the Master Servicer must apply for and receive Ginnie Mae's commitment to guarantee mortgage-backed securities ("commitment authority"). The Master Servicer is obligated to pay Ginnie Mae commitment fees. Ginnie Mae's commitment authority permits the Master Servicer to issue Ginnie Mae Certificates up to an approved dollar amount. Commitment authority expires in one year for single-family pools.

Each Ginnie Mae Certificate is to be backed by a separate mortgage pool consisting of qualified mortgages in a minimum aggregate amount of \$25,000. Under the Ginnie Mae I MBS Program, the Master Servicer will be required to pay to the Trustee, as the holder of the Ginnie Mae Certificates issued by the Master Servicer, the regular monthly installments of principal and interest on the Mortgage Loans that back those Ginnie Mae Certificates (less the Master Servicer's servicing fee, which includes a Ginnie Mae guaranty fee). Under the Ginnie Mae II MBS Program, the Master Servicer will be required to pay such amounts to the Paying and Transfer Agent for the Ginnie Mae II MBS Program (the "CPTA"), and the CPTA will be required to pay to the Trustee, as the holder of the Ginnie Mae Certificate, the regular monthly installments of principal and interest on the Mortgage Loans backing such Ginnie Mae Certificate.

Payment of interest and principal on each Ginnie Mae Certificate is required to be made in monthly installments by the 15th day of each month under the Ginnie Mae I MBS Program and by the 20th day of each month under the Ginnie Mae II MBS Program, commencing the month following the date of issue of the Ginnie Mae Certificate. In addition, each payment is required to include prepayments on Mortgage Loans underlying the Ginnie Mae Certificate that were received during the preceding calendar month.

Mortgage Loans underlying a particular Ginnie Mae Certificate issued pursuant to the Ginnie Mae I MBS Program must have the same annual interest rate. The annual Pass-Through Rate on each Ginnie Mae Certificate under the Ginnie Mae I MBS Program is 0.5% less than the annual interest rate on the Mortgage Loans included in the Mortgage pool backing that Ginnie Mae Certificate. Each Mortgage Loan in a Ginnie Mae II pool issued on or after July 1, 2003, must have a fixed interest rate that is at least 0.25% (but not more than 0.75%) higher than the interest rate on the related Ginnie Mae Certificate.

The Master Servicer is required to pay a monthly guaranty fee to Ginnie Mae for each Ginnie Mae Certificate for which the Master Servicer is the issuer of record. Ginnie Mae's monthly guaranty fee is computed based on the aggregate principal balance of the guaranteed securities outstanding at the beginning of the monthly reporting period. The monthly rate used to compute the fee is 0.06% (which may be reduced under Ginnie Mae's Targeted Lending Initiative) divided by 12. Under the Ginnie Mae program, the Master Servicer is responsible for servicing each pooled Mortgage Loans and is entitled to a servicing fee for each such loan. The servicing fee is based on and payable only from the interest portion of each monthly installment of principal and interest actually collected by the Master Servicer on the Mortgage Loan. The fee is equal to the difference between the interest rate on the Mortgage Loan and the interest rate on the Ginnie Mae Certificate for which it serves as collateral, computed on the same principal amount and for the same period as the interest portion of the installment. With respect to Ginnie Mae II MBS pools issued on and after July 1, 2003, the Master Servicer must ensure that the minimum servicing fee is 0.0% (which fee may be increased under Ginnie Mae's Targeted Lending Initiative).

It is expected that interest and principal payments on the Mortgage Loans received by the Master Servicer will be the source of payments on the Ginnie Mae Certificates. If those payments are less than what is due, the Master Servicer will be obligated to advance its own funds to ensure timely payment of all amounts coming due on the Ginnie Mae Certificates. Ginnie Mae guarantees such timely payment in the event of the failure of the Master Servicer to pay an amount equal to the scheduled payment (whether or not made by the Mortgagors). If the Master Servicer defaults on its obligations as an issuer of the Ginnie Mae Certificates (including loan servicing and certificate payment obligations), Ginnie Mae has the right to extinguish the Master Servicer's interest in the Mortgage Loans underlying such Ginnie Mae Certificates, in which case such Mortgage Loans will become the absolute property of Ginnie Mae (subject only to the unsatisfied rights of the Trustee, as holder of the Ginnie Mae Certificates).

Fannie Mae and the Fannie Mae Certificates

The summary and explanation of the Federal National Mortgage Association (“FNMA” or “Fannie Mae”), Fannie Mae's mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to said documents for full and complete statements of their provisions. Said documents and the MBS Program are subject to change at any time by Fannie Mae. At the time of printing this Official Statement, general information regarding Fannie Mae (including, but not limited to, its financial condition and the status of its conservatorship) can be accessed at <http://www.fanniemae.com>. The Agency makes no representations regarding the content or accuracy of the information provided at such web site, and such web site is not part of this Official Statement.

In accordance with the Federal Housing Finance Regulatory Reform Act of 2008 (the “Regulatory Reform Act”), the Federal Housing Finance Agency (the “FHFA”) was named as the conservator of Fannie Mae on September 6, 2008. The Agency cannot predict the long-term consequences of the conservatorship of the Fannie Mae and the corresponding impacts, if any, on the Agency and the Fannie Mae Certificates (“Fannie Mae Certificates”) held under the Trust Agreement. On March 31, 2003, Fannie Mae registered its common stock with the Securities and Exchange Commission (“SEC”). As a result of this action, Fannie Mae is required to file periodic financial disclosures with the SEC under the Securities Exchange Act of 1934, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Agency makes no representations regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae with the SEC, any information provided at the SEC's web site, or how long Fannie Mae will continue to file reports with the SEC. The SEC's web site is not part of this Official Statement.

Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. Fannie Mae became a stockholder-owned and privately managed corporation in 1968. The Housing and Economic Recovery Act of 2008 (“HERA”) established the Federal Housing Finance Agency (“FHFA”), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae. Fannie Mae is subject to the supervision and regulation of FHFA to the extent provided in HERA, and the Director of FHFA has general regulatory authority over Fannie Mae to ensure that the purposes of HERA, the authorizing statutes and any other applicable laws are carried out. The Secretary of HUD also exercises general regulatory power over Fannie Mae.

The Agency cannot predict the long-term consequences of the federal conservatorship of Fannie Mae or of the future status of Fannie Mae and cannot predict the impact of any future proposal or legislation on the housing market or the corresponding impact on the Agency, the Fannie Mae Certificates held under the Trust Agreement or the MBS Program.

Fannie Mae operates in the secondary mortgage market by purchasing mortgages and mortgage-related securities, including Fannie Mae mortgage-related securities, from primary market institutions, such as commercial banks, savings and loan associations, mortgage companies, securities dealers and other investors. Fannie Mae provides additional liquidity in the secondary mortgage market by issuing and guaranteeing mortgage-related securities. Fannie Mae also offers fee-based services to its customers, such as issuing and administering a variety of mortgage related securities, providing credit enhancements and offering technology products to aid in originating and underwriting mortgage loans.

Fannie Mae operates various mortgage-backed securities programs pursuant to which Fannie Mae issues securities backed by pools of mortgage loan. The Fannie Mae Certificates described in this Official Statement represent beneficial ownership interests in pools of Mortgage Loans held in trust by Fannie Mae for the benefit of the Trustee, as holder of the Fannie Mae Certificates. The Fannie Mae Certificates are issued by Fannie Mae pursuant to a trust indenture and supplements thereto (generally for certificates issued before June 1, 2007) or a trust agreement and supplements thereto (generally for certificates issued since June 1, 2007).

Information regarding the Fannie Mae Certificates is contained in a prospectus (each, a “Single-Family MBS Prospectus”) and a prospectus supplement. Each Single-Family MBS Prospectus contains general information about pools issued during its effective period including, but not limited to, the nature of the guaranty, yield considerations, and the mortgage purchase programs. Each prospectus supplement includes information about the pooled Mortgage Loans backing a particular issue of Fannie Mae Certificates and about the certificates themselves. Copies of Single Family MBS Prospectuses and prospectus supplements are available at Fannie Mae's offices located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at <http://www.fanniemae.com>. The Agency makes no representation regarding the content, accuracy or availability of any such prospectus or supplement thereto, or any information provided at such web site. Fannie Mae's web site is not part of this Official Statement.

Payments on a Fannie Mae Certificate are required to be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or if such 25th day is not a Business Day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae generally is required to distribute to the Trustee an amount equal to the total of (1) the principal due on the Mortgage Loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution (each, a “due period”), (2) the stated principal balance of any Mortgage Loan that was prepaid in full during the month preceding the month of such distribution (including as prepaid for this purpose any Mortgage Loans repurchased by Fannie Mae because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive monthly installments (or eight consecutive biweekly installments) of principal and interest or because of Fannie Mae's election to repurchase such Mortgage Loan under certain other circumstances as permitted by Fannie Mae's trust indenture or trust agreement), (3) the amount of any partial prepayment of a Mortgage Loan received in the month preceding the month of distribution, and (4) one month's interest, at the fixed pass-through rate, on the principal balance of the Fannie Mae Certificate immediately prior to the distribution date.

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security (“UMBS”). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for “mirror” UMBS backed by the same loans as the existing securities. Proceeds of the Series 54 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Series 54 Certificates the term “Mortgage-Backed Securities” includes UMBS.)

Fannie Mae guarantees to holders of the Fannie Mae Certificates, on each distribution date, an amount equal to the borrowers' scheduled principal payments for the related due period, whether or not received, plus an amount equal to one month's interest on the Fannie Mae Certificates at the fixed pass-through rate stated in the prospectus supplement for such certificates. In addition, Fannie Mae guarantees the full and final payment of the unpaid principal balance of the Fannie Mae Certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the Fannie Mae Certificates. Fannie Mae's guaranty covers any interest shortfalls on the Fannie Mae Certificates arising from reductions in the interest rate of a Mortgage Loan due to application of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, and similar state laws.

Neither the Fannie Mae Certificates nor payments of principal and interest thereon are guaranteed by the United States government. The Fannie Mae Certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments on its guaranty.

If Fannie Mae was unable to perform its guaranty obligations, the Trustee would receive only the payments that borrowers actually made and any other recoveries on the Mortgage Loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on

the Mortgage Loans would directly affect the amount of principal and interest that the Trustee would receive each month.

Fannie Mae establishes eligibility criteria and policies for the mortgage loans it purchases, for the sellers from whom it purchases loans, and for the servicers who service Fannie Mae's mortgage loans. Fannie Mae's eligibility criteria and policies are set forth in Fannie Mae's Selling and Servicing Guides (the "Fannie Mae Guides") and updates and amendments to such guides. Fannie Mae amends its Fannie Mae Guides and its eligibility criteria and policies from time to time.

The Charter Act requires that Fannie Mae establish maximum original principal balance dollar limitations for the conventional loans that it purchases. These limitations (referred to as conforming loan limits) typically are adjusted annually. For loans delivered during 2024, Fannie Mae's conforming loan limit for conventional loans secured by first liens on single-unit residences in the State of North Carolina is \$756,550. Fannie Mae's conforming loan limit for mortgage loans secured by subordinate liens on single-unit residences is 50% of the amount for first lien loans. In addition, the aggregate original principal balance of all the mortgage loans owned by Fannie Mae that are secured by the same residence cannot exceed the amount of the first lien conforming loan limit. The maximum loan-to-value ratio for FHA-insured and VA-guaranteed mortgage loans Fannie Mae purchases is the maximum established by the FHA or VA for the particular program under which the mortgage was insured or guaranteed. The maximum loan-to-value ratio for HUD guaranteed "Section 184" mortgage loans and RHS guaranteed mortgage loans Fannie Mae purchases is 100%. The Charter Act requires that Fannie Mae obtain credit enhancement whenever it purchases a conventional mortgage loan secured by a single-family residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to Fannie Mae covering the amount in excess of 80%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. Fannie Mae may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

Fannie Mae is responsible for servicing and administering the mortgage loans it purchases. Fannie Mae may contract with other entities to perform those functions under Fannie Mae's supervision and on Fannie Mae's behalf. The entity with whom Fannie Mae contracts may be the seller that sold the loans to Fannie Mae. Duties generally performed by the servicer include general loan servicing responsibilities, collection and remittance of payments on the mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary. Fannie Mae remains responsible to certificate holders for all the servicing and administrative functions related to the mortgage loans, even if it hires a servicer. Servicers are required to meet the eligibility standards and performance obligations in the Fannie Mae Guides. Fannie Mae may remove any servicer at any time Fannie Mae considers its removal to be in the certificate holders' best interest.

Freddie Mac and the Freddie Mac Certificates

The following summary of the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), the Freddie Mac Guarantor Program, the Freddie Mac Certificates and Freddie Mac's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's current Mortgage Participation Certificates Offering Circular, any applicable Offering Circular and Pool Supplements, Freddie Mac's current Mortgage Participation Certificates Agreement, as amended, Freddie Mac's Information Statement, any Information Statement Supplements and any other documents made available by Freddie Mac. Copies of these documents can be obtained from Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102. At the time of printing this Official Statement, the documents mentioned above and general information regarding Freddie Mac (including, but not limited to, its financial condition and the status of its conservatorship) can be accessed at <http://www.freddiemac.com>. However, the Agency makes no representation regarding the content, accuracy or availability of any such document or any information provided at such web site. Such web site is not part of this Official Statement.

On July 18, 2008, Freddie Mac voluntarily registered its common stock with the SEC, thereby subjecting Freddie Mac to reporting requirements applicable to registered securities. In addition, pursuant to the Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac, Freddie Mac is required to provide

the Treasury with annual reports on Form 10-K, quarterly reports on Form IO-Q, and current reports on Form 8-K. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site(<http://www.sec.gov>) that contains reports, proxy statements and other information that Freddie Mac has filed with the SEC. The Agency makes no representations regarding the content, accuracy or availability of any such reports or information filed by Freddie Mac with the SEC, any information provided at on the SEC's web site, or how long Freddie Mac will continue to file reports with the SEC. The SEC's web site is not part of this Official Statement.

In accordance with the Regulatory Reform Act, the FHFA was named as the conservator of Freddie Mac on September 6, 2008. The Agency cannot predict the long-term consequences of the conservatorship of the Freddie Mac and the corresponding impacts, if any, on the Agency, the Freddie Mac Certificates held under the Trust Agreement or the MBS Program.

Freddie Mac is a shareholder-owned, government-sponsored enterprise chartered on July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1454-1459) (the "Freddie Mac Act").

Freddie Mac purchases and guarantees a variety of single-family mortgages. Most of these mortgages are conventional mortgages that are not guaranteed or insured by the United States or any of its agencies or instrumentalities. However, Freddie Mac purchases some mortgages that are fully insured by the Federal Housing Administration ("FHA") or guaranteed, in part, by the Department of Veterans Affairs ("VA") (collectively, "FHA/VA mortgages"). Freddie Mac operates a program in which purchases and pools single-family mortgages for the purpose of issuing mortgage participation certificates (including any Freddie Mac Certificates that may be purchased by the Trustee). These mortgage participation certificates represent beneficial ownership interests in pools of mortgages that Freddie Mac has purchased.

Freddie Mac is required to pay principal to the holders of its fixed-rate mortgage participation certificates on the 15th of each month (or, if the 15th is not a business day, the next business day), beginning in the month after the certificate is issued (each, a "Payment Date"). The principal balance of the mortgage pool underlying the certificate may differ from the aggregate principal balance of the underlying mortgages due to delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. Freddie Mac is required to account for any differences as soon as practicable.

The aggregate principal payment in any month on a fixed-rate mortgage participation certificate reflects: (i) the scheduled principal payments due on the mortgages in the related mortgage pool for the monthly reporting period ending in the current month; (ii) prepayments on the related mortgages as reported by servicers for the monthly reporting period ending in the previous month; and (iii) any adjustments necessary to reconcile the principal balance of the mortgage pool with the aggregate balance of the related mortgages reported to Freddie Mac by servicers. Freddie Mac is required to calculate the scheduled principal due on the related mortgages based upon the actual principal balance, interest rate and remaining term to maturity of each mortgage in the mortgage pool. Its calculation of scheduled principal may not reflect actual payments on the mortgages. Interest will accrue on each Freddie Mac during the calendar month preceding the month of the Payment Date at the interest rate specified for the mortgage participation certificate. The interest rate is set at the time of issuance and does not change. Interest accrues on the principal amount of a certificate as determined by its "pool factor" for the month preceding the month of the Payment Date.

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as the Uniform Mortgage-Backed Security ("UMBS"). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Certificates and Freddie Mac Certificates and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Certificates and Freddie Mac will offer investors the opportunity to exchange existing Freddie Mac Securities for "mirror" UMBS backed by the same loans as the existing securities. Proceeds of the

Series 54 Bonds are expected to be used to purchase the Mortgage-Backed Securities, which include UMBS. (For purposes of this Official Statement and the Certificates the term “Mortgage-Backed Securities” includes UMBS.)

Freddie Mac guarantees to each holder of each mortgage participation certificate (i) the timely payment of interest at the applicable interest rate for the certificate; (ii) the timely payment of scheduled principal on the underlying mortgages; and (iii) the full and final payment of principal on the underlying mortgages by the Payment Date that falls in the latest month in which Freddie Mac reduces the related “pool factor” to zero.

The obligations of Freddie Mac under its guarantees of mortgage participation certificates are obligations of Freddie Mac only. Such certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the mortgage participation certificate would consist solely of payment and other recoveries on the related mortgage. Accordingly, delinquencies and defaults on the mortgages would affect distributions on the certificates.

The Freddie Mac Act limits the maximum original principal amount of single-family mortgages that Freddie Mac may purchase. These limits are referred to as “conforming loan limits.” For loans delivered during 2024, Fannie Mae's conforming loan limit for conventional loans secured by first liens on single-unit residences in the State of North Carolina is \$756,550 in all counties. The conforming loan limit for second-lien mortgages is 50 percent of the limit for first-lien mortgages on one-family dwellings. When Freddie Mac purchases both the first-lien and second-lien mortgage on the same property, the Freddie Mac Act provides that the total amount Freddie Mac may purchase may not exceed the applicable conforming loan limit.

The Freddie Mac Act also prohibits Freddie Mac from purchasing first-lien conventional single-family mortgages if the outstanding principal balance at the time of purchase exceeds 80 percent of the value of the real property securing the mortgage unless Freddie Mac have a level of credit protection (such as mortgage insurance from an approved mortgage insurer, a seller's agreement to repurchase or replace any mortgage that has defaulted) or the retention of at least a 10 percent participation interest in the mortgages by the seller. This requirement does not apply to FHA/VA mortgages.

The single-family mortgages purchased and guaranteed by Freddie Mac generally are subject to the credit, appraisal, underwriting and other purchase policies and guidelines set forth in Freddie Mac's *Single-Family Seller/Servicer Guide*. Freddie Mac may modify these guidelines or grant waivers for certain mortgages that it purchases. Freddie Mac services or supervises the servicing of the mortgages it purchases. In performing its servicing responsibilities, Freddie Mac may employ servicing agents or independent contractors. Each such servicer generally is required to perform all activities concerning the calculation, collection and processing of mortgage payments and related borrower inquiries, as well as all mortgage administrative responsibilities, including claims collection, workouts, foreclosures and reports. Servicers service mortgages, either directly or through approved subservicers, and receive fees for their services. Freddie Mac monitors a servicer's performance through periodic and special reports and inspections to ensure it complies with its obligations.

The interest rates of the mortgages in a mortgage pool underlying a fixed-rate mortgage participation certificate are within a range from (i) the certificate interest rate plus any minimum required servicing fee through (ii) 2.5% above the certificate interest rate. Subject to certain adjustments, Freddie Mac will retain from monthly interest payments on each mortgage a management and guarantee fee, which equals any interest received by Freddie Mac from the servicer over the amount of interest payable to holders of the certificate.

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APPENDIX F

SUMMARY OF THE SERIES 54 PROGRAM ACCOUNT AND PROGRAM LOANS

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SUMMARY OF THE SERIES 54 PROGRAM ACCOUNT AND PROGRAM LOANS

As described in the Official Statement, in connection with the issuance of the Series 54 Bonds, although the Agency plans to use Series 54 Bond proceeds deposited to the Series 54 Program Account to purchase only Program Securities, the Fifty-Fourth Supplemental Trust Agreement permits (under the conditions described in the Official Statement) the use of Series 54 Bond proceeds and certain Prepayments of Series 54 Program Obligations, to purchase new Program Loans.

This Appendix F describes the provisions of the Trust Agreement and the Fifty-Fourth Supplemental Trust Agreement regarding the requirements for existing and any new Program Loans and the insurance or guaranty programs associated therewith.

The Series 54 Program Account and Program Loan Requirements

Each Program Loan deposited to the credit of the Series 54 Program Account shall be secured by a Mortgage on the property financed thereby. Unless the Series 54 Program Loan is a Series 54 DPA Loan, the unpaid principal amount of a new Program Loan purchased with amounts in the Series 54 Program Account shall not exceed, at the time of the purchase thereof by the Agency, 80% of the Market Value of the property subject to the Mortgage unless the Program Loan is insured or guaranteed in one of the following ways:

- (1) if the Program Loan is an FHA Insured Program Loan, a VA Guaranteed Program Loan, or a USDA Guaranteed Program Loan, the applicable insurance or guaranty of the agency or instrumentality administering the insurance or guarantee program in an amount equal to the maximum coverage permitted for such Program Loan under the regulations of such agency or instrumentality; or
- (2) if the Program Loan is a PMI Insured Program Loan, a private mortgage insurance policy issued by a qualified insurer in an amount so that the principal amount of the Program Loan is not greater than 80% of the Market Value of the property secured thereby plus the maximum amount payable under such private mortgage insurance policy in the event of a default by the Borrower thereunder.

Each private mortgage insurance policy described in (2) above shall be issued by a private mortgage insurance company approved by Fannie Mae or Freddie Mac to insure mortgage loans purchased by them. The Agency shall not purchase a Program Loan insured by a private mortgage insurance company if the purchase of a Program Loan insured by such insurer would have an adverse effect on the ratings then in effect on the Series 54 Bonds.

The Agency shall require that the existing insurance or guarantee of Program Loans deposited to the Series 54 Program Account, and the insurance or guarantee required for new Program Loans shall remain in effect for so long as the Program Loan is held under the Trust Agreement and insurance or guaranty coverage is available with respect to such Program Loan under the insurance or guaranty program or policy with respect to such Program Loans. The insurance policy or guaranty may be cancelled or permitted to terminate as required by applicable law.

Insurance and Guarantee Programs

The Trust Agreement provides that the Supplemental Trust Agreement authorizing the issuance of a Series of Bonds for the Program shall specify any requirements for the Program Obligations to be purchased with the proceeds of the Bonds of such Series, including how such Program Obligations must be insured, guaranteed or otherwise secured.

The Fifty-Fourth Supplemental Trust Agreement provides that the Series 54 Program Loans must be secured by a mortgage on the property financed thereby and must be, except for Series 54 DPA Loans, insured or guaranteed in one of the following ways: (a) if the Program Loan is an FHA Insured Program Loan, a VA

Guaranteed Program Loan, or a USDA Guaranteed Program Loan (as each of such terms is defined below), the applicable insurance or guarantee of the agency or instrumentality administering the insurance or guarantee program in an amount equal to the maximum coverage permitted for such Program Loan under the regulations of such agency or instrumentality; or (b) if the Program Loan is a Fannie Mae or Freddie Mac Conventional Private Mortgage Insured Program Loan, unless the Market Value of the property subject to the Mortgage is greater than 80% of the principal amount of the Series 54 Program Loan, a private mortgage insurance policy issued by a qualified insurer in an amount so that the principal amount of the Program Loan is not greater than 80% of the Market Value of the property secured thereby plus the maximum amount payable under such private mortgage insurance policy in the event of a default by the Borrower thereunder.

FHA Mortgage Insurance. Program Loans insured by FHA in the manner described below, are herein defined as “FHA-Insured Program Loans.” Sections 203 and 221 of the National Housing Act, as amended (the “Housing Act”), authorize the Federal Housing Administration (“FHA”) of the Department of Housing and Urban Development (“HUD”) to insure certain mortgage loans. Such mortgage loans must be in conformance with the maximum mortgage loan amount limitations and minimum down payment requirements specified in the Housing Act and regulations promulgated thereunder. In addition, the mortgagor under either of these programs must establish to the satisfaction of FHA that his or her income is adequate to meet the periodic payments required in the mortgage loan.

FHA administers the Section 203(k) loan program for the acquisition and rehabilitation of single family properties. Eligible borrowers obtain one mortgage loan to finance both the acquisition and the rehabilitation of the property. The mortgage amount may include funds for the purchase of the property, the costs incidental to closing the transaction, and the completion of the proposed rehabilitation. The mortgage proceeds allocated for the rehabilitation are escrowed at closing. Following loan closing, the FHA reviews the submission and, if found acceptable, issues a Mortgage Insurance Certificate to the lender. At this point, the lender is submitting a fully-insured Program Loan to the Agency for purchase.

Under the provisions of Section 184 of the Housing and Community Development Act of 1992, as amended (“Section 184”), HUD has the authority to guarantee loans for the construction, acquisition, rehabilitation, or refinancing of 1- to 4-family homes to be owned by Native Americans (as defined in Section 184) on eligible land (as defined in Section 184). Loans guaranteed under Section 184 must bear a fixed rate of interest and be in a principal amount not in excess of 97.75% of the appraised value of the property, excluding closing costs (98.75% if the appraised value is \$50,000 or less), but in no event in excess of 150% of the FHA loan limit for the area. The HUD guarantee under Section 184 is 100% of unpaid principal and interest plus reasonable fees and expenses for loans processed through foreclosure by the holder of the guarantee certificate of 100% of unpaid principal and interest for loans assigned to HUD without foreclosure.

All mortgages are subject to a mortgage insurance premium. The premium must be included in the proposed monthly housing expense for underwriting purposes.

Under the terms of either of the foregoing FHA insurance programs, a failure to make a mortgage payment (or to perform any other obligation under the mortgage), if continued for thirty (30) days, constitutes a default which would entitle the mortgagee to claim insurance benefits. The Housing Act gives authority to the Secretary of HUD (the “Secretary”) to settle claims for insurance benefits under mortgages insured under Sections 203 and 221 either in cash or debentures.

Insurance benefits are paid on foreclosure and conveyance of title. Benefit payments made by FHA on conveyed properties are equal to the unpaid principal amount of the mortgage loans plus certain tax, insurance and other payments made, and a portion of any foreclosure expenses incurred by the mortgagee, as well as interest from date of default at a rate equivalent to the debenture interest rate (which may be less than the interest rate of the insured mortgage), less certain amounts received or retained in respect of the mortgaged property.

When any property which is to be conveyed to FHA has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition of payment of an insurance claim, that such property be repaired by the mortgagee prior to such conveyance.

To obtain title to and possession of the property under foreclosure, the Agency will pursue its rights under the power of sale contained in the mortgage subject to the constraints of applicable state law and HUD. HUD requires that absent the consent of the mortgagor, at least three full monthly installments be due and unpaid under the mortgage before the mortgagee may initiate any action leading to foreclosure of the mortgage. HUD also requires a face-to-face conference between the mortgagee and the mortgagor in an effort to cure the delinquency without foreclosure. These requirements do not apply where the mortgagor has voluntarily abandoned the mortgaged property or the property has been vacant for over 60 days, or the mortgagor has indicated in writing that he or she has no intention of fulfilling his or her obligations under the mortgage, in which case the mortgagee may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

VA Guarantee. Program Loans that are guaranteed as to payment by the United States Veterans Administration in the manner described in this Section are herein referred to as “VA Guaranteed Program Loans.” The Serviceman’s Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a VA Guaranteed Program Loan covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee. The program has no mortgage loan limits (other than that the amount may not exceed the property’s reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guarantee of VA Guaranteed Program Loans with terms of up to 30 years.

The guarantee provisions for VA Guaranteed Program Loans are as follows: (a) for home and condominium loans of \$45,000 or less, 50 percent of the loan is guaranteed (for loans with an original principal balance of \$45,000 and not more than \$56,250, the guarantee will not exceed \$22,500); (b) for home and condominium loans of more than \$56,250 but less than or equal to \$144,000, 40 percent of the loan is guaranteed subject to a maximum guarantee of \$36,000; (c) for home and condominium loans of more than \$144,000, 25 percent of the principal amount of the loan is guaranteed, up to a maximum loan amount of \$417,000, for loans greater than \$417,000 the lesser of 25% of the loan amount or VA county limit; and (d) for loans for manufactured homes, 40 percent of the loan is guaranteed (with a maximum guarantee of \$20,000) (modular homes are treated in the same manner as traditional homes). The Agency does not allow purchases of manufactured homes that are not permanently affixed and are not considered real property.

The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guarantee as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

USDA Guarantee. Program Loans guaranteed by the United States Department of Agriculture, Rural Development are herein referred to as “USDA-Guaranteed Program Loans.” Title V of the Housing Act of 1949 permits USDA to provide mortgage guarantees for single family rural housing loans. A USDA guarantee constitutes an obligation supported by the full faith and credit of the United States.

The maximum loss payment under a USDA guarantee will be the lesser of:

- (1) Any loss of an amount equal to 90 percent of the principal amount actually advanced to the mortgagor, or

(2) An amount up to 35 percent of the principal amount actually advanced to the mortgagor, plus any additional loss sustained by the lender of an amount up to 85 percent of the remaining 65 percent of the principal amount actually advanced to the mortgagor.

Loss includes only (1) principal and interest evidenced by the note; (2) any loan subsidy due and owing; and (3) any principal and interest indebtedness on USDA approved protective advances for protection and preservation of collateral. Interest is covered by the guarantee to the date of the final loss settlement when the lender conducts liquidation of collateral in an expeditious manner. Net proceeds received from liquidation of the collateral will be used in calculating the amount of loss sustained. If the lender acquires the collateral, the net proceeds from collateral for calculating loss shall be determined by the USDA as follows: (i) the USDA will have the collateral appraised at its current market value as of the date of acquisition by the lender, then (ii) deduct from such appraised value an estimate of liquidation costs which will include an allowance for the estimated time the property will be held by the lender. The USDA will pay its claim based on an appraisal after foreclosure has occurred rather than upon the sale of the property.

Private Mortgage Insurance. Program Loans that are insured by a policy of private mortgage insurance in the manner described in this Section are herein referred to as “Private Mortgage Insured Program Loans.”

The Fifty-Fourth Supplemental Trust Agreement provides that a “Private Mortgage Insured Program Loan” is any Program Loan purchased with the proceeds of the Series 54 Bonds that is insured by a private mortgage insurance company that has been approved by Fannie Mae or Freddie Mac to insure mortgage loans purchased by them. The federal Homeowners Protection Act of 1998 requires the automatic termination of private mortgage insurance for any mortgage loan incurred after July 1999 if payments are current on the loan and the loan to value ratio is 78% or less. In addition, borrowers who are current on their mortgage loan payments are entitled to termination of private mortgage insurance requirements upon request if the loan to value ratio is 80% or less based on a current valuation. For purpose of determining the loan to value ratio without a current valuation, the value of the subject property is the lesser of the contract sales price and the appraised value at the time the mortgage loan is made. The Agency will not require (and cannot require) borrowers to maintain private mortgage insurance after the borrower is entitled to termination of the private mortgage insurance in accordance with federal law.

The Fifty-Fourth Supplemental Trust Agreement provides that at the option of the Agency, the insurance policy on a Private Mortgage Insured Program Loan may be cancelled or permitted to terminate as required by applicable law. The Agency makes no representation regarding the financial condition of any of the entities that have issued policies of Private Mortgage Insured Program Loans under the Trust Agreement. Information regarding specific private mortgage insurance companies should be obtained from the respective company.

Uninsured and Non-Guaranteed Loans. In addition to FHA Insured Program Loans, VA Guaranteed Program Loans, USDA Guaranteed Program Loans and Private Mortgage Insured Program Loans, the Fifty-Fourth Supplemental Trust Agreement provides that the Agency may purchase any other Program Loan so long as, at the time of purchase of the Program Loan by the Agency, the unpaid principal amount of the Program Loan does not exceed 80% of the Market Value of the property that is subject to the Mortgage securing such Program Loan, except or in conjunction with a Series 54 DPA Loan.

Other Loan and Guarantee Programs. Future supplemental trust agreements may permit the Agency to purchase Program Obligations having insurance and guarantee features different from those described above.

Standard Hazard Insurance

Each mortgagor is required to obtain and maintain for the mortgaged property a standard hazard and casualty insurance policy in an amount which is not less than (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the Program Loan. The standard hazard and casualty insurance policy is required to be written by an insurance company qualified to do business in the State and having a current

general policyholder's rating in Alfred M. Best's Insurance Reports of B and a financial size category of Class VIII or better.

In general, a standard homeowner's form of fire with extended coverage policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike, and civil commotion, subject to the conditions and exclusions particularized in each policy. Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water-related causes, earth movement (including earthquakes, landslides and mudslides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism.

Flood insurance is required to be obtained and maintained by mortgagors whose mortgaged property is in an area designated by HUD as having special flood hazards and for which flood insurance is available under the National Flood Insurance Program. The limit of flood insurance must be the lowest of (i) the unpaid principal balance of the Program Loan, (ii) the full insurable value of the mortgaged property, and (iii) the maximum amount of flood insurance available.

Servicing Agreements

For the Program Loans associated with the FirstHome Mortgage program, the Agency and each Agency-approved Servicer (the "FirstHome Servicer") have entered into a servicing agreement for the servicing of Program Loans purchased by the Agency (the "FirstHome Servicing Agreements"). Each FirstHome Servicing Agreement provides for an annual servicing fee in an amount no more than $3/8^{\text{th}}$ of 1% of the principal balance, computed monthly, of each non-delinquent Program Loan serviced thereunder for which payments of principal and interest have been received by the FirstHome Servicer.

The FirstHome Servicing Agreements will require the FirstHome Servicers to perform all services and duties customary to the servicing of mortgages, including, among other things, inspecting the mortgaged premises when payments by a mortgagor have become delinquent or upon request of the Agency, collecting all payments due with respect to each Program Loan, and applying properly and rendering an accounting to the Agency of all sums collected from a mortgagor for payment of principal and interest, taxes, assessments and hazard and mortgage insurance premiums. In the event a mortgagor fails to make a payment when due or in the event of any default on a Program Loan, each FirstHome Servicer must give notice to the Agency and, in the event of default, is also obligated, unless otherwise notified by the Agency, to take all actions necessary and proper to collect the applicable mortgage insurance and to enforce the applicable contractual provisions, including, if necessary, instituting foreclosure proceedings and managing the mortgaged property. Agency-approved foreclosure and related expenses shall be borne by the Agency.

Under FirstHome Servicing Agreements the FirstHome Servicers must deposit all funds received on account of Program Loans being serviced in segregated accounts in a state or national bank or savings and loan association acceptable to the Agency and in which deposits are insured by the Federal Deposit Insurance Corporation, which may be the FirstHome Servicer, and in segregated accounts in the Federal Home Loan Bank, and must hold the accounts as trustee for the Agency and the various mortgagors. From the funds so deposited the FirstHome Servicer must pay, when due, mortgage and hazard insurance premiums, taxes and assessments. Once a month or at any time when the amount on deposit exceeds the insured amount, the FirstHome Servicer is to remit to the Trustee the total amount of all payments of principal and interest. Prepayments of the Program Loans, proceeds of mortgage insurance, condemnation proceeds, proceeds resulting from action taken with respect to a defaulted Program Loan, and proceeds of hazard insurance that will not be used to restore or rehabilitate the mortgaged property shall be remitted as they are received.

The FirstHome Servicing Agreements will require FirstHome Servicers to maintain hazard and casualty insurance on each of the mortgaged premises in an amount sufficient to ensure that the Agency will not become a co-insurer under the terms and conditions of the applicable policy or policies. The FirstHome Servicer must also comply, as to each Program Loan, with all rules and requirements of the Agency and the applicable rules and requirements of the insurance or guarantee program with respect to Program Loans, and must at all times keep

such insurance in full force and effect. See “Standard Hazard Insurance” above. In addition, each FirstHome Servicer must maintain blanket bond coverage as customarily used in the mortgage banking industry, including among other provisions, fidelity coverage and insurance against losses resulting from the errors and omissions of the FirstHome Servicer.

APPENDIX G

**PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE
OUTSTANDING AND PROJECTED WEIGHTED AVERAGE LIVES OF
THE SERIES 54-A PAC BONDS AND SERIES 54-B PAC BONDS**

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APPENDIX G

PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING AND PROJECTED WEIGHTED AVERAGE LIVES OF SERIES 54-A PAC BONDS

Set forth in the tables below are projected percentages of initial principal balance outstanding and projected weighted average lives for the Series 54-A PAC Bonds under various prepayment speeds. “Projected percentages of initial principal balance outstanding” refers to the principal balance of a security that will be outstanding on a specified date expressed as a percentage of the initial principal amount of such security. The “projected weighted average life” of a security refers to the average amount of time, measured here in years, that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity date, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security. The calculation of the projected weighted average life of the Series 54-A PAC Bonds set forth below requires the making of certain hypothetical assumptions. See “REDEMPTION OF SERIES 54 BONDS – Projected Weighted Average Lives of the Series 54 PAC Bonds” in the Official Statement.

Projected Percentages of Initial Principal Balance Outstanding and Weighted Average Lives of \$80,770,000 Series 54-A PAC Bonds Due January 1, 2055

Payment Date	Prepayment Assumption									
	0 PSA	25 PSA	50 PSA	75 PSA	100 PSA	150 PSA	200 PSA	300 PSA	400 PSA	500 PSA
Initial Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
January 1, 2025	100.0%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.8%
January 1, 2026	100.0%	98.7%	97.4%	96.5%	96.4%	96.4%	96.4%	96.4%	96.4%	94.1%
January 1, 2027	100.0%	96.0%	92.1%	88.5%	87.2%	87.2%	87.2%	87.2%	87.2%	80.4%
January 1, 2028	100.0%	92.5%	85.2%	78.4%	74.1%	74.0%	74.0%	74.0%	74.0%	61.8%
January 1, 2029	99.0%	88.2%	77.8%	68.0%	61.3%	61.3%	61.3%	61.3%	61.3%	44.9%
January 1, 2030	97.3%	83.4%	70.1%	57.8%	49.6%	49.6%	49.6%	49.6%	49.6%	32.2%
January 1, 2031	95.5%	78.6%	62.8%	48.2%	38.7%	38.7%	38.7%	38.7%	38.7%	22.4%
January 1, 2032	93.6%	73.9%	55.8%	39.3%	28.6%	28.6%	28.6%	28.6%	28.6%	15.1%
January 1, 2033	91.6%	69.3%	49.1%	31.0%	19.3%	19.3%	19.3%	19.3%	19.3%	10.0%
January 1, 2034	89.4%	64.8%	42.8%	23.3%	11.2%	11.2%	11.2%	11.2%	11.4%	6.5%
January 1, 2035	87.2%	60.4%	36.8%	16.2%	5.2%	5.2%	5.2%	5.2%	5.6%	4.1%
January 1, 2036	84.8%	56.1%	31.1%	9.7%	0.7%	0.7%	0.7%	0.7%	1.3%	1.6%
January 1, 2037	82.3%	51.9%	25.8%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2038	79.6%	47.7%	20.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2039	76.8%	43.7%	16.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2040	73.9%	39.8%	11.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2041	70.7%	36.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2042	67.3%	32.3%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2043	63.8%	28.7%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2044	60.0%	25.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2045	56.0%	22.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2046	51.8%	18.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2047	47.3%	16.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2048	42.5%	13.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2049	37.4%	10.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2050	32.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2051	26.2%	6.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2052	20.1%	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2053	13.6%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2054	6.7%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2055	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First Payment or Redemption Date	7/1/2028	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025
Last Payment or Redemption Date	1/1/2055	1/1/2055	7/1/2043	1/1/2038	7/1/2036	7/1/2036	7/1/2036	7/1/2036	7/1/2036	1/1/2037
Weighted Average Life Optional Call Not Exercised	20.7	14.0	9.2	6.9	6.0	6.0	6.0	6.0	6.0	5.0
Optional Call at 1/1/2033 Exercised	8.4	7.6	6.8	6.1	5.7	5.7	5.7	5.7	5.7	4.8

APPENDIX G

PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING AND PROJECTED WEIGHTED AVERAGE LIVES OF SERIES 54-B PAC BONDS

Set forth in the tables below are projected percentages of initial principal balance outstanding and projected weighted average lives for the Series 54-B PAC Bonds under various prepayment speeds. “Projected percentages of initial principal balance outstanding” refers to the principal balance of a security that will be outstanding on a specified date expressed as a percentage of the initial principal amount of such security. The “projected weighted average life” of a security refers to the average amount of time, measured here in years, that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity date, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security. The calculation of the projected weighted average life of the Series 54-B PAC Bonds set forth below requires the making of certain hypothetical assumptions. See “REDEMPTION OF SERIES 54 BONDS – Projected Weighted Average Lives of the Series 54 PAC Bonds” in the Official Statement.

Projected Percentages of Initial Principal Balance Outstanding and Weighted Average Lives of \$16,375,000 Series 54-B PAC Bonds Due January 1, 2055

Payment Date	Prepayment Assumption									
	0 PSA	25 PSA	50 PSA	75 PSA	100 PSA	150 PSA	200 PSA	300 PSA	400 PSA	500 PSA
Initial Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
January 1, 2025	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%
January 1, 2026	100.0%	97.1%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	93.8%
January 1, 2027	99.5%	90.4%	85.2%	85.2%	85.2%	85.2%	85.2%	85.2%	85.2%	79.0%
January 1, 2028	97.8%	80.6%	69.1%	69.1%	69.1%	69.1%	69.1%	69.1%	69.1%	59.0%
January 1, 2029	96.1%	71.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	41.3%
January 1, 2030	94.2%	61.7%	37.6%	37.6%	37.6%	37.6%	37.6%	37.6%	37.6%	29.1%
January 1, 2031	92.3%	52.8%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	19.7%
January 1, 2032	90.3%	44.3%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.1%
January 1, 2033	88.2%	36.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2034	86.0%	28.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2035	83.6%	20.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2036	81.1%	13.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2037	78.5%	7.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2038	75.8%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2039	73.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2040	70.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2041	66.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2042	63.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2043	59.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2044	56.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2045	52.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2046	48.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2047	43.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2048	39.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2049	34.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2050	29.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2051	23.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2052	18.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2053	12.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2054	6.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
January 1, 2055	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First Payment or Redemption Date	1/1/2027	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025	1/1/2025
Last Payment or Redemption Date	1/1/2055	7/1/2038	1/1/2033	1/1/2033	1/1/2033	1/1/2033	1/1/2033	1/1/2033	1/1/2033	1/1/2033
Weighted Average Life Optional Call Not Exercised	19.9	7.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.6
Optional Call at 1/1/2033 Exercised	8.2	6.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.6

APPENDIX H

DEBT OUTSTANDING AS OF DECEMBER 31, 2023

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APPENDIX H

DEBT OUTSTANDING AS OF DECEMBER 31, 2023

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
0.250	Series 47	Fixed	1/1/24	\$1,980,000	\$1,980,000	0.093%
0.300	Series 47	Fixed	7/1/24	1,990,000	3,970,000	0.186%
0.400	Series 46-A	Fixed	1/1/24	1,120,000	5,090,000	0.239%
0.400	Series 47	Fixed	1/1/25	2,000,000	7,090,000	0.332%
0.450	Series 46-A	Fixed	7/1/24	1,140,000	8,230,000	0.386%
0.500	Series 47	Fixed	7/1/25	2,005,000	10,235,000	0.480%
0.500	Series 45	Fixed	1/1/24	2,710,000	12,945,000	0.607%
0.550	Series 47	Fixed	1/1/26	2,020,000	14,965,000	0.701%
0.550	Series 45	Fixed	7/1/24	2,740,000	17,705,000	0.830%
0.550	Series 46-A	Fixed	1/1/25	1,160,000	18,865,000	0.884%
0.600	Series 46-A	Fixed	7/1/25	1,155,000	20,020,000	0.938%
0.600	Series 46-B	Fixed	1/1/24	1,675,000	21,695,000	1.017%
0.650	Series 46-A	Fixed	1/1/26	1,170,000	22,865,000	1.071%
0.650	Series 47	Fixed	7/1/26	2,035,000	24,900,000	1.167%
0.650	Series 45	Fixed	1/1/25	2,730,000	27,630,000	1.295%
0.700	Series 45	Fixed	7/1/25	2,750,000	30,380,000	1.424%
0.750	Series 46-A	Fixed	7/1/26	1,170,000	31,550,000	1.478%
0.800	Series 47	Fixed	1/1/27	2,045,000	33,595,000	1.574%
0.875	Series 45	Fixed	1/1/26	2,775,000	36,370,000	1.704%
0.900	Series 46-B	Fixed	7/1/24	1,670,000	38,040,000	1.783%
0.900	Series 46-A	Fixed	1/1/27	2,805,000	40,845,000	1.914%
0.950	Series 47	Fixed	7/1/27	2,060,000	42,905,000	2.011%
0.950	Series 45	Fixed	7/1/26	2,780,000	45,685,000	2.141%
1.000	Series 46-A	Fixed	7/1/27	2,770,000	48,455,000	2.271%
1.050	Series 47	Fixed	1/1/28	2,080,000	50,535,000	2.368%
1.050	Series 45	Fixed	1/1/27	2,800,000	53,335,000	2.499%
1.075	Series 46-B	Fixed	1/1/25	1,660,000	54,995,000	2.577%
1.100	Series 47	Fixed	7/1/28	2,100,000	57,095,000	2.675%
1.100	Series 46-A	Fixed	1/1/28	2,680,000	59,775,000	2.801%
1.125	Series 45	Fixed	7/1/27	2,825,000	62,600,000	2.933%
1.130	Series 46-B	Fixed	7/1/25	1,655,000	64,255,000	3.011%
1.200	Series 46-A	Fixed	7/1/28	2,600,000	66,855,000	3.133%
1.230	Series 46-B	Fixed	1/1/26	1,635,000	68,490,000	3.209%
1.250	Series 47	Fixed	1/1/29	2,115,000	70,605,000	3.309%
1.300	Series 46-A	Fixed	1/1/29	2,565,000	73,170,000	3.429%
1.300	Series 45	Fixed	1/1/28	2,835,000	76,005,000	3.562%
1.330	Series 46-B	Fixed	7/1/26	1,650,000	77,655,000	3.639%
1.350	Series 45	Fixed	7/1/28	2,865,000	80,520,000	3.773%
1.350	Series 42	Fixed	1/1/24	1,325,000	81,845,000	3.835%
1.350	Series 47	Fixed	7/1/29	2,135,000	83,980,000	3.935%
1.400	Series 42	Fixed	7/1/24	1,345,000	85,325,000	3.998%
1.400	Series 46-A	Fixed	7/1/29	2,510,000	87,835,000	4.116%
1.450	Series 44	Fixed	1/1/24	1,335,000	89,170,000	4.178%
1.450	Series 43	Fixed	7/1/24	1,425,000	90,595,000	4.245%
1.450	Series 43	Fixed	1/1/24	1,400,000	91,995,000	4.311%
1.450	Series 47	Fixed	1/1/30	2,160,000	94,155,000	4.412%
1.500	Series 44	Fixed	7/1/24	1,340,000	95,495,000	4.475%
1.500	Series 42	Fixed	7/1/25	1,355,000	96,850,000	4.538%
1.500	Series 42	Fixed	1/1/25	1,360,000	98,210,000	4.602%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
1.500	Series 45	Fixed	1/1/29	\$2,900,000	\$101,110,000	4.738%
1.550	Series 42	Fixed	1/1/26	1,385,000	102,495,000	4.803%
1.550	Series 47	Fixed	7/1/30	2,180,000	104,675,000	4.905%
1.550	Series 46-A	Fixed	1/1/30	2,520,000	107,195,000	5.023%
1.550	Series 45	Fixed	7/1/29	2,900,000	110,095,000	5.159%
1.600	Series 44	Fixed	1/1/25	1,350,000	111,445,000	5.222%
1.600	Series 42	Fixed	7/1/26	1,390,000	112,835,000	5.287%
1.600	Series 43	Fixed	1/1/25	1,435,000	114,270,000	5.355%
1.600	Series 43	Fixed	7/1/25	1,445,000	115,715,000	5.422%
1.625	Series 46-A	Fixed	7/1/30	2,450,000	118,165,000	5.537%
1.650	Series 47	Fixed	1/1/31	2,210,000	120,375,000	5.641%
1.650	Series 47	Fixed	7/1/31	2,235,000	122,610,000	5.745%
1.650	Series 45	Fixed	1/1/30	2,940,000	125,550,000	5.883%
1.700	Series 44	Fixed	7/1/25	1,365,000	126,915,000	5.947%
1.700	Series 42	Fixed	1/1/27	1,425,000	128,340,000	6.014%
1.700	Series 45	Fixed	7/1/30	2,960,000	131,300,000	6.153%
1.750	Series 44	Fixed	1/1/26	1,360,000	132,660,000	6.216%
1.750	Series 42	Fixed	7/1/27	1,425,000	134,085,000	6.283%
1.750	Series 43	Fixed	1/1/26	1,465,000	135,550,000	6.352%
1.750	Series 43	Fixed	7/1/26	1,470,000	137,020,000	6.421%
1.750	Series 48	Fixed	1/1/24	2,240,000	139,260,000	6.526%
1.750	Series 47	Fixed	1/1/32	2,260,000	141,520,000	6.632%
1.750	Series 46-A	Fixed	1/1/31	2,390,000	143,910,000	6.744%
1.800	Series 44	Fixed	7/1/26	1,395,000	145,305,000	6.809%
1.800	Series 47	Fixed	7/1/32	2,285,000	147,590,000	6.916%
1.800	Series 42	Fixed	1/1/28	1,450,000	149,040,000	6.984%
1.800	Series 46-A	Fixed	7/1/31	2,380,000	151,420,000	7.095%
1.800	Series 45	Fixed	1/1/31	3,010,000	154,430,000	7.237%
1.850	Series 42	Fixed	7/1/28	1,450,000	155,880,000	7.304%
1.850	Series 43	Fixed	1/1/27	1,480,000	157,360,000	7.374%
1.850	Series 47	Fixed	1/1/33	2,320,000	159,680,000	7.483%
1.850	Series 46-A	Fixed	1/1/32	2,225,000	161,905,000	7.587%
1.875	Series 46-A	Fixed	7/1/32	2,090,000	163,995,000	7.685%
1.875	Series 45	Fixed	7/1/31	3,025,000	167,020,000	7.827%
1.900	Series 42	Fixed	1/1/29	1,490,000	168,510,000	7.896%
1.900	Series 42	Fixed	7/1/29	1,500,000	170,010,000	7.967%
1.900	Series 43	Fixed	7/1/27	1,500,000	171,510,000	8.037%
1.900	Series 46-A	Fixed	1/1/33	2,110,000	173,620,000	8.136%
1.900	Series 46-A	Fixed	7/1/33	2,130,000	175,750,000	8.236%
1.900	Series 47	Fixed	7/1/33	2,350,000	178,100,000	8.346%
1.900	Series 45	Fixed	1/1/32	3,060,000	181,160,000	8.489%
1.900	Series 45	Fixed	7/1/32	3,105,000	184,265,000	8.635%
1.950	Series 41	Fixed	1/1/24	765,000	185,030,000	8.670%
1.950	Series 44	Fixed	1/1/27	1,390,000	186,420,000	8.736%
1.950	Series 43	Fixed	1/1/28	1,520,000	187,940,000	8.807%
1.950	Series 43	Fixed	7/1/28	1,535,000	189,475,000	8.879%
1.950	Series 48	Fixed	1/1/25	2,275,000	191,750,000	8.985%
1.950	Series 45	Fixed	1/1/33	3,140,000	194,890,000	9.132%
1.950	Series 45	Fixed	7/1/33	3,165,000	198,055,000	9.281%
2.000	Series 42	Fixed	1/1/30	1,505,000	199,560,000	9.351%
2.000	Series 41	Fixed	7/1/24	815,000	200,375,000	9.390%
2.000	Series 44	Fixed	7/1/27	1,420,000	201,795,000	9.456%
2.000	Series 43	Fixed	1/1/29	1,545,000	203,340,000	9.528%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
2.000	Series 45	Fixed	7/1/35	\$13,050,000	\$216,390,000	10.140%
2.000	Series 47	Fixed	7/1/36	14,775,000	231,165,000	10.832%
2.050	Series 37-B	Fixed	1/1/24	830,000	231,995,000	10.871%
2.050	Series 43	Fixed	7/1/29	1,580,000	233,575,000	10.945%
2.050	Series 48	Fixed	7/1/25	2,295,000	235,870,000	11.053%
2.050	Series 44	Fixed	1/1/28	1,420,000	237,290,000	11.119%
2.050	Series 42	Fixed	7/1/30	1,530,000	238,820,000	11.191%
2.100	Series 41	Fixed	1/1/25	825,000	239,645,000	11.230%
2.100	Series 37-B	Fixed	7/1/24	880,000	240,525,000	11.271%
2.100	Series 38-B	Fixed	1/1/24	1,415,000	241,940,000	11.337%
2.100	Series 44	Fixed	7/1/28	1,440,000	243,380,000	11.405%
2.100	Series 42	Fixed	1/1/31	1,570,000	244,950,000	11.478%
2.100	Series 46-A	Fixed	7/1/36	13,295,000	258,245,000	12.101%
2.150	Series 41	Fixed	7/1/25	855,000	259,100,000	12.141%
2.150	Series 44	Fixed	1/1/29	1,455,000	260,555,000	12.210%
2.150	Series 43	Fixed	1/1/30	1,585,000	262,140,000	12.284%
2.150	Series 48	Fixed	1/1/26	2,315,000	264,455,000	12.392%
2.150	Series 42	Fixed	7/1/31	1,570,000	266,025,000	12.466%
2.200	Series 44	Fixed	7/1/29	1,475,000	267,500,000	12.535%
2.200	Series 43	Fixed	7/1/30	1,605,000	269,105,000	12.610%
2.200	Series 38-B	Fixed	7/1/24	1,440,000	270,545,000	12.678%
2.200	Series 42	Fixed	1/1/32	1,600,000	272,145,000	12.753%
2.200	Series 45	Fixed	7/1/40	35,595,000	307,740,000	14.421%
2.250	Series 41	Fixed	1/1/26	870,000	308,610,000	14.461%
2.250	Series 37-B	Fixed	1/1/25	895,000	309,505,000	14.503%
2.250	Series 44	Fixed	1/1/30	1,490,000	310,995,000	14.573%
2.250	Series 44	Fixed	7/1/30	1,500,000	312,495,000	14.643%
2.250	Series 42	Fixed	7/1/32	1,630,000	314,125,000	14.720%
2.250	Series 43	Fixed	1/1/31	1,630,000	315,755,000	14.796%
2.250	Series 48	Fixed	7/1/26	2,335,000	318,090,000	14.906%
2.250	Series 46-A	Fixed	7/1/42	29,250,000	347,340,000	16.276%
2.300	Series 41	Fixed	7/1/26	895,000	348,235,000	16.318%
2.300	Series 37-B	Fixed	7/1/25	940,000	349,175,000	16.362%
2.300	Series 44	Fixed	1/1/31	1,525,000	350,700,000	16.434%
2.300	Series 43	Fixed	7/1/31	1,635,000	352,335,000	16.510%
2.300	Series 47	Fixed	7/1/41	27,715,000	380,050,000	17.809%
2.350	Series 41	Fixed	1/1/27	915,000	380,965,000	17.852%
2.350	Series 44	Fixed	7/1/31	1,540,000	382,505,000	17.924%
2.350	Series 43	Fixed	1/1/32	1,670,000	384,175,000	18.002%
2.375	Series 38-B	Fixed	1/1/25	1,475,000	385,650,000	18.071%
2.375	Series 44	Fixed	1/1/32	1,565,000	387,215,000	18.145%
2.400	Series 41	Fixed	7/1/27	935,000	388,150,000	18.189%
2.400	Series 44	Fixed	7/1/32	1,570,000	389,720,000	18.262%
2.400	Series 43	Fixed	7/1/32	1,695,000	391,415,000	18.342%
2.400	Series 47	Fixed	7/1/44	17,585,000	409,000,000	19.166%
2.450	Series 41	Fixed	1/1/28	970,000	409,970,000	19.211%
2.450	Series 37-B	Fixed	1/1/26	985,000	410,955,000	19.257%
2.450	Series 38-B	Fixed	7/1/25	1,510,000	412,465,000	19.328%
2.450	Series 44	Fixed	1/1/33	1,605,000	414,070,000	19.403%
2.450	Series 42	Fixed	7/1/34	6,745,000	420,815,000	19.719%
2.500	Series 41	Fixed	7/1/28	985,000	421,800,000	19.765%
2.500	Series 37-B	Fixed	7/1/26	1,000,000	422,800,000	19.812%
2.500	Series 44	Fixed	7/1/33	1,620,000	424,420,000	19.888%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
2.550	Series 44	Fixed	7/1/35	\$6,705,000	\$431,125,000	20.202%
2.600	Series 50	Fixed	1/1/24	500,000	431,625,000	20.226%
2.600	Series 39-B	Fixed	1/1/24	565,000	432,190,000	20.252%
2.600	Series 41	Fixed	1/1/29	1,020,000	433,210,000	20.300%
2.625	Series 43	Fixed	1/1/35	8,820,000	442,030,000	20.713%
2.625	Series 42	Fixed	7/1/39	18,920,000	460,950,000	21.600%
2.650	Series 39-B	Fixed	7/1/24	780,000	461,730,000	21.637%
2.650	Series 41	Fixed	7/1/29	1,035,000	462,765,000	21.685%
2.650	Series 50	Fixed	7/1/24	1,460,000	464,225,000	21.753%
2.650	Series 38-B	Fixed	1/1/26	1,555,000	465,780,000	21.826%
2.700	Series 40	Fixed	1/1/24	20,000	465,800,000	21.827%
2.700	Series 50	Fixed	1/1/25	1,495,000	467,295,000	21.897%
2.700	Series 50	Fixed	7/1/25	1,520,000	468,815,000	21.969%
2.700	Series 38-B	Fixed	7/1/26	1,590,000	470,405,000	22.043%
2.700	Series 48	Fixed	1/1/29	2,470,000	472,875,000	22.159%
2.750	Series 40	Fixed	7/1/24	15,000	472,890,000	22.159%
2.750	Series 39-B	Fixed	1/1/25	785,000	473,675,000	22.196%
2.750	Series 41	Fixed	1/1/30	1,075,000	474,750,000	22.247%
2.750	Series 50	Fixed	1/1/26	1,545,000	476,295,000	22.319%
2.750	Series 48	Fixed	7/1/29	2,500,000	478,795,000	22.436%
2.800	Series 39-B	Fixed	7/1/25	805,000	479,600,000	22.474%
2.800	Series 41	Fixed	7/1/30	1,085,000	480,685,000	22.525%
2.800	Series 38-B	Fixed	1/1/27	1,625,000	482,310,000	22.601%
2.800	Series 43	Fixed	1/1/40	19,750,000	502,060,000	23.526%
2.800	Series 50	Fixed	7/1/26	1,570,000	503,630,000	23.600%
2.812	Series 34	PAC	7/1/35	1,855,000	505,485,000	23.687%
2.850	Series 40	Fixed	1/1/25	15,000	505,500,000	23.688%
2.850	Series 50	Fixed	1/1/27	1,600,000	507,100,000	23.763%
2.850	Series 38-B	Fixed	7/1/27	1,675,000	508,775,000	23.841%
2.850	Series 44	Fixed	7/1/40	14,400,000	523,175,000	24.516%
2.850	Series 42	Fixed	1/1/43	15,270,000	538,445,000	25.231%
2.870	Series 35	PAC	7/1/32	3,115,000	541,560,000	25.377%
2.900	Series 40	Fixed	7/1/25	15,000	541,575,000	25.378%
2.900	Series 39-A	Fixed	1/1/24	185,000	541,760,000	25.387%
2.900	Series 39-B	Fixed	1/1/26	845,000	542,605,000	25.426%
2.900	Series 50	Fixed	7/1/27	1,625,000	544,230,000	25.502%
2.950	Series 50	Fixed	1/1/28	1,655,000	545,885,000	25.580%
2.950	Series 39-B	Fixed	7/1/26	870,000	546,755,000	25.621%
2.950	Series 38-B	Fixed	1/1/28	1,705,000	548,460,000	25.701%
2.950	Series 38-B	Fixed	7/1/28	1,745,000	550,205,000	25.782%
2.950	Series 43	Fixed	7/1/43	14,235,000	564,440,000	26.449%
3.000	Series 40	Fixed	1/1/26	15,000	564,455,000	26.450%
3.000	Series 40	Fixed	7/1/26	20,000	564,475,000	26.451%
3.000	Series 39-B	Fixed	1/1/27	890,000	565,365,000	26.493%
3.000	Series 49	Fixed	1/1/24	1,375,000	566,740,000	26.557%
3.000	Series 50	Fixed	7/1/28	1,685,000	568,425,000	26.636%
3.000	Series 44	Fixed	7/1/46	18,015,000	586,440,000	27.480%
3.000	Series 46-A	PAC	7/1/51	47,975,000	634,415,000	29.728%
3.000	Series 47	PAC	7/1/51	49,180,000	683,595,000	32.033%
3.000	Series 45	PAC	7/1/51	52,100,000	735,695,000	34.474%
3.050	Series 39-B	Fixed	7/1/27	915,000	736,610,000	34.517%
3.050	Series 50	Fixed	1/1/29	1,715,000	738,325,000	34.598%
3.050	Series 48	Fixed	1/1/32	2,665,000	740,990,000	34.723%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
3.100	Series 39-B	Fixed	1/1/28	\$925,000	\$741,915,000	34.766%
3.100	Series 49	Fixed	7/1/24	1,435,000	743,350,000	34.833%
3.100	Series 50	Fixed	7/1/29	1,750,000	745,100,000	34.915%
3.100	Series 50	Fixed	1/1/30	1,780,000	746,880,000	34.999%
3.100	Series 48	Fixed	7/1/32	2,705,000	749,585,000	35.125%
3.100	Series 41	Fixed	7/1/34	6,230,000	755,815,000	35.417%
3.150	Series 40	Fixed	1/1/27	20,000	755,835,000	35.418%
3.150	Series 39-B	Fixed	7/1/28	980,000	756,815,000	35.464%
3.150	Series 50	Fixed	7/1/30	1,815,000	758,630,000	35.549%
3.150	Series 48	Fixed	1/1/33	2,745,000	761,375,000	35.678%
3.150	Series 37-B	Fixed	7/1/31	14,000,000	775,375,000	36.334%
3.200	Series 40	Fixed	7/1/27	20,000	775,395,000	36.335%
3.200	Series 39-B	Fixed	1/1/29	980,000	776,375,000	36.381%
3.200	Series 49	Fixed	1/1/25	1,465,000	777,840,000	36.449%
3.200	Series 50	Fixed	1/1/31	1,850,000	779,690,000	36.536%
3.200	Series 48	Fixed	7/1/33	2,785,000	782,475,000	36.667%
3.232	Series 36	Fixed	1/1/24	870,000	783,345,000	36.707%
3.250	Series 40	Fixed	1/1/28	20,000	783,365,000	36.708%
3.250	Series 39-B	Fixed	7/1/29	1,010,000	784,375,000	36.756%
3.250	Series 51	Fixed	7/1/24	1,555,000	785,930,000	36.828%
3.250	Series 51	Fixed	1/1/25	1,595,000	787,525,000	36.903%
3.250	Series 51	Fixed	7/1/25	1,625,000	789,150,000	36.979%
3.250	Series 51	Fixed	1/1/26	1,660,000	790,810,000	37.057%
3.250	Series 51	Fixed	7/1/26	1,690,000	792,500,000	37.136%
3.250	Series 50	Fixed	7/1/31	1,890,000	794,390,000	37.225%
3.250	Series 48	Fixed	1/1/34	2,825,000	797,215,000	37.357%
3.250	Series 48	Fixed	7/1/34	2,870,000	800,085,000	37.492%
3.300	Series 40	Fixed	7/1/28	20,000	800,105,000	37.493%
3.300	Series 49	Fixed	7/1/25	1,485,000	801,590,000	37.562%
3.300	Series 50	Fixed	1/1/32	1,925,000	803,515,000	37.652%
3.332	Series 36	Fixed	7/1/24	885,000	804,400,000	37.694%
3.350	Series 50	Fixed	7/1/32	1,965,000	806,365,000	37.786%
3.350	Series 48	Fixed	7/1/37	18,195,000	824,560,000	38.639%
3.375	Series 51	Fixed	1/1/28	5,265,000	829,825,000	38.885%
3.400	Series 40	Fixed	1/1/29	20,000	829,845,000	38.886%
3.400	Series 41	Fixed	7/1/39	9,805,000	839,650,000	39.346%
3.400	Series 38-B	Fixed	7/1/32	15,675,000	855,325,000	40.080%
3.400	Series 51	Fixed	7/1/28	1,825,000	857,150,000	40.166%
3.400	Series 50	Fixed	1/1/33	2,005,000	859,155,000	40.260%
3.432	Series 36	Fixed	1/1/25	900,000	860,055,000	40.302%
3.450	Series 40	Fixed	7/1/29	20,000	860,075,000	40.303%
3.450	Series 49	Fixed	1/1/26	1,510,000	861,585,000	40.374%
3.450	Series 50	Fixed	7/1/33	2,050,000	863,635,000	40.470%
3.482	Series 36	Fixed	7/1/25	650,000	864,285,000	40.500%
3.500	Series 40	Fixed	1/1/30	20,000	864,305,000	40.501%
3.500	Series 37-A	PAC	7/1/39	10,135,000	874,440,000	40.976%
3.500	Series 49	Fixed	7/1/26	1,545,000	875,985,000	41.048%
3.500	Series 50	Fixed	1/1/34	2,090,000	878,075,000	41.146%
3.500	Series 51	Fixed	7/1/29	3,760,000	881,835,000	41.323%
3.500	Series 48	Fixed	7/1/42	34,555,000	916,390,000	42.942%
3.550	Series 40	Fixed	7/1/30	20,000	916,410,000	42.943%
3.550	Series 49	Fixed	1/1/27	1,570,000	917,980,000	43.016%
3.550	Series 50	Fixed	7/1/34	2,135,000	920,115,000	43.116%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
3.550	Series 41	Fixed	7/1/44	\$12,655,000	\$932,770,000	43.709%
3.600	Series 49	Fixed	7/1/27	1,600,000	934,370,000	43.784%
3.600	Series 52-A	Fixed	1/1/25	1,880,000	936,250,000	43.872%
3.600	Series 50	Fixed	1/1/35	2,185,000	938,435,000	43.975%
3.600	Series 48	Fixed	1/1/46	24,480,000	962,915,000	45.122%
3.625	Series 52-A	Fixed	7/1/25	1,980,000	964,895,000	45.215%
3.625	Series 39-B	Fixed	7/1/33	5,340,000	970,235,000	45.465%
3.625	Series 41	Fixed	7/1/49	19,490,000	989,725,000	46.378%
3.650	Series 50	Fixed	7/1/35	2,230,000	991,955,000	46.483%
3.650	Series 51	Fixed	7/1/30	3,910,000	995,865,000	46.666%
3.700	Series 49	Fixed	1/1/28	1,635,000	997,500,000	46.743%
3.700	Series 52-A	Fixed	1/1/26	2,025,000	999,525,000	46.837%
3.750	Series 49	Fixed	7/1/28	1,665,000	1,001,190,000	46.915%
3.750	Series 52-A	Fixed	7/1/26	2,065,000	1,003,255,000	47.012%
3.750	Series 51	Fixed	7/1/31	4,085,000	1,007,340,000	47.204%
3.750	Series 48	PAC	7/1/52	63,315,000	1,070,655,000	50.171%
3.800	Series 40	Fixed	7/1/33	145,000	1,070,800,000	50.177%
3.800	Series 49	Fixed	1/1/29	1,695,000	1,072,495,000	50.257%
3.800	Series 52-A	Fixed	1/1/27	2,110,000	1,074,605,000	50.356%
3.850	Series 49	Fixed	7/1/29	1,740,000	1,076,345,000	50.437%
3.850	Series 52-A	Fixed	7/1/27	2,160,000	1,078,505,000	50.538%
3.850	Series 51	Fixed	7/1/32	4,265,000	1,082,770,000	50.738%
3.850	Series 39-B	Fixed	7/1/38	7,980,000	1,090,750,000	51.112%
3.850	Series 38-B	Fixed	7/1/37	24,265,000	1,115,015,000	52.249%
3.875	Series 51	Fixed	1/1/33	2,205,000	1,117,220,000	52.353%
3.875	Series 52-A	Fixed	1/1/28	2,210,000	1,119,430,000	52.456%
3.900	Series 49	Fixed	1/1/30	1,780,000	1,121,210,000	52.540%
3.900	Series 51	Fixed	7/1/33	2,255,000	1,123,465,000	52.645%
3.900	Series 52-A	Fixed	7/1/28	2,260,000	1,125,725,000	52.751%
3.950	Series 49	Fixed	7/1/30	1,810,000	1,127,535,000	52.836%
3.950	Series 51	Fixed	1/1/34	2,305,000	1,129,840,000	52.944%
3.950	Series 52-A	Fixed	1/1/29	2,310,000	1,132,150,000	53.052%
3.950	Series 51	Fixed	7/1/34	2,355,000	1,134,505,000	53.163%
3.950	Series 51	Fixed	1/1/35	2,410,000	1,136,915,000	53.275%
3.950	Series 51	Fixed	7/1/35	2,470,000	1,139,385,000	53.391%
3.950	Series 38-B	Fixed	1/1/41	13,785,000	1,153,170,000	54.037%
3.950	Series 50	Fixed	7/1/38	14,535,000	1,167,705,000	54.718%
4.000	Series 52-A	Fixed	7/1/29	2,365,000	1,170,070,000	54.829%
4.000	Series 39-B	PAC	7/1/48	20,585,000	1,190,655,000	55.794%
4.000	Series 41	PAC	1/1/50	23,835,000	1,214,490,000	56.911%
4.000	Series 38-B	PAC	7/1/47	26,200,000	1,240,690,000	58.138%
4.000	Series 44	PAC	7/1/50	27,425,000	1,268,115,000	59.423%
4.000	Series 42	PAC	1/1/50	30,540,000	1,298,655,000	60.855%
4.000	Series 43	PAC	7/1/50	32,800,000	1,331,455,000	62.392%
4.050	Series 49	Fixed	1/1/31	1,850,000	1,333,305,000	62.478%
4.050	Series 52-A	Fixed	1/1/30	2,420,000	1,335,725,000	62.592%
4.100	Series 51	Fixed	7/1/38	16,105,000	1,351,830,000	63.346%
4.100	Series 49	Fixed	7/1/31	1,890,000	1,353,720,000	63.435%
4.100	Series 52-A	Fixed	7/1/30	2,475,000	1,356,195,000	63.551%
4.125	Series 49	Fixed	1/1/32	1,935,000	1,358,130,000	63.642%
4.150	Series 49	Fixed	7/1/32	1,975,000	1,360,105,000	63.734%
4.150	Series 52-A	Fixed	7/1/31	5,135,000	1,365,240,000	63.975%
4.200	Series 52-A	Fixed	1/1/32	2,660,000	1,367,900,000	64.099%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
4.200	Series 51	Fixed	7/1/40	\$12,125,000	\$1,380,025,000	64.668%
4.250	Series 49	Fixed	1/1/33	2,020,000	1,382,045,000	64.762%
4.250	Series 52-A	Fixed	7/1/32	2,730,000	1,384,775,000	64.890%
4.250	Series 40	PAC	7/1/47	17,345,000	1,402,120,000	65.703%
4.300	Series 49	Fixed	7/1/33	2,075,000	1,404,195,000	65.800%
4.300	Series 52-A	Fixed	1/1/33	2,795,000	1,406,990,000	65.931%
4.300	Series 52-A	Fixed	7/1/33	2,870,000	1,409,860,000	66.066%
4.350	Series 49	Fixed	1/1/34	2,120,000	1,411,980,000	66.165%
4.350	Series 52-A	Fixed	1/1/34	2,940,000	1,414,920,000	66.303%
4.350	Series 52-A	Fixed	7/1/34	3,020,000	1,417,940,000	66.444%
4.350	Series 52-A	Fixed	1/1/35	3,095,000	1,421,035,000	66.589%
4.350	Series 52-A	Fixed	7/1/35	3,180,000	1,424,215,000	66.738%
4.350	Series 50	Fixed	7/1/43	29,655,000	1,453,870,000	68.128%
4.375	Series 51	Fixed	7/1/43	20,685,000	1,474,555,000	69.097%
4.400	Series 50	Fixed	7/1/46	20,040,000	1,494,595,000	70.036%
4.400	Series 49	Fixed	7/1/34	2,170,000	1,496,765,000	70.138%
4.500	Series 51	Fixed	1/1/48	36,515,000	1,533,280,000	71.849%
4.600	Series 49	Fixed	7/1/37	14,215,000	1,547,495,000	72.515%
4.625	Series 52-A	Fixed	7/1/38	20,990,000	1,568,485,000	73.499%
4.875	Series 49	Fixed	7/1/42	29,230,000	1,597,715,000	74.868%
4.900	Series 52-A	Fixed	7/1/43	44,010,000	1,641,725,000	76.931%
5.000	Series 48	Fixed	7/1/24	2,255,000	1,643,980,000	77.036%
5.000	Series 48	Fixed	1/1/27	2,360,000	1,646,340,000	77.147%
5.000	Series 48	Fixed	7/1/27	2,385,000	1,648,725,000	77.259%
5.000	Series 48	Fixed	1/1/28	2,410,000	1,651,135,000	77.372%
5.000	Series 48	Fixed	7/1/28	2,440,000	1,653,575,000	77.486%
5.000	Series 48	Fixed	1/1/30	2,530,000	1,656,105,000	77.605%
5.000	Series 48	Fixed	7/1/30	2,565,000	1,658,670,000	77.725%
5.000	Series 48	Fixed	1/1/31	2,595,000	1,661,265,000	77.846%
5.000	Series 48	Fixed	7/1/31	2,630,000	1,663,895,000	77.970%
5.000	Series 52-A	Fixed	7/1/46	28,675,000	1,692,570,000	79.313%
5.000	Series 49	Fixed	7/1/47	38,340,000	1,730,910,000	81.110%
5.379	Series 52-B	Fixed	1/1/26	585,000	1,731,495,000	81.137%
5.408	Series 52-B	Fixed	1/1/25	540,000	1,732,035,000	81.163%
5.417	Series 52-B	Fixed	1/1/27	610,000	1,732,645,000	81.191%
5.419	Series 52-B	Fixed	7/1/26	595,000	1,733,240,000	81.219%
5.428	Series 52-B	Fixed	7/1/25	570,000	1,733,810,000	81.246%
5.457	Series 52-B	Fixed	7/1/27	625,000	1,734,435,000	81.275%
5.500	Series 50	PAC	1/1/54	73,730,000	1,808,165,000	84.730%
5.517	Series 52-B	Fixed	1/1/28	640,000	1,808,805,000	84.760%
5.547	Series 52-B	Fixed	7/1/28	655,000	1,809,460,000	84.791%
5.692	Series 52-B	Fixed	1/1/29	670,000	1,810,130,000	84.822%
5.742	Series 52-B	Fixed	7/1/29	685,000	1,810,815,000	84.854%
5.750	Series 51	PAC	1/1/54	68,335,000	1,879,150,000	88.056%
5.792	Series 52-B	Fixed	1/1/30	700,000	1,879,850,000	88.089%
5.842	Series 52-B	Fixed	7/1/30	720,000	1,880,570,000	88.123%
5.869	Series 52-B	Fixed	1/1/31	735,000	1,881,305,000	88.157%
5.894	Series 52-B	Fixed	7/1/31	755,000	1,882,060,000	88.193%
5.919	Series 52-B	Fixed	1/1/32	775,000	1,882,835,000	88.229%
5.949	Series 52-B	Fixed	7/1/32	795,000	1,883,630,000	88.266%
5.969	Series 52-B	Fixed	1/1/33	815,000	1,884,445,000	88.305%
5.989	Series 52-B	Fixed	7/1/33	835,000	1,885,280,000	88.344%
6.000	Series 49	PAC	7/1/53	59,415,000	1,944,695,000	91.128%

Coupon	Series	Type	Maturity	Amount	Cumulative	% of Total
6.039	Series 52-B	Fixed	7/1/38	\$9,620,000	\$1,954,315,000	91.579%
6.128	Series 52-B	Fixed	7/1/43	12,420,000	1,966,735,000	92.161%
6.238	Series 52-B	Fixed	1/1/49	17,555,000	1,984,290,000	92.983%
6.250	Series 52-A	PAC	1/1/55	86,640,000	2,070,930,000	97.043%
6.500	Series 52-B	PAC	1/1/55	23,100,000	2,094,030,000	98.126%
N/A	Series 52-C	Variable	7/1/49	40,000,000	2,134,030,000	100.000%