

In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2019 Subseries B-1 Bonds, the 2019 Subseries B-2 Bonds, and the 2019 Subseries B-3 Bonds (collectively, the "2019 Series B Tax-Exempt Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) interest on the 2019 Subseries B-1 Bonds and the 2019 Subseries B-3 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; and (iii) interest on the 2019 Subseries B-2 Bonds is treated as a preference item in calculating the alternative minimum tax under the Code. (See "Tax Matters" herein.)

In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions, interest on the 2019 Subseries B-4 Bonds is included in gross income for Federal income tax purposes under the Code. (See "Tax Matters" herein.)

In the opinions of Co-Bond Counsel to the Authority, under existing statutes, interest on the Offered Bonds (as defined below) is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the alternative minimum tax imposed under the Code with respect to individuals, trusts and estates. (See "Tax Matters" herein.)



**CONNECTICUT HOUSING FINANCE AUTHORITY  
HOUSING MORTGAGE FINANCE PROGRAM BONDS**

**\$121,995,000 2019 Series B**

**consisting of**

**\$71,995,000 Subseries B-1**

**\$15,130,000 Subseries B-2 (Variable Rate) (AMT)**

**\$19,870,000 Subseries B-3 (Variable Rate)**

**\$15,000,000 Subseries B-4 (Federally Taxable)**

**Dated: Date of Delivery**

The Housing Mortgage Finance Program Bonds, 2019 Series B, consisting of Subseries B-1, Subseries B-2, Subseries B-3 and Subseries B-4 (together, the "Offered Bonds") of the Connecticut Housing Finance Authority (the "Authority"), are issuable as fully-registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Offered Bonds and purchasers will not receive physical delivery of bond certificates representing their interest in the Offered Bonds. The Offered Bonds (other than the 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds) will be issued in the denomination of \$5,000 or any multiple integral thereof. The 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds (collectively, the "Variable Rate Bonds"), except as otherwise provided during a Flexible Mode Period or Semiannual Mode Period, will be issued in Authorized Denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000, in each case as more fully described herein.

Interest on the Offered Bonds is payable at the rates and on the dates as more particularly described herein. Principal and interest will be payable by U.S. Bank National Association, Hartford, Connecticut, as Trustee and paying agent, or, with respect to the Variable Rate Bonds, upon tender under certain circumstances described herein, by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent, or U.S. Bank National Association, as Tender Agent (the "Tender Agent"), in each case to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Offered Bonds as described herein.

The Variable Rate Bonds will bear interest from their date of delivery based on a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term or Auction Mode Period (each, a "Mode Period") at a rate not to exceed 14% per annum (the "Maximum Rate"), unless such Variable Rate Bonds are Converted (as herein defined), in which case such Converted Variable Rate Bonds shall bear interest at Long-Term Fixed Interest Rates (as defined herein) until their maturity or prior redemption, all as more fully described herein. Each series of the Variable Rate Bonds shall initially bear interest based on a Weekly Mode Period. Under certain circumstances, the Variable Rate Bonds are subject to mandatory and optional tender for purchase at a price equal to the principal amount thereof plus accrued interest, all as more fully described herein. See pages (i) and (ii) for a summary of information relating to Mode Periods and notice and tender requirements relating to the Variable Rate Bonds and "The Offered Bonds" herein. This Official Statement is only intended to describe the Variable Rate Bonds while bearing Variable Rate interest in the Daily, Weekly, Monthly, Quarterly, Flexible or Semiannual Mode Periods. PURCHASERS OF THE VARIABLE RATE BONDS WILL NOT RECEIVE A FINAL OFFICIAL STATEMENT IDENTIFYING THE INITIAL INTEREST RATE TO BE BORNE BY THE VARIABLE RATE BONDS.

The Authority expects to execute on the date of delivery of the 2019 Subseries B-2 Bonds a Standby Bond Purchase Agreement (the "Subseries 2019 B-2 Standby Bond Purchase Agreement") and on the date of delivery of the 2019 Subseries B-3 Bonds a Standby Bond Purchase Agreement (the "Subseries 2019 B-3 Standby Bond Purchase Agreement") and together with the Subseries 2019 B-2 Standby Bond Purchase Agreement, the "BANA Standby Agreements") each by and between the Authority and Bank of America, N.A. (the "Bank"), for the related subseries of Variable Rate Bonds, under which, upon certain terms and conditions, the Bank will be obligated to provide funds for the purchase of the related subseries of Variable Rate Bonds while in the Daily Mode Period or the Weekly Mode Period that are tendered or deemed tendered and not remarketed. Each BANA Standby Agreement will expire on May 9, 2023 (or if such date is not a Business Day, the Business Day immediately preceding such day) unless extended or terminated earlier upon an event of default as set forth in the related BANA Standby Agreement, including certain events that may result in immediate termination or suspension (without notice) of the Bank's obligation to purchase the related subseries of Variable Rate Bonds under the BANA Standby Agreements, all as more fully described herein. Under such circumstances, Bondholders will no longer have the right to tender their Variable Rate Bonds and may be required to retain such Variable Rate Bonds to their maturity or prior redemption, as more fully described herein.

**A detailed maturity schedule is set forth on the inside cover page hereof.**

Each Subseries of Offered Bonds is subject to (i) special redemption, in whole or in part, under certain circumstances at any time, (ii) mandatory sinking fund redemption, or (iii) optional redemption, all as more fully set forth herein.

**Bonds issued under the Resolution are general obligations of the Authority, a body politic and corporate constituting a public instrumentality and political subdivision of the State of Connecticut. The Bonds are payable from revenues derived by the Authority from the operations of its Housing Mortgage Finance Program together with all other monies legally available therefor including the amounts, if any, certified by the Chairperson of the Authority as necessary to restore the Housing Mortgage Capital Reserve Fund to the required minimum capital reserve and deemed appropriated from the State's general fund and paid to the Authority pursuant to the Act, all as more fully described herein. In the opinions of Co-Bond Counsel, such appropriation and payment from the general fund of the State do not require further legislative approval. The Authority has no taxing power. The Bonds do not constitute a debt or liability of the State or a pledge of its faith and credit or taxing power.**

*The Offered Bonds are offered for delivery when, as, and if issued and subject to the approval of legality by Co-Bond Counsel to the Authority, Hawkins Delafield & Wood LLP, Hartford, Connecticut and Lewis & Munday, A Professional Corporation, of Detroit, Michigan, with offices in Glastonbury, Connecticut. Certain legal matters will be passed upon for the Underwriters by their counsel, Tobin, Carberry, O'Malley, Riley & Selinger, P.C., New London, Connecticut and for the Bank by their counsel Nixon Peabody LLP, New York, New York. It is expected that the Offered Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about May 9, 2019.*

**BofA Merrill Lynch†**

**Citigroup**

**Morgan Stanley**

**RBC Capital Markets**

**Barclays**

**Drexel Hamilton, LLC**

**Janney Montgomery Scott**

**J.P. Morgan**

**Ramirez & Co., Inc.**

**Raymond James**

**Rice Financial Products Company**

**Roosevelt & Cross Incorporated**

**TD Securities**

**Wells Fargo Securities**

April 24, 2019

† Senior Manager for the 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 Bonds and sole Underwriter for the 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds.

**MATURITY SCHEDULE**  
**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**HOUSING MORTGAGE FINANCE PROGRAM BONDS**

**\$121,995,000 2019 SERIES B BONDS**

**\$71,995,000 2019 Subseries B-1 Bonds**

**\$12,705,000 Subseries B-1 Serial Bonds**

<u>Due</u>	<u>Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price or Yield (%)</u>	<u>CUSIP<sup>†</sup></u>	<u>Due</u>	<u>Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price or Yield (%)</u>	<u>CUSIP<sup>†</sup></u>
November 15, 2021	885,000	1.550	100	20775CT46	November 15, 2027	1,320,000	2.375	100	20775CT95
May 15, 2025	1,330,000	2.050	100	20775CT53	May 15, 2028	1,315,000	2.450	100	20775CU28
May 15, 2026	1,385,000	2.150	100	20775CT61	November 15, 2028	1,390,000	2.500	100	20775CU36
November 15, 2026	940,000	2.200	100	20775CT79	May 15, 2029	1,140,000	2.550	100	20775CU44
May 15, 2027	1,425,000	2.300	100	20775CT87	November 15, 2029	1,575,000	2.600	100	20775CU51

**\$7,620,000 3.000% Subseries B-1 Term Bonds due November 15, 2033 – Price: 100% CUSIP<sup>†</sup>: 20775CU69**  
**\$15,615,000 3.300% Subseries B-1 Term Bonds due November 15, 2039 – Price: 100% CUSIP<sup>†</sup>: 20775CU77**  
**\$36,055,000 4.000% Subseries B-1 Term “PAC” Bonds due May 15, 2049 – Price: 108.329% CUSIP<sup>†</sup>: 20775CU85**

**\$15,130,000 2019 Subseries B-2 Bonds (Variable Rate) (AMT)**

**\$15,130,000 Subseries B-2 Term Bonds due November 15, 2039 – Price 100% CUSIP<sup>†</sup>: 20775CW75**

**\$19,870,000 2019 Subseries B-3 Bonds (Variable Rate)**

**\$19,870,000 Subseries B-3 Term Bonds due November 15, 2043 – Price 100% CUSIP<sup>†</sup>: 20775CW83**

**\$15,000,000 2019 Subseries B-4 Bonds (Federally Taxable)**

**\$15,000,000 Subseries B-4 Serial Bonds**

<u>Due</u>	<u>Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price or Yield (%)</u>	<u>CUSIP<sup>†</sup></u>	<u>Due</u>	<u>Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price or Yield (%)</u>	<u>CUSIP<sup>†</sup></u>
November 15, 2019	810,000	2.450	100	20775CU93	May 15, 2023	1,150,000	2.800	100	20775CV84
May 15, 2020	620,000	2.550	100	20775CV27	November 15, 2023	1,140,000	2.850	100	20775CV92
November 15, 2020	860,000	2.600	100	20775CV35	May 15, 2024	1,280,000	2.900	100	20775CW26
May 15, 2021	945,000	2.650	100	20775CV43	November 15, 2024	1,305,000	2.950	100	20775CW34
November 15, 2021	270,000	2.700	100	20775CV50	November 15, 2025	1,360,000	3.000	100	20775CW42
May 15, 2022	1,040,000	2.700	100	20775CV68	May 15, 2030	1,630,000	3.550	100	20775CW59
November 15, 2022	945,000	2.750	100	20775CV76	November 15, 2030	1,645,000	3.600	100	20775CW67

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the applicable Offered Bonds. The Authority and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Authority and the Underwriters on the Offered Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Offered Bonds.

## MODE CHART FOR VARIABLE RATE BONDS

The Variable Rate Bonds may bear interest in a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible or Auction Mode Period, or be Converted to bear interest at Long-Term Fixed Interest Rates. Each series of the Variable Rate Bonds shall initially bear interest in a Weekly Mode Period. Purchasers of the Variable Rate Bonds will not receive a final Official Statement identifying the initial interest rate to be borne by the Variable Rate Bonds. For additional information on the Variable Rate Bonds, see Part 1 “THE OFFERED BONDS.”

For each Mode Period following the date of delivery of the Variable Rate Bonds, the Interest Payment Date, the Rate Determination Date, Effective Rate Date, Statement of Effective Rate, the Notice of Tender by Holder to Remarketing Agent or Tender Agent and Tender and Purchase Date, and the Written Mode Change Notice shall be determined in accordance with the following schedule:

	DAILY MODE	WEEKLY MODE	MONTHLY MODE
<b>Interest Payment Date</b>	May 15 and November 15 of each year	May 15 and November 15 of each year	May 15 and November 15 of each year
<b>Rate Determination Date</b>	Each Business Day by 10:00 a.m.	First Business Day preceding Effective Rate Date	First Business Day preceding Effective Rate Date by 11:00 a.m.
<b>Effective Rate Date</b>	Daily	Thursday following the Rate Determination Date	First day of the calendar month
<b>Statement of Effective Rate</b>	Trustee to mail to Holder monthly statement of Daily Effective Rates for prior month within 7 Business Days of end of each Calendar month	Trustee to mail to Holder monthly statement of Weekly Effective Rates for prior month within 7 Business Days of end of each Calendar month	Trustee to mail to Holder notice of Effective Rate for prior month within 7 Business Days following each Rate Determination Date
<b>Irrevocable Notice of Tender by Holder to Remarketing Agent and/or Tender Agent* and Tender and Purchase Date (Within Mode Period)</b>	Notice by Holder to Remarketing Agent and Tender Agent prior to 11:00 a.m. on any Business Day, which Day shall also be the Tender and Purchase Date	Notice by Holder to Remarketing Agent and Tender Agent not later than 5:00 p.m. on the Business Day 7 days prior to the Business Day on which Holder will tender its Bonds, which Day is the Tender and Purchase Date and shall be set forth in the Tender Notice	Notice by Holder to Remarketing Agent and Tender Agent not later than 5:00 p.m. on the Business Day 7 days prior to next Effective Rate Date, which Date is the Tender and Purchase Date and shall be set forth in the Tender Notice
<b>Written Mode Change Notice; Mandatory Tender</b>	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date

\* Notice of Tender to the Tender Agent must be in writing and addressed to: U.S. Bank National Association, Corporate Trust Administration, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103, or emailed to [debra.colon@usbank.com](mailto:debra.colon@usbank.com) and [tender.notifications@usbank.com](mailto:tender.notifications@usbank.com).

	<b>QUARTERLY MODE</b>	<b>SEMIANNUAL MODE</b>	<b>FLEXIBLE MODE</b>
<b>Interest Payment Date</b>	May 15 and November 15 of each year	May 15 and November 15 of each year	The Business Day next succeeding the last day of any Flexible Rate Segment
<b>Rate Determination Date</b>	First Business Day preceding Effective Rate Date by 11:00 a.m.	First Business Day preceding Effective Rate Date by 11:00 a.m.	Effective Rate determined by 1:00 p.m. on first day of each Flexible Rate Segment
<b>Effective Rate Date</b>	February 15, May 15, August 15 and November 15 of each year	May 15 and November 15 of each year	First Business Day of each Flexible Rate Segment
<b>Statement of Effective Rate</b>	Trustee to mail to Holder notice of Effective Rate on the respective Rate Determination Dates	Trustee to mail to Holder notice of Effective Rate on the respective Rate Determination Dates	Effective Rate available to Holders between 1:00 p.m. and 5:00 p.m. from Remarketing Agent or Trustee
<b>Irrevocable Notice of Tender by Holder to Remarketing Agent and/or Tender Agent* and Tender and Purchase Date (Within Mode Period)</b>	Notice by Holder to Tender Agent not later than 5:00 p.m. on the Business Day 13 days prior to next Effective Rate Date, which Date is the Tender and Purchase Date and shall be set forth in the Tender Notice	Notice by Holder to Tender Agent not later than 5:00 p.m. on the Business Day 15 days prior to next Effective Rate Date, which Date is the Tender and Purchase Date and shall be set forth in the Tender Notice	No optional tender of Bonds in Flexible Mode Period
<b>Written Mode Change Notice; Mandatory Tender</b>	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date	Authority to give notice to Notice Parties of Mode Change Date 21 days prior to Mode Change Date and Trustee to give notice to Holders 14 days prior to Mode Change Date

\* Notice of Tender to the Tender Agent must be in writing and addressed to: U.S. Bank National Association, Corporate Trust Administration, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103, or emailed to [debra.colon@usbank.com](mailto:debra.colon@usbank.com) and [tender.notifications@usbank.com](mailto:tender.notifications@usbank.com).

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered 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 furnished by the Authority and includes information from other sources that the Authority believes to be reliable, but it is not guaranteed as to its accuracy or completeness. 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 Authority since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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.

The Bank has provided the following sentence for inclusion in this Official Statement: The Bank has not prepared or assisted in the preparation of this Official Statement, including any financial information included herein or attached hereto and the Bank has no responsibility for the form and content of this Official Statement or any information omitted herefrom, other than solely with respect to the information describing itself under the heading “CERTAIN INFORMATION RELATING TO BANK OF AMERICA, N.A.” set forth in Appendix C to this Official Statement, and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself under the heading “CERTAIN INFORMATION RELATING TO BANK OF AMERICA, N.A.” set forth in Appendix C to this Official Statement.

Part 1 and Part 2 of this Official Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2 constitute this Official Statement.

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**Lamont Financial Services Corporation — Financial Advisor**

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**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**HOUSING MORTGAGE FINANCE PROGRAM BONDS**  
**\$121,995,000 2019 Series B**  
 consisting of  
**\$71,995,000 Subseries B-1**  
**\$15,130,000 Subseries B-2 (Variable Rate) (AMT)**  
**\$19,870,000 Subseries B-3 (Variable Rate)**  
**\$15,000,000 Subseries B-4 (Federally Taxable)**

This Official Statement Part 1 (sometimes referred to herein as “Part 1”) provides information as of its date (except where otherwise expressly stated) concerning the Authority’s Offered Bonds. It contains only a part of the information to be provided by the Authority in connection with the issuance and sale of the Offered Bonds. Additional information concerning bonds previously issued and Outstanding under the Resolution (as defined herein), the Authority, and the Housing Mortgage Finance Program (as defined in Appendix D to Part 2 of this Official Statement) is contained in the Official Statement Part 2 (sometimes referred to herein as “Part 2”) and is subject in all respects to the information contained herein.

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**CONNECTICUT HOUSING FINANCE AUTHORITY**

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**OFFICIAL STATEMENT PART 1**

*relating to*

**HOUSING MORTGAGE FINANCE PROGRAM BONDS**

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**\$121,995,000 2019 Series B**  
**consisting of**  
**\$71,995,000 Subseries B-1**  
**\$15,130,000 Subseries B-2 (Variable Rate) (AMT)**  
**\$19,870,000 Subseries B-3 (Variable Rate)**  
**\$15,000,000 Subseries B-4 (Federally Taxable)**

This Official Statement consists of Part 1 and Part 2. This Part 1, including the cover page to this Part 1, the cover page and inside cover page to the Official Statement, and the appendices hereto, provides certain information concerning the Connecticut Housing Finance Authority (the “Authority”) in connection with the issuance of (i) its Housing Mortgage Finance Program Bonds, 2019 Series B Subseries B-1 (the “2019 Subseries B-1 Bonds”), (ii) its Housing Mortgage Finance Program Bonds, 2019 Series B Subseries B-2 (the “2019 Subseries B-2 Bonds”), (iii) its Housing Mortgage Finance Program Bonds, 2019 Series B Subseries B-3 (the “2019 Subseries B-3 Bonds”), and (iv) its Housing Mortgage Finance Program Bonds, 2019 Series B Subseries B-4 (the “2019 Subseries B-4 Bonds” and, together with the 2019 Subseries B-1 Bonds, the 2019 Subseries B-2 Bonds, and the 2019 Subseries B-3 Bonds, the “Offered Bonds”). The 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 Bonds are sometimes referred to collectively herein as the “Fixed Rate Bonds,” the 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds are sometimes referred to collectively herein as the “Variable Rate Bonds,” and the 2019 Subseries B-4 Bonds are sometimes referred to herein as the “Taxable Bonds.” Each subseries of the Offered Bonds is sometimes referred to herein as a “Subseries.” The Offered Bonds are being issued pursuant to Chapter 134 of the General Statutes of Connecticut, as amended (the “Act”), the General Housing Mortgage Finance Program Bond Resolution of the Authority, adopted September 27, 1972, as amended and supplemented (the “Resolution”), and a series resolution entitled “A Series Resolution Authorizing the Issuance of Housing Mortgage Finance Program Bonds, 2019 Series B,” adopted by the Authority on March 28, 2019 (the “2019 Series B Resolution” and, together with the Resolution, the “Resolutions”).

Pursuant to the Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein, and all such bonds, heretofore and hereafter issued thereunder, including the Offered Bonds, are herein collectively referred to as the “Bonds.” The Official Statement Part 2 sets forth additional information concerning the Authority, the Act, the Housing Mortgage Finance Program, other activities of the Authority, and the Outstanding Bonds. Certain terms used in this Official Statement and the Resolution are defined in Appendix D to Part 2.

The issuance of the Fixed Rate Bonds is contingent upon the sale and delivery of the Variable Rate Bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, the sole Underwriter of the Variable Rate Bonds, and the issuance of the Variable Rate Bonds is contingent upon the sale and delivery of the Fixed Rate Bonds to the Underwriters thereof listed on the cover page hereof. See “UNDERWRITING” below.

## INTRODUCTION

### General

The Authority was created in 1969 pursuant to the Act, as a public instrumentality and political subdivision of the State of Connecticut (the “State”) to meet the housing needs of low and moderate income families and persons, with the objectives of reducing the cost of mortgage financing for, increasing the supply of, and encouraging and assisting the development and construction of well-planned and well designed single family and multifamily housing for low and moderate income families and persons throughout the State. In 1976, the Act was amended to authorize the Authority to finance mortgage loans in certain eligible urban areas without regard to income limitations for the purpose, among others, of restoring such urban areas as desirable places for persons of all income levels to live, work, shop, and enjoy the amenities of town living and meeting, traditional to the State, and as a means of ensuring that such urban areas do not further deteriorate. To accomplish such purposes the Authority has implemented its Housing Mortgage Finance Program and, as of December 31, 2018, has issued approximately \$19.7 billion aggregate principal amount of Bonds pursuant to the Resolution to finance the purchase of permanent home Mortgage Loans for owner-occupied housing consisting of not more than four household units, the financing of certain construction and permanent Mortgage Loans for multifamily residential housing, the funding of certain reserves and the refunding of prior Bonds. As of December 31, 2018, approximately \$4.2 billion aggregate principal amount of Bonds was outstanding consisting of approximately \$1.3 billion (approximately 30%) of variable rate bonds and approximately \$2.9 billion (approximately 70%) of fixed rate bonds. The variable rate bonds are hedged by Swaps with a notional amount outstanding of \$833 million (approximately 63% hedged) as of March 31, 2019. See Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM—Housing Mortgage Finance Program Bonds” and “Interest Rate Swap Agreements.” In 2008, the Act was amended by Public Act 08-176 to explicitly grant the Authority the power to make or purchase mortgages on one to four unit owner occupied residential property directly from lenders subject to certain eligibility requirements and consistent with the restrictions under the Resolution.

The Resolution permits the financing of home Mortgage Loans and multifamily Mortgage Loans. The proceeds of the Offered Bonds, along with other available monies under the Resolution, are expected to be used to (i) within 90 days of the date of issuance thereof, refund and/or replace and refund certain current and/or future maturities of outstanding bonds to be paid at maturity or to be redeemed by special and/or optional redemption, which bonds were initially issued in part to finance certain home Mortgage Loans, (ii) provide new monies for the financing of permanent home Mortgage Loans, and (iii) pay certain costs of issuance. See “SOURCES AND USES.”

Generally, home Mortgage Loans financed from the proceeds of Bonds issued under the Resolution are originated by participating financial institutions and may be guaranteed or insured by the Federal Housing Administration (“FHA”), the Department of Veterans Affairs (“VA”), the United States Department of Agriculture Rural Development (“RD”), private mortgage insurance companies (“PMI”) or the Authority itself. Such proceeds are available to make Mortgage Loans as hereinafter described. The Act authorizes the financing of Mortgage Loans that may not be so insured in an aggregate amount not to exceed two billion two hundred fifty million dollars. In addition, certain mortgage loans may be pooled into GNMA securities, FNMA securities or FHLMC securities (collectively, “Agency Securities”) and held as investments under the Resolution. See Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM—Home Mortgage Loans—Home Mortgage Loan Portfolio and Agency Securities.” See also “Appendix C – Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs” in Part 2.

As of December 31, 2018, there were home Mortgage Loans with an outstanding principal balance of approximately \$1.6 billion in the Home Mortgage Loan Portfolio and home Mortgage Loans with an outstanding principal balance of approximately \$2.0 billion underlying Agency Securities in the Agency Security Portfolio<sup>†</sup>. In addition, as of March 31, 2019, the Authority had outstanding applications in the amount of approximately \$132,000,000 for the financing of home Mortgage Loans (of which approximately \$27,000,000 had been firmly

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<sup>†</sup> Excludes certain reverse annuity mortgage loans, certain second mortgages and down payment assistance mortgages that were transferred to the Housing Mortgage General Fund from the Investment Trust Fund in November 2000, certain housing assets that were acquired from the State in April 2003, and loans funded with the proceeds of special obligation bonds issued under the Single Family Special Obligation Bond Resolution (See Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM – Other Portfolios within the Investment Trust Subaccount” and “—Other Bonds Held as Investments under the Resolution and Secured by the Housing Mortgage Capital Reserve Fund”).

committed for purchase by the Authority). As of March 31, 2019, the Authority had approximately \$53,000,000 available in Bond proceeds, of which approximately \$26,000,000 was available for the financing of such Mortgage Loans. See Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM—Home Mortgage Loans—Home Mortgage Loan Portfolio.”

The Authority originates uninsured and privately insured or guaranteed loans for multifamily developments throughout the State. See Schedule A in Part 2 “Statistics Summary (Multifamily Mortgage Loan Portfolio and DECD Development Portfolio).” The Authority, as of December 31, 2018, had made Mortgage Loans for multifamily developments financed with Bond proceeds having an outstanding balance of \$721,239,624. In addition, as of March 31, 2019, the Authority had approximately \$27,000,000 of Bond proceeds available to provide for the completion of multifamily developments under construction. See Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM—Multifamily Housing Mortgage Loans—Multifamily Mortgage Loan Portfolio.”

The Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder or applicable thereto (collectively, the “Code”), impose substantial requirements and restrictions on an “issue” of obligations for the financing of home Mortgage Loans and multifamily Mortgage Loans or to refund such obligations, the interest on which is not included in gross income for Federal income tax purposes. See “Tax Matters—Requirements of the Code Relating to Home Mortgage Loans,” and “—Requirements of the Code Relating to Multifamily Mortgage Loans.” For purposes of arbitrage and certain other Federal tax matters, the 2019 Series B Tax-Exempt Bonds will be treated as a composite issue, in which case certain requirements must be satisfied with respect to all of the 2019 Series B Tax-Exempt Bonds in order that interest on each individual Subseries of 2019 Series B Tax-Exempt Bonds be excluded from gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Authority reserves the right to issue Bonds in the future that could be treated as a composite issue with the 2019 Series B Tax-Exempt Bonds for Federal income tax purposes.

U.S. Bank National Association, Hartford, Connecticut, as successor to Fleet National Bank, is serving as trustee (the “Trustee”), paying agent (the “Paying Agent”) and tender agent (the “Tender Agent”) under the Resolution.

All references herein to the Act and the Resolutions are qualified in their entirety by reference to each such document, copies of which are available from the Authority. All references to the Bonds, including the Offered Bonds, are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolution and the 2019 Series B Resolution.

### **Additional Issuances**

In addition to those Bonds Outstanding as of December 31, 2018, as reflected in Part 2 of this Official Statement under the heading “THE HOUSING MORTGAGE FINANCE PROGRAM—Housing Mortgage Finance Program Bonds,” the Authority has issued the following additional series of Bonds in fiscal year 2019:

<u>Series</u>	<u>Date of Issuance</u>	<u>Par Amount</u>	<u>Purpose</u>
<b>2016 Subseries D-2 Bonds</b>	1/1/19 to 1/31/19	\$ 70,000	Multiple draw downs on \$22,500,000 of Bonds to finance multifamily Mortgage Loans
<b>2019 Series A Bonds</b>	3/5/19	\$122,980,000	To finance home Mortgage Loans and refund Prior Bonds

On or about May 9, 2019, the Authority expects to issue a new Series of Bonds, 2019 Series C, in an expected principal amount of \$100,000,000, and expects that such issuance will be directly to an institutional investor. The proceeds of such Bonds are expected to be used to refund 2017 Series B Bonds issued under the Resolution.

From time to time, the Authority issues Bonds directly to institutional investors. Those issued as of December 31, 2018 are included in the Bonds Outstanding information reflected in Part 2 of this Official Statement under the heading “THE HOUSING MORTGAGE FINANCE PROGRAM—Housing Mortgage Finance Program Bonds.” More information regarding all such Bonds (including those issued since December 31, 2018) can be found on the MSRB’s EMMA website and information regarding the various liquidity facilities that support the Authority’s outstanding variable rate demand obligations can be found in Part 2 of this Official Statement under the caption “Variable Rate Demand Obligations and Liquidity Facilities” and on the MSRB’s EMMA website.

### **Security for the Bonds**

The Offered Bonds and all other Bonds issued pursuant to the Resolution are general obligations of the Authority for the payment of which the full faith and credit of the Authority are pledged, and are payable from revenues derived from Mortgage Loans financed by the Authority together with other monies legally available therefor, including amounts in the Housing Mortgage Capital Reserve Fund. The Authority has no taxing power. The Bonds do not constitute a debt or liability of the State or a pledge of its faith and credit or taxing power. The Bonds are secured equally and ratably by the pledges and covenants contained in the Resolution, including the pledge of (i) the proceeds of sale of the Bonds, (ii) the Pledged Receipts (which include scheduled amortization payments and certain other charges on Mortgage Loans acquired with Bond proceeds) and Recoveries of Principal (which include amounts received as prepayments, condemnation, or insurance proceeds, and proceeds of sale or other disposition of the acquired mortgages), and (iii) monies and securities in the funds and accounts established by the Resolution. See “SOURCES OF PAYMENT.”

The Act provides for the creation of the “Housing Mortgage Capital Reserve Fund” and the “Housing Mortgage General Fund.” Proceeds of the Bonds are to be deposited in such funds and held for the payment of the Bonds or used to finance Mortgage Loans in accordance with the Resolution, the 2019 Series B Resolution, the Act, and the Authority’s Housing Mortgage Finance Program. Upon the issuance of any Series of Bonds, the Authority is required to deposit from the proceeds thereof at least the amount required to cause the amount in the Housing Mortgage Capital Reserve Fund to equal the maximum annual debt service in any succeeding calendar year on all Outstanding Bonds, including the Bonds then being issued. In the event the Authority should be required to withdraw monies from the Housing Mortgage Capital Reserve Fund for the payment of the Bonds, the Act provides that the amount certified as necessary to restore that fund to an amount equal to the next year’s debt service on all Outstanding Bonds shall be deemed to be appropriated from the general fund of the State and requires such amounts to be allotted and paid to the Authority. In the opinions of Co-Bond Counsel to the Authority (as described on the cover page hereof), such appropriation and payment from the general fund of the State do not require further legislative approval. In addition, pursuant to Section 1-124 of the Connecticut General Statutes, the approval of the State Treasurer is required prior to the issuance of bonds and notes or the borrowing of money for which there is a capital reserve fund of any kind that is in any way contributed to or guaranteed by the State. For additional information regarding bonds issued under a separate general resolution of the Authority and secured by the Housing Mortgage Capital Reserve Fund, see “THE HOUSING MORTGAGE FINANCE PROGRAM—Other Bonds Held as Investments under the Resolution and Secured by the Housing Mortgage Capital Reserve Fund” and “OTHER ACTIVITIES—Federal New Issue Bond Program” in Part 2.

Prior to the date of issuance of the Offered Bonds, a certificate of an Authorized Officer (as defined in the Resolution) will be delivered to the Trustee to the effect that the estimated amount of net receipts expected to be received from all mortgages (including both home Mortgage Loans and multifamily Mortgage Loans) financed or deemed to be financed with the proceeds of Outstanding Bonds, including the Offered Bonds, shall be sufficient to pay, as the same become due, the reasonable and necessary Operating Costs of the Authority and the Principal Installments of and interest on the Outstanding Bonds, including the Offered Bonds and all payments due to providers of Swaps. See Part 2 “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION—Issuance of Additional Obligations.”

### **Liquidity Facilities**

In connection with the issuance of the Variable Rate Bonds, the Authority will provide or cause to be provided two separate Liquidity Facilities which, subject to certain terms and conditions set forth therein, will provide liquidity support for the 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds, respectively, while in the Weekly Mode

or the Daily Mode, as hereinafter described. The Liquidity Facility for the 2019 Subseries B-2 Bonds is a Standby Bond Purchase Agreement (the “Subseries 2019 B-2 Standby Bond Purchase Agreement”), by and between the Authority and Bank of America, N.A. (the “Bank”). The Liquidity Facility for the 2019 Subseries B-3 Bonds is a Standby Bond Purchase Agreement (the “Subseries 2019 B-3 Standby Bond Purchase Agreement”; the Subseries 2019 B-2 Standby Bond Purchase Agreement and the Subseries 2019 B-3 Standby Bond Purchase Agreement, each a “BANA Standby Agreement” and collectively, the “BANA Standby Agreements”), by and between the Authority and the Bank. Each Standby Bond Purchase Agreement will be dated as of May 9, 2019.

Each BANA Standby Agreement will, subject to certain terms and conditions set forth therein, provide for the purchase by the Bank on the terms and conditions specified therein of the related tendered Variable Rate Bonds, while in the Weekly Mode or the Daily Mode, that cannot be remarketed as provided for in the Resolutions. Variable Rate Bonds purchased and held by the Bank (“Bank Bonds”) will bear interest at the Bank Rate in accordance with (and as such term is defined in) the related BANA Standby Agreement. The payments of maturing principal and interest on Bank Bonds will be entitled to the lien created by the pledge under the Resolution on a parity with the Bonds. The occurrence of certain events under each BANA Standby Agreement will result in the immediate termination or suspension (without notice) of the Bank’s obligation thereunder to purchase the related Variable Rate Bonds tendered or deemed tendered and not remarketed. Under such circumstances, Bondholders may be required to retain such Variable Rate Bonds at the rates set by the Remarketing Agent to their maturity or prior redemption, as more fully described herein. Each BANA Standby Agreement expires on May 9, 2023 (or if such date is not a Business Day, the Business Day immediately preceding such day), unless extended or earlier terminated pursuant to its terms. In the event that a Liquidity Facility, including any BANA Standby Agreement, is replaced or expires and is not renewed or replaced with an Alternate Liquidity Facility, the related Variable Rate Bonds covered by such Liquidity Facility are subject to mandatory tender. See “THE OFFERED BONDS – Description of the Variable Rate Bonds – BANA Standby Agreements” and “—Authority Not Responsible for Bank’s Failure to Purchase Variable Rate Bonds upon Occurrence of Certain Events of Default,” and Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM – Housing Mortgage Finance Program Bonds—Variable Rate Demand Obligations and Liquidity Facilities.”

### **Interest Rate Swap Agreements**

The Act was amended in 1993 by Public Act No. 93-33, and the Resolution supplemented in accordance therewith, to provide for agreements to moderate interest rate fluctuations (“Swaps”). See Part 2 “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION—Issuance of Additional Obligations.” Pursuant to such authorization, the Authority has entered into a number of Swaps in connection with Bonds issued under the Resolution. See the table entitled “Swap Exposure as of March 31, 2019” in Part 2. Generally, scheduled payments made by the Authority to the provider under a Swap are on a parity with the payment of interest on the Bonds and payments made by such provider to the Authority under its Swap constitute Pledged Receipts under the Resolution. The Authority may from time to time enter into additional Swaps in the future to the extent such action is deemed economically prudent and consistent with the Authority’s objectives.

Under certain circumstances (including certain events of default with respect to the Authority or the provider), a swap agreement executed by the Authority under the Resolution may be terminated in whole or in part prior to its stated expiration date. Following any termination of a swap agreement, either the Authority or the swap provider may owe a Termination Payment to the other, depending upon market conditions and the events that caused such swap agreement to terminate. Under certain circumstances, the Authority could owe a Termination Payment to the related Swap Provider which could be substantial. The obligation of the Authority to make regularly scheduled Swap Payments are on a parity with the related Bonds, while Termination Payments are required to be and are due and payable at the end of the year of termination and subsequent to the payment of debt service on Bonds and Swap Payments in that year. Such Termination Payments, to the extent not paid in such year, will become included in the calculation of “Operating Cost” in the subsequent year and paid in the priority set forth for Operating Costs.

As described above, the Authority has previously entered into various Swaps relating to Outstanding Bonds. In connection with the issuance of the Variable Rate Bonds, it is expected that the Authority will enter into one or more new Swap agreements that will be allocated to the Variable Rate Bonds (the “New Swap Agreements”). The New Swap Agreements will provide that the Authority will pay a fixed rate of interest to the Swap provider on the notional amount of the New Swap Agreements and that the Swap provider will pay interest to the Authority based on a variable rate on such notional amount on a net basis. The scheduled termination date of the Swap Agreements will

coincide with the maturity date of the Variable Rate Bonds. Arrangements made in respect of the New Swap Agreements will not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the Offered Bonds (including the Variable Rate Bonds). Payments made to the Authority by the Swap provider under the New Swap Agreements will constitute Pledged Receipts under the Resolution. The requirement to make scheduled payments to the Swap provider by the Authority under the New Swap Agreements will be entitled to the lien created by the pledge under the Resolution and is on a parity with the payment of interest on the Bonds issued under the Resolution (including the Offered Bonds).

## THE OFFERED BONDS

### General

#### *Fixed Rate Bonds*

Interest on the Fixed Rate Bonds will be calculated on the basis of a 360 day year, consisting of twelve 30 day months. Each Fixed Rate Bond will be dated the date of delivery thereof and will bear interest from such date payable semiannually on November 15 and May 15 in each year, commencing November 15, 2019, at the rates and will mature on the dates and in the amounts as described on the inside cover page.

The Fixed Rate Bonds are issuable only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Fixed Rate Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Fixed Rate Bonds. Individual purchases of the Fixed Rate Bonds will be made in book-entry-only form and purchasers of Fixed Rate Bonds will not receive physical delivery of certificates representing their interest in such Fixed Rate Bonds. So long as Cede & Co. is the sole registered owner of the Fixed Rate Bonds, references herein to the registered owners of the Fixed Rate Bonds shall mean Cede & Co., as nominee of DTC, and shall not mean the beneficial owners of the Fixed Rate Bonds. See "THE OFFERED BONDS—Book-Entry-Only System."

So long as the Fixed Rate Bonds are registered in book-entry-only form, principal or redemption price, if any, and interest on the Fixed Rate Bonds will be payable to Cede & Co., as aforesaid. If Fixed Rate Bonds are issued in certificated form, interest on the Fixed Rate Bonds will be thereafter payable by wire, check or draft transmitted or mailed, as appropriate, from the corporate trust office of U.S. Bank National Association, Hartford, Connecticut, as Trustee, to the registered owner thereof as shown in the registration books of the Authority held by the Trustee at the close of business on the first day of the month in which the interest payment date occurs (or if such day is not a Business Day, the first Business Day following such day) (the "Record Date").

#### *Variable Rate Bonds*

The Variable Rate Bonds shall be dated the date of the first delivery of fully executed and authenticated Variable Rate Bonds and shall bear interest from such date at the Effective Rate initially determined by the Remarketing Agent, and thereafter determined by the Remarketing Agent, as identified on the cover page hereof. The Variable Rate Bonds shall initially bear interest in a Weekly Mode Period.

The Variable Rate Bonds will bear interest based on a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term or Auction Mode Period (each a "Mode Period"), unless the Variable Rate Bonds are Converted, in which case such Converted Variable Rate Bonds shall bear interest at Long-Term Fixed Interest Rates until their maturity or prior redemption. **This Official Statement is only intended to describe the Variable Rate Bonds while bearing interest in the Daily, Weekly, Monthly, Quarterly, Semiannual or Flexible Mode Periods.**

During a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period or a Flexible Mode Period, interest accrued on the Variable Rate Bonds shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. During a Semiannual Mode Period, interest accrued on the Variable Rate Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

The Variable Rate Bonds are issuable only as fully registered bonds in denominations of (i) prior to the Conversion Date and during any Mode Period other than a Flexible Mode Period or a Semiannual Mode Period, \$100,000 or integral multiples of \$5,000 in excess of \$100,000, (ii) during a Flexible Mode Period, \$100,000 and any integral multiple of \$1,000 in excess of \$100,000, and (iii) during a Semiannual Mode Period or on and after the Conversion Date, \$5,000 or integral multiples thereof provided, however, that on or after the Conversion Date, purchases of the Variable Rate Bonds bearing interest at floating Long-Term Fixed Interest Rates will be made in the principal amount of \$100,000 or integral multiples of \$5,000 in excess thereof. The Variable Rate Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository for the Variable Rate Bonds. Individual purchases of the Variable Rate Bonds will be made in book-entry-only form and purchasers of Variable Rate Bonds will not receive physical delivery of certificates representing their interest in such Variable Rate Bonds. So long as Cede & Co. is the sole registered owner of the Variable Rate Bonds, references herein to the registered owners of the Variable Rate Bonds shall mean Cede & Co., as nominee of DTC, and shall not mean the beneficial owners of the Variable Rate Bonds. See “THE OFFERED BONDS – Book-Entry-Only System.”

So long as the Variable Rate Bonds are registered in book-entry-only form, principal or redemption price, if any, purchase price and interest on the Variable Rate Bonds will be payable to Cede & Co., as aforesaid. If Variable Rate Bonds are issued in certificated form, interest on the Variable Rate Bonds will be thereafter payable by wire, check or draft transmitted or mailed, as appropriate, from the corporate trust office of U.S. Bank National Association, Hartford, Connecticut, as Trustee, to the registered owner thereof as shown in the registration books of the Authority held by the Trustee at the close of business on the Record Date for payment. The Record Date for the Variable Rate Bonds in the Weekly Mode shall be the Business Day immediately preceding each interest payment date.

Any Holder of the Variable Rate Bonds, other than Variable Rate Bonds in a Flexible Mode Period, has the option of tendering the Bonds to the Remarketing Agent or the Tender Agent in accordance with the provisions of the Resolutions as set forth under “Description of the Variable Rate Bonds” below. Pursuant to the related BANA Standby Agreement, the Bank has an obligation to purchase, under certain conditions and from time to time, the related Variable Rate Bonds while in the Weekly Mode or the Daily Mode, tendered or deemed tendered to the Remarketing Agent or the Tender Agent, as described in the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof, which related tendered Variable Rate Bonds are not remarketed. See “Description of the Variable Rate Bonds—BANA Standby Agreements” below.

The Variable Rate Bonds shall bear interest from and including the date of delivery thereof as described herein, payable, while the Variable Rate Bonds bear interest in the Daily, Weekly, Monthly or Quarterly Mode Period, on November 15 and May 15 of each year, commencing November 15, 2019.

While Variable Rate Bonds are in the Flexible Mode Period, interest is payable on the Business Day next succeeding the last day of any Flexible Rate Segment. The Flexible Rate and the duration of any Flexible Rate Segment for each Variable Rate Bond during a Flexible Mode Period will be set by the Remarketing Agent. Different Flexible Rate Segments and Flexible Rates may apply to different Variable Rate Bonds at any time and from time to time. Each Flexible Rate Segment for any Variable Rate Bond will be the period, determined by the Remarketing Agent, which shall have a duration of at least one day and not more than the earlier of 270 days or the number of days remaining to the maturity of such Bond, ending on a day that immediately precedes a Business Day, and which, together with all other Flexible Rate Segments for all other Variable Rate Bonds then Outstanding, is expected to result in the lowest overall interest expense on such Bonds for so long as the Variable Rate Bonds bear interest at Flexible Rates. The Flexible Rate for each such Flexible Rate Segment will be the rate determined by the Remarketing Agent to be the lowest interest rate that would enable the Remarketing Agent to sell the Variable Rate Bond having such Flexible Rate Segment on the effective date of such rate at a price equal to 100% of the principal amount thereof. If a Flexible Rate Segment for any Variable Rate Bond or a Flexible Rate for a Flexible Rate Segment with respect to any Variable Rate Bond is not determined or effective, the Flexible Rate Segment for such Bond will be a Flexible Rate Segment of one day, or if the last day of such Flexible Rate Segment of one day shall not immediately precede a Business Day, then the Flexible Rate Segment shall be a period that ends on the next succeeding day that immediately precedes a Business Day, and the Flexible Rate for such Flexible Rate Segment shall be 100% of the 15-day Federal Reserve Composite rate until a new Flexible Rate and a new Flexible Rate Segment are established for any such Bond. The determination by the Remarketing Agent of the Flexible Rates and Flexible Rate Segments shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Authority and the Holders of the Variable Rate Bonds.

Reference is hereby made to the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof for a summary of certain provisions relating to the Variable Rate Bonds, with such provisions more fully described herein. For additional information with respect to the Variable Rate Bonds, see also “Description of the Variable Rate Bonds” herein.

## **Redemption of the Offered Bonds**

### ***Ten Year Rule Redemptions***

Applicable current Federal tax law requires redemption of the 2019 Series B Tax-Exempt Bonds beginning ten years from the date of issuance and delivery of such Bonds (or such earlier date based on the date of issuance of original bonds in a series of refundings), as shown in the following table, from a percentage of the Recoveries of Principal and scheduled principal repayments from Mortgage Loans and all principal repayments from mortgage loans pooled into Agency Securities made or purchased or deemed to have been made or purchased with proceeds of the 2019 Series B Tax-Exempt Bonds and not otherwise allocated to payment of principal on the 2019 Series B Tax-Exempt Bonds.

Pursuant to the Code, the following approximate percentages of Recoveries of Principal and scheduled principal repayments of Mortgage Loans (and principal repayments of mortgage loans pooled into Agency Securities) made or purchased or deemed to have been made or purchased with proceeds of the 2019 Series B Tax-Exempt Bonds received on or after the following dates are required to be applied no later than the close of the first semi-annual period beginning after the date of receipt to the retirement of the 2019 Series B Tax-Exempt Bonds. This information is based on the current expected use of proceeds of the 2019 Series B Tax-Exempt Bonds and on current tax law. The Authority cannot predict the actual Recoveries of Principal and scheduled principal repayments it will receive or whether such Code provisions may be repealed, and no assurance can be given that such actual redemptions will occur. Further, the Authority reserves the right to modify the use of proceeds of the 2019 Series B Tax-Exempt Bonds, which could affect such percentages.

<b><u>From Date</u></b>	<b><u>To Date</u></b>	<b><u>Ten Year Rule Percentage</u></b>
May 9, 2019	November 2, 2021	33%
November 3, 2021	December 20, 2021	36%
December 21, 2021	October 29, 2023	37%
October 30, 2023	April 22, 2024	42%
April 23, 2024	August 20, 2024	45%
August 21, 2024	November 12, 2024	46%
November 13, 2024	February 24, 2025	47%
February 25, 2025	August 5, 2025	50%
August 6, 2025	March 2, 2026	54%
March 3, 2026	August 24, 2026	55%
August 25, 2026	March 1, 2027	57%
March 2, 2027	May 10, 2027	58%
May 11, 2027	August 8, 2027	59%
August 9, 2027	November 13, 2027	61%
November 14, 2027	May 8, 2029	62%
May 9, 2029	Final Maturity of Bonds	100%



***Mandatory Redemption from 2019 Series B PAC Related Bonds Restricted Principal***

The 2019 Subseries B-1 Bonds due May 15, 2049 (the “2019 Series B PAC Bonds”) shall be subject to mandatory redemption from 100% of the Recoveries of Principal and scheduled principal repayments from the Mortgage Loans and the principal repayments of mortgage loans pooled into Agency Securities, which will be purchased with or, upon reimbursement of other funds of the Authority initially used for the purchase thereof, allocated to the proceeds of the Offered Bonds (the “2019 Series B PAC Related Bonds Portfolio”); provided, however, that such amounts are (a) not otherwise allocated to payment of principal on the 2019 Series B Bonds, and (b) actually received and available for transfer to the applicable Redemption Account after satisfying the requirements of the Resolution with respect to priority transfers to the Operating Account, Interest Account and Principal Installment Account and with respect to maintenance of the Housing Mortgage Capital Reserve Fund at its minimum requirement (the “2019 Series B PAC Related Bonds Restricted Principal”).

The 2019 Series B PAC Bonds redeemed in accordance with the provisions of this section shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption. Such mandatory redemption of the 2019 Series B PAC Bonds shall occur on any date after November 15, 2019, but at least once during each semiannual period set forth below, in whole or in part, upon notice as provided in the Resolution, from and to the extent of 2019 Series B PAC Related Bonds Restricted Principal; provided, however, that no such redemption shall cause the aggregate Outstanding principal amount of the 2019 Series B PAC Bonds to be less than the applicable 2019 Series B PAC Outstanding Amount, as such amount may have been adjusted due to a redemption of 2019 Series B PAC Bonds from excess monies transferred from the 2019 Series B Bond Proceeds Sub-Account of the Bond Proceeds Account, as described in clause (i) under “Special Redemption” below.

The 2019 Series B PAC Outstanding Amount for each relevant period is as follows:

<b>Period Ending</b>	<b>2019 Series B-1 PAC Outstanding Amount</b>
November 15, 2019	\$36,055,000
May 15, 2020	35,410,000
November 15, 2020	34,240,000
May 15, 2021	32,570,000
November 15, 2021	30,420,000
May 15, 2022	27,960,000
November 15, 2022	25,590,000
May 15, 2023	23,325,000
November 15, 2023	21,170,000
May 15, 2024	19,115,000
November 15, 2024	17,170,000
May 15, 2025	15,325,000
November 15, 2025	13,590,000
May 15, 2026	11,950,000
November 15, 2026	10,415,000
May 15, 2027	8,970,000
November 15, 2027	7,630,000
May 15, 2028	6,385,000
November 15, 2028	5,240,000
May 15, 2029	4,190,000
November 15, 2029	3,230,000
May 15, 2030	2,370,000
November 15, 2030	1,600,000
May 15, 2031	920,000
November 15, 2031	330,000
May 15, 2032 and thereafter	0

If a redemption of 2019 Series B PAC Bonds is effected from unexpended monies transferred from the 2019 Series B Bond Proceeds Sub-Account of the Bond Proceeds Account as described in clause (i) under “Special Redemption” below, then each 2019 Series B PAC Outstanding Amount will be recalculated upon such redemption to be the amount, calculated by the Authority, equal to the product of (a) the original 2019 Series B PAC Outstanding Amount, and (b) the fraction whose *numerator* is the current unredeemed principal amount of the 2019 Series B PAC Bonds Outstanding and whose *denominator* is the original principal amount of the 2019 Series B PAC Bonds.

The 2019 Series B PAC Outstanding Amounts were calculated based on the assumption, among others, that the receipt of prepayments with respect to the 2019 Series B PAC Related Bonds Portfolio will occur at a rate equal to 75% of the Securities Industry and Financial Markets Association (formerly The Bond Market Association and the Public Securities Association) standard prepayment model for 30-year mortgage loans (the “SIFMA Prepayment Model”). In the event that the 2019 Series B PAC Bonds are actually redeemed so that the aggregate principal amount of such 2019 Series B PAC Bonds Outstanding equals the 2019 Series B PAC Outstanding Amount on each date shown above, the Weighted Average Life of the 2019 Series B PAC Bonds will be approximately 5.0 years. In the event that the 2019 Series B PAC Bonds are not redeemed (other than from mandatory sinking fund installments), the Weighted Average Life of the 2019 Series B PAC Bonds will be approximately 27.4 years. See “Projections of Weighted Average Lives of the 2019 Series B PAC Bonds under Certain Hypothetical Scenarios” below for descriptions of the Offered Bonds Portfolio, the SIFMA Prepayment Model and the computation of Weighted Average

Life, and see Appendix D – “Projected Percentages of Initial Principal Balance Outstanding and Projected Weighted Average Lives” to this Part 1 for additional information concerning the 2019 Series B PAC Bonds.

### ***Special Redemption***

The Offered Bonds are subject to redemption at the option of the Authority by operation of the Redemption Account, in whole or in part, at any time, from (i) unexpended monies transferred from the 2019 Series B Bond Proceeds Sub-Account of the Bond Proceeds Account, (ii) Recoveries of Principal from Mortgage Loans made or purchased or deemed to be made or purchased with proceeds of any Series of Bonds under the Resolution, and (iii) monies in the Surplus Account of the Housing Mortgage General Fund under the Resolution, including amounts transferred from the Housing Mortgage Capital Reserve Fund to the extent not otherwise required to maintain the Housing Mortgage Capital Reserve Fund Minimum Requirement; provided, however, that no such redemption under (ii) or (iii) above shall cause the Outstanding principal amount of the 2019 Series B PAC Bonds to be less than the applicable 2019 Series B PAC Outstanding Amount unless no other 2019 Series B Bonds, other than the 2019 Series B PAC Bonds, (collectively herein referred to as the “PAC Related Bonds”) remain outstanding. The Offered Bonds redeemed in accordance with the provisions of this paragraph shall be redeemed at the redemption price (except with respect to the 2019 Series B PAC Bonds under the circumstances set forth in the next sentence) of 100% of the principal amount thereof, plus accrued interest to the date of redemption. With respect to the 2019 Series B PAC Bonds, to the extent that any redemptions in accordance with provision (i) of this paragraph reduce the Outstanding principal amount of the 2019 Series B PAC Bonds below the applicable 2019 Series B PAC Outstanding Amount, the redemption price of the 2019 Series B PAC Bonds representing such reduction shall be 100% of the principal amount thereof, plus accrued interest to the date of redemption, plus the unamortized premium thereon to the date of redemption as determined by the Authority by an actuarial amortization of the original issue premium for the 2019 Series B PAC Bonds set forth on the inside cover page of this Official Statement between the date of issue and May 15, 2032.

Applicable Federal tax law requires redemption of the 2019 Series B Tax-Exempt Bonds from the unexpended proceeds attributable to the nonrefunding portion of the 2019 Series B Tax-Exempt Bonds required to be used to finance Mortgage Loans which have not been so used within 42 months from the date of issuance of such 2019 Series B Tax-Exempt Bonds.

The Authority covenants in the 2019 Series B Resolution not to redeem the Offered Bonds from the proceeds of a voluntary sale of non-defaulted Mortgage Loans deemed to be made or purchased with proceeds of any Bonds except in accordance with the optional redemption provisions described below; voluntary sale shall be deemed to include any sale of a project owned by a subsidiary of the Authority to which the Authority has made a Mortgage Loan with the proceeds of any Bonds. The 2019 Series B Resolution provides that such covenant shall not apply to (i) the sale of such a Mortgage Loan required pursuant to the Authority’s tax covenants as to tax exemption or (ii) the sale of such a Mortgage Loan that did not comply with the Authority’s Program requirements. Such covenant, further, will not prevent the special redemption of the Offered Bonds from a prepayment of a multifamily Mortgage Loan constituting a Recovery of Principal received as a result of the sale of a project consented to by the Authority or refinancing of a project by its owner, if approved by the Authority; however, prepayment, for purposes of such special redemption, shall be deemed to exclude any prepayment of a multifamily Mortgage Loan constituting a Recovery of Principal received as a result of the sale of a project or refinancing of a project owned by a subsidiary of the Authority.

### ***Optional Redemption***

#### **The Fixed Rate Bonds**

The 2019 Subseries B-1 Bonds are subject to redemption at the option of the Authority, at any time on or after November 15, 2028, either as a whole or in part (and by lot if less than all of a maturity within a Subseries is to be redeemed), from any moneys made available for such purpose, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption; provided that with respect to the 2019 Series B PAC Bonds, to the extent that any redemptions in accordance with this paragraph reduce the Outstanding principal amount of the 2019 Series B PAC Bonds below the applicable 2019 Series B PAC Outstanding Amount, the redemption price of the 2019 Series B PAC Bonds representing such reduction shall be 100% of the principal amount thereof, plus accrued interest to the date of redemption, plus the unamortized premium thereon to the date of redemption as

determined by the Authority by an actuarial amortization of the original issue premium for the 2019 Series B PAC Bonds set forth on the inside cover page of this Official Statement between the date of issue and May 15, 2032.

The 2019 Subseries B-4 Bonds are **not** subject to optional redemption prior to maturity.

**The Variable Rate Bonds**

Prior to Conversion, the Variable Rate Bonds are subject to redemption, at the option of the Authority, either as a whole or in part on any Business Day (with respect to the Variable Rate Bonds in the Flexible Rate Mode, only at the end of the applicable Flexible Rate Segment) upon the Trustee delivering at least 30 days' notice to the Holders, from any monies made available for such purpose at a redemption price of 100% of the principal amount thereof, together with interest accrued to the date of such redemption in accordance with the Resolutions.

**Sinking Fund Redemption**

The 2019 Subseries B-1 Bonds due November 15, 2033 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the semiannual dates shown below of the principal amount specified opposite such respective semiannual dates:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 15, 2031	\$1,695,000	November 15, 2032	\$1,730,000
November 15, 2031	1,300,000	May 15, 2033	1,220,000
May 15, 2032	660,000	November 15, 2033 <sup>†</sup>	1,015,000

<sup>†</sup> Stated Maturity.

The 2019 Subseries B-1 Bonds due November 15, 2039 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the semiannual dates shown below of the principal amount specified opposite such respective semiannual dates:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
November 15, 2034	\$1,700,000	November 15, 2037	\$1,360,000
May 15, 2035	1,950,000	May 15, 2038	985,000
November 15, 2035	1,105,000	November 15, 2038	2,550,000
May 15, 2036	685,000	May 15, 2039	310,000
November 15, 2036	1,775,000	November 15, 2039 <sup>†</sup>	1,390,000
May 15, 2037	1,805,000		

<sup>†</sup> Stated Maturity.

The 2019 Series B PAC Bonds are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the semiannual dates shown below of the principal amount specified opposite such respective semiannual dates:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
November 15, 2043	\$1,980,000	November 15, 2046	\$3,170,000
May 15, 2044	2,865,000	May 15, 2047	3,240,000
November 15, 2044	2,930,000	November 15, 2047	3,300,000
May 15, 2045	2,985,000	May 15, 2048	3,370,000
November 15, 2045	3,045,000	November 15, 2048	3,440,000
May 15, 2046	3,110,000	May 15, 2049 <sup>†</sup>	2,620,000

<sup>†</sup> Stated Maturity.

The 2019 Subseries B-2 Bonds due November 15, 2039 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the semiannual dates shown below of the principal amount specified opposite such respective semiannual dates:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 15, 2020	\$ 465,000	November 15, 2031	\$ 435,000
November 15, 2020	250,000	May 15, 2032	1,105,000
May 15, 2021	190,000	November 15, 2032	75,000
May 15, 2022	140,000	May 15, 2033	615,000
November 15, 2022	260,000	May 15, 2034	1,015,000
May 15, 2023	80,000	November 15, 2034	425,000
November 15, 2023	115,000	May 15, 2035	245,000
November 15, 2026	475,000	November 15, 2035	1,045,000
May 15, 2027	20,000	May 15, 2036	1,465,000
November 15, 2027	155,000	November 15, 2036	515,000
May 15, 2028	190,000	May 15, 2037	550,000
November 15, 2028	140,000	November 15, 2037	985,000
May 15, 2029	425,000	May 15, 2038	1,370,000
November 15, 2029	25,000	May 15, 2039	2,070,000
November 15, 2030	15,000	November 15, 2039 <sup>†</sup>	270,000

<sup>†</sup> Stated Maturity.

The 2019 Subseries B-3 Bonds due November 15, 2043 are subject to redemption in part by lot on the respective dates and in the respective amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to provide for the retirement on the semiannual dates shown below of the principal amount specified opposite such respective semiannual dates:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
November 15, 2039	\$ 875,000	May 15, 2042	\$2,645,000
May 15, 2040	2,440,000	November 15, 2042	2,700,000
November 15, 2040	2,490,000	May 15, 2043	2,755,000
May 15, 2041	2,545,000	November 15, 2043 <sup>†</sup>	830,000
November 15, 2041	2,590,000		

<sup>†</sup> Stated Maturity.

The amounts accumulated in the respective Principal Installment Accounts for each sinking fund installment of the Offered Bonds may be applied by the Trustee at the direction of the Authority, prior to the forty-fifth (45th) day preceding the due date of such sinking fund installment, to the purchase of the stated maturity of such Offered Bonds

subject to such sinking fund installment at prices (including any brokerage and other charges) not exceeding the applicable redemption price, plus accrued interest to the date of purchase. See Part 2 “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION — Principal Installment Account.”

Except as stated below with respect to the 2019 Series B PAC Bonds, upon any purchase or redemption of Bonds of any Series or Subseries Bond maturity or maturities thereof for which sinking fund installments shall have been established other than by application of sinking fund installments, an amount equal to the applicable redemption prices thereof shall be credited toward a part or all of any one or more of such sinking fund installments, as reflected in schedules provided to the Trustee by the Authority, or, failing such direction by the 15th day of the second month preceding the date of the applicable sinking fund installment, toward such sinking fund installments in inverse order of their due dates. See Part 2 “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION — Redemption Account.”

Upon redemption of the 2019 Series B PAC Bonds from any source (other than from mandatory sinking fund installments), each sinking fund installment for the 2019 Series B PAC Bonds shall be reduced on a pro rata basis based on the ratio of the amount of the 2019 Series B PAC Bonds so redeemed to the total amount of the 2019 Series B PAC Bonds outstanding prior to such redemption, as reflected in schedules provided to the Trustee by the Authority.

### ***Selection of Bonds for Redemption***

Subject to the foregoing provisions, in the event of any partial redemption of Bonds of a Series or Subseries, the Authority may direct the maturity or maturities and interest rate or interest rates, as the case may be, and the amount or amounts thereof to be so redeemed; provided that, whenever Variable Rate Bonds are to be redeemed in part, whether through the application of sinking fund installments or otherwise, Variable Rate Bonds which (a) have been tendered for purchase and have not been remarketed or (b) are then held by the Bank pursuant to the related BANA Standby Agreement, shall be selected for redemption in the foregoing order of priority prior to the selection of any other Variable Rate Bonds.

Bonds purchased by the Authority as Investment Obligations pursuant to its Bond Purchase Program as generally described in Part 2 “THE HOUSING MORTGAGE FINANCE PROGRAM – Housing Mortgage Finance Program Bonds – Variable Rate Demand Obligations and Liquidity Facilities” shall not receive a preference in selection for redemption.

In the event that less than all of the Bonds of a like Series or Subseries, maturity and interest rate are to be redeemed, and so long as the book-entry-only system remains in effect for such Series or Subseries of Bonds, the particular Bonds of such Series or Subseries, maturity and interest rate, or portion thereof, to be redeemed will be selected by DTC by lot, or in such other manner as DTC shall determine. If the book-entry-only system no longer remains in effect for the Bonds of a particular Series or Subseries, selection for redemption of less than all of the Bonds of a particular Series or Subseries, maturity and interest rate will be made by the Trustee by lot as provided in the Resolution.

### ***Notice of Redemption***

Unless otherwise provided in the applicable series resolution or waived by the registered owner, notice of any redemption will be mailed no more than 60 days but not less than 30 days prior to the date set for redemption to the registered owners of Bonds to be redeemed at their addresses as they appear in the registration books kept by the Trustee. In the case of redemption that is conditioned on the occurrence of certain events, the notice of redemption will set forth, among other things, the conditions precedent to the redemption. So long as the Bonds of the applicable Series or Subseries are immobilized in the custody of DTC, such notice will be delivered by the Trustee to DTC or its nominee as the registered owner of such Bonds. *DTC is responsible for notifying Participants, and Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the Authority is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the Authority as a result of the response or failure to respond by DTC or its nominee as Bondholder.* If, on the redemption date, monies for the redemption of all of a Series or Subseries of Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held so as to be available therefor on said date and if notice of redemption shall have been published as aforesaid, then, from and after the redemption date interest on such Bonds of such Series

or Subseries or portions thereof so called for redemption shall cease to accrue and become payable. If said monies shall not be so available on the redemption date, such Bonds of such Series or Subseries or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

## **Projections of Weighted Average Lives of the 2019 Series B PAC Bonds Under Certain Hypothetical Scenarios**

### ***General***

Projected weighted average life refers to the average amount of time that is projected to elapse from the date of delivery of a security to the date of projected payment to the investor of each dollar paid in net reduction of 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 weighted average life of the 2019 Series B PAC Bonds under certain hypothetical scenarios requires the making of certain assumptions (collectively, the “Portfolio Assumptions”) with respect to the 2019 Series B PAC Related Bonds Portfolio, including assumptions with respect, but not limited, to: (a) the characteristics and prepayment of Mortgage Loans held in the Housing Mortgage General Fund, and (b) the characteristics and prepayment of mortgage loans pooled into Agency Securities held in the Housing Mortgage Capital Reserve Fund.

The calculation of the weighted average life of the 2019 Series B PAC Bonds also requires the making of certain assumptions (collectively, the “Authority Option Assumptions”), including assumptions with respect, but not limited, to the future use by the Authority of its options under the Resolution related to: (a) the application of Recoveries of Principal, amounts in the Surplus Account, and amounts in the Housing Mortgage Capital Reserve Fund related to the 2019 Series B PAC Related Bonds to: (i) the redemption of the 2019 Series B PAC Related Bonds, (ii) the financing of additions to the 2019 Series B PAC Related Bonds Portfolio, or (iii) the redemption of other Bonds; (b) the application of Recoveries of Principal, amounts in the Surplus Account, and amounts in the Housing Mortgage Capital Reserve Fund related to other Series to the redemption of 2019 Series B PAC Related Bonds; and (c) the optional redemption of all or a portion of the 2019 Series B PAC Related Bonds (as described under the heading “Optional Redemption” above).

Set forth in Table 1 below and in Table 2 in Appendix D hereto are projected weighted average lives for the 2019 Series B PAC Bonds under a number of different scenarios, each such scenario representing a combination of Portfolio Assumptions and Authority Option Assumptions, as described below. **The actual characteristics and the performance of the Mortgage Loans and the mortgage loans pooled into Agency Securities will differ from the Portfolio Assumptions utilized in constructing Table 1 and Table 2, and the actual use of options under the Resolution by the Authority will differ from the Authority Option Assumptions utilized in constructing Table 1 and Table 2. The Authority Option Assumptions are not necessarily consistent with the current or historical approach of the Authority to recycling, selecting Bonds to be redeemed or managing interest rate risk, and they are not binding upon or necessarily indicative of future actions of the Authority. Both the Portfolio Assumptions and the Authority Option Assumptions are hypothetical in nature and are provided only to give a general sense of how the weighted average lives for the 2019 Series B PAC Bonds might behave as such assumptions are varied. Accordingly, the Authority makes no representation as to the reasonableness of either the Portfolio Assumptions or the Authority Option Assumptions and makes no representation that the projected percentages of initial principal balance outstanding or projected average lives set forth in Table 1 and Table 2 will reflect the actual course of events. The Authority is under no obligation and does not intend to update Table 1 or Table 2 to reflect actual experience.**

**Table 1**

<b>Prepayment Speed (expressed as a percentage of SIFMA)</b>	<b>Optional Call Not Exercised</b>	<b>Optional Call Exercised at November 15, 2028</b>
0	24.8	9.5
25	17.2	8.2
50	10.2	6.9
75	6.0	5.7
100	6.0	5.7
200	6.0	5.7
300	6.0	5.7
400	6.0	5.7
500	6.1	5.7

For additional information, see Table 2 in Appendix D – “Projected Percentages of Initial Principal Balance Outstanding and Projected Weighted Average Lives” to this Part 1.

***Portfolio Assumptions***

All of the scenarios represented in Table 1 above and Table 2 in Appendix D are based on the assumption that the 2019 Series B PAC Related Bonds New Portfolio will consist of approximately \$123.9 million of Mortgage Loans to be purchased with proceeds of or allocated to the 2019 Series B PAC Related Bonds prior to June 30, 2019. The 2019 Series B PAC Related Bonds New Portfolio is assumed to consist of Mortgage Loans and mortgage loans to be pooled into Agency Securities that bear interest rates from 3.750% to 4.375% with a weighted average rate of 4.043%.

Prepayments on mortgage loans are commonly projected by reference to a prepayment standard or model. The SIFMA Prepayment Model, which is utilized here, is based on an assumed rate of prepayment each month of the then unpaid principal balance of a mortgage loan. The SIFMA Prepayment Model assumes that an increasingly large percentage of the mortgage loans prepay each month for the first thirty (30) months of the life of the mortgage loan and then assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Each of the scenarios represented in Table 1 above and in Table 2 in Appendix D is based on an indicated prepayment assumption with respect to the 2019 Series B PAC Related Bonds Portfolio, in each case expressed as a percentage of the SIFMA Prepayment Model. As used in Table 1 and Table 2, for example, (a) “0% SIFMA” assumes no prepayments of the principal of the 2019 Series B PAC Related Bonds Portfolio, (b) “50% SIFMA” assumes the principal of the Offered Bonds Portfolio will prepay at a rate one-half times as fast as the prepayment rates for one hundred percent (100%) of the SIFMA Prepayment Model, (c) “200% SIFMA” assumes the principal of the Offered Bonds Portfolio will prepay at a rate twice as fast as the prepayment rates for one hundred percent (100%) of the SIFMA Prepayment Model, and so on.

***Authority Option Assumptions***

The computation of the weighted average life of the 2019 Series B PAC Bonds under each of the scenarios represented in Table 1 above and Table 2 in Appendix D is based on the assumption that, with respect to the fulfillment by the Authority of its obligations pursuant to the redemption provisions described above under “Mandatory Redemption from 2019 Series B PAC Related Bonds Restricted Principal,” the Authority will redeem the 2019 Series B PAC Bonds on each interest payment date commencing November 15, 2019.



The computation of the weighted average life of the 2019 Series B PAC Bonds under each of the scenarios represented in Table 1 above and Table 2 in Appendix D is based on the assumption that, with respect to the use by the Authority of its rights pursuant to the redemption provisions described under “Special Redemption” above, (i) the Authority will redeem 2019 Series B PAC Related Bonds (other than the 2019 Series B PAC Bonds) on each interest payment date commencing November 15, 2019 in the amount of any 2019 Series B PAC Related Bonds Restricted Principal for such redemption date not applied to the 2019 Series B PAC Bonds, and (ii) such redemption shall be based on a pro-rata selection from all other then-eligible Outstanding maturities of the Fixed Rate Bonds until no such Bonds remain outstanding and then applied to the Variable Rate Bonds until no such Bonds remain outstanding. Furthermore, Table 1 and Table 2 are based on the assumption that the Authority will not redeem any 2019 Series B PAC Related Bonds pursuant to the redemption provisions described under “Special Redemption” above from any source other than 2019 Series B PAC Related Bonds Restricted Principal; however, portions of the scheduled principal repayments of 2019 Series B PAC Related Bonds (other than the 2019 Series B PAC Bonds) will be paid from Recoveries of Principal, amounts in the Surplus Account, and amounts in the Housing Mortgage Capital Reserve Fund related to other Series of Bonds.

The computation of the weighted average life of the 2019 Series B PAC Bonds under each of the scenarios represented in Table 1 above and Table 2 in Appendix D are based on the assumptions indicated below with respect to the use by the Authority of its ability to optionally redeem the 2019 Series B PAC Bonds:

In the case of scenarios labeled “Optional Call Not Exercised,” it is assumed that the Authority will not exercise its right to optionally redeem the 2019 Series B PAC Related Bonds pursuant to the redemption provisions described above under the heading “Optional Redemption”; and

In the case of scenarios labeled “Optional Call Exercised,” it is assumed that the Authority will exercise its right to optionally redeem all then-eligible Outstanding 2019 Series B PAC Related Bonds pursuant to the redemption provisions described under the heading “Optional Redemption,” on November 15, 2028.

Under the Resolution, collections of prepayments of Mortgage Loans will constitute Recoveries of Principal, and will be immediately available for transfer to the Redemption Account for certain mandatory redemptions and special redemptions. Collections of scheduled principal on Mortgage Loans will constitute Pledged Receipts, which will be transferred to the Surplus Account, to the extent not otherwise required to provide for payment of Operating Costs or debt service requirements on the Bonds. Amounts of such scheduled principal receipts so transferred to the Surplus Account may be transferred between November 12 and December 1 of each year to the Redemption Account for certain mandatory redemptions and special redemptions. All collections of principal on mortgage loans pooled in Agency Securities will constitute maturities of Investment Obligations in the Housing Mortgage Capital Reserve Fund, which may be reinvested (either in additional Agency Securities or other Investment Obligations) or, to the extent not otherwise required to maintain the Housing Mortgage Capital Reserve Fund Minimum Requirement, may be transferred to the Redemption Account for certain mandatory redemptions and special redemptions, or may be transferred to the Principal Account or the Surplus Account. Each of the scenarios represented in Table 1 above and Table 2 in Appendix D assumes that the Authority will either: (a) make the appropriate transfers of 100% of the principal receipts on the 2019 Series B PAC Related Bonds Portfolio to the applicable series Redemption Account so that such amount is available for the projected redemption of the 2019 Series B PAC Bonds, or (b) transfer Recoveries of Principal from other series of Bonds, such that, on each redemption date, an amount equal to the 2019 Series B PAC Related Bonds Restricted Principal will be on deposit in the Redemption Account to provide for the projected redemption of the 2019 Series B PAC Bonds.

**In addition to the matters described in bold above Table 1 above, notwithstanding the foregoing assumptions, the Authority can give no assurance that there will not be circumstances under which the requirements of the Resolution will prevent amounts that would otherwise constitute 2019 Series B PAC Related Bonds Restricted Principal from being transferred to the applicable series Redemption Account to provide for redemption of the 2019 Series B PAC Bonds.**

## **Description of the Variable Rate Bonds**

### ***Definitions***

All capitalized terms not defined herein shall have the respective meanings assigned to them in the Resolution, the 2019 Series B Resolution, or as set forth above in this Part 1 of the Official Statement. Reference is also made to the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof for a description of certain of the terms defined below.

“Alternate Liquidity Facility” means any Liquidity Facility subsequent to the Initial Liquidity Facility that the Authority may provide pursuant to the 2019 Series B Resolution; provided, however, that (i) any such Liquidity Facility in any event must comply with the requirements of and constitute a “Bond Facility” under the Resolution, and (ii) the delivery of each Liquidity Facility shall result in a short-term rating of the applicable Variable Rate Bonds of not less than “D-1” (in the case of Standard & Poor’s) or “P-1” (“VMIG-1”) (in the case of Moody’s) as evidenced by rating letters delivered when such Liquidity Facility is delivered. An “Alternate Liquidity Facility” also includes any Liquidity Facility as to which material modifications have been made including, without limitation, any changes or additions to conditions or events of default or termination, the remedy for the occurrence of which is an immediate termination or suspension of the obligations of the related Liquidity Provider. An “Alternate Liquidity Facility” does not include a Liquidity Facility upon the extension of the period during which the Bank shall, subject to the conditions contained therein, be obligated to purchase Bonds.

“BANA Standby Agreements” means the Liquidity Facilities consisting of the Standby Bond Purchase Agreement dated May 9, 2019, entered into by and between the Authority and the Bank, as amended and supplemented, providing for the obligation of the Bank to purchase tendered eligible 2019 Subseries B-2 Bonds and the Standby Bond Purchase Agreement dated May 9, 2019, entered into by and between the Authority and the Bank, as amended and supplemented, providing for the obligation of the Bank to purchase tendered eligible 2019 Subseries B-3 Bonds, respectively, in a Daily Mode Period or a Weekly Mode Period, upon certain conditions as therein described.

“Bank” means (i) Bank of America, N.A., as the provider of a Liquidity Facility in the form of the Subseries 2019 B-2 Standby Bond Purchase Agreement for the 2019 Subseries B-2 Bonds and as the provider of a Liquidity Facility in the form of the Subseries 2019 B-3 Standby Bond Purchase Agreement for the 2019 Subseries B-3 Bonds, respectively, and its successors and assigns, or (ii) the provider of any Alternate Liquidity Facility and its successors.

“Bank Bonds” means Variable Rate Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility.

“Bank Rate” means the rate of interest on all Variable Rate Bonds held by and payable to the Bank and any holder of Bank Bonds at any time as determined and calculated in accordance with the provisions of a Liquidity Facility; except as otherwise set forth in the Liquidity Facility, such term shall mean, for any day, a rate per annum equal to the highest of (i) the Prime Rate for such date plus one percent, (ii) the Federal Funds Rate for such date plus three percent, (iii) the one-month LIBOR Rate in effect at such time plus five percent, and (iv) 7.50%.

“Bondholder” or “Holder” or “Owner” means, for purposes of this Official Statement, any registered owner of Variable Rate Bonds, provided that, except under “Tax Matters” herein, so long as the Variable Rate Bonds are immobilized in the custody of DTC, such terms shall mean DTC or its nominee. (See “THE OFFERED BONDS – Book-Entry Only System” herein.)

“Conversion Date” means the date on which any of the Variable Rate Bonds are Converted to a Long-Term Fixed Interest Rate.

“Convert” “Converted” or “Conversion” as appropriate, means the conversion of the interest rate on the Variable Rate Bonds to Long-Term Fixed Interest Rates as herein described.

“Effective Rate” means the rate of interest, which rate shall be less than or equal to the Maximum Rate, payable on the Variable Rate Bonds prior to Conversion, determined for each Effective Rate Period as herein described.

“Effective Rate Date” means the date on which the Variable Rate Bonds begin to bear interest at the Effective Rate, including any Mode Change Date.

“Effective Rate Period” means the period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date, including any Mode Change Date.

“Federal Funds Rate” means, except as otherwise set forth in the applicable Liquidity Facility, for any day, the rate of interest per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) as determined by the Bank at which overnight Federal Funds are offered by the Bank for such day to major banks in the interbank market, with any change in such rate to become effective as to the Authority on the date of any change in such rate.

“Flexible Rate” means with respect to any Variable Rate Bond during a Flexible Mode Period, the rate of interest on such Bond established in accordance with the provisions of the 2019 Series B Resolution.

“Flexible Rate Segment” means, with respect to any Variable Rate Bond bearing interest at the Flexible Rate, the period established in accordance with the provisions of the 2019 Series B Resolution.

“Initial Liquidity Facility” means (i) with respect to the 2019 Subseries B-2 Bonds, the Subseries 2019 B-2 Standby Bond Purchase Agreement and (ii) with respect to the 2019 Subseries B-3 Bonds, the Subseries 2019 B-3 Standby Bond Purchase Agreement.

“Interest Payment Date” means, (i) while the Variable Rate Bonds initially bear interest in the Weekly Mode Period or Daily Mode Period, November 15 and May 15 of each year, commencing November 15, 2019, and as otherwise set forth in the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof with respect to Variable Rate Bonds bearing interest in other Mode Periods, and (ii) with respect to Variable Rate Bonds which have been Converted to bear interest at Long Term Fixed Interest Rates, May 15 and November 15 in each year.

“Liquidity Expiration Event” means either (i) the Authority or the Bank has determined to terminate a Liquidity Facility in accordance with its terms, including in connection with a substitution of an Alternate Liquidity Facility, or (ii) the Trustee has not received notice from either the Authority or the Bank on or prior to thirty (30) days prior to the scheduled expiration of a Liquidity Facility that such Liquidity Facility will be extended, renewed or replaced.

“Liquidity Facility” means, for purposes of the Variable Rate Bonds, other than Variable Rate Bonds in a Term Mode Period, any Liquidity Facility provided pursuant to the 2019 Series B Resolution by the Authority, including the BANA Standby Agreements (which cover only the Daily Rate and the Weekly Rate); provided, however, that any such Liquidity Facility must comply with the requirements of and constitute a “Bond Facility” under the Resolution.

“Long-Term Fixed Interest Rate” means a long-term interest rate fixed to maturity of a Variable Rate Bond, which may include a floating interest rate to maturity that is a function of an established market index selected by the Authority in accordance with the 2019 Series B Resolution.

“Mandatory Tender Date” means each date on which Variable Rate Bonds are subject to mandatory tender pursuant to the 2019 Series B Resolution. (See “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof.)

“Maximum Rate” means 14% per annum or, with respect to Bank Bonds, the maximum allowable interest rate in the State of Connecticut.

“Mode” means the manner in which the interest rate is adjusted on each Rate Determination Date, consisting of a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term and Auction Mode Period.

“Mode Change” means a change in Mode Period.

“Mode Period” means each period beginning on the first Effective Rate Date for the Variable Rate Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode. (See “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof.)

“Notice Parties” means the Authority, the Remarketing Agent, the Tender Agent, the Bank and the Trustee.

“Prime Rate” means, except as otherwise stated in the related Liquidity Facility, the rate of interest publicly announced by the Wall Street Journal from time to time as the “Prime Rate.”

“Purchase Date” means any date that Variable Rate Bonds are to be purchased pursuant to the 2019 Series B Resolution.

“Purchase Price” means an amount equal to the principal amount of any Variable Rate Bond tendered or deemed tendered for purchase as provided in the 2019 Series B Resolution, plus accrued interest from the previous Interest Payment Date to the day preceding the next Effective Rate Date, which shall be the date of purchase, but not including the Purchase Date; provided, that no accrued interest shall be included in the Purchase Price for any Purchase Date that is an Interest Payment Date (accrued interest shall be paid in the normal manner).

“Rate Determination Date” means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined, as described in the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof and herein.

“Record Date” means (a) with respect to any Interest Payment Date in respect of a Variable Rate Bond during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period, a Flexible Mode Period or a Term Mode Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of a Variable Rate Bond Converted to bear interest at a Long-Term Fixed Interest Rate, the day preceding such Interest Payment Date, and (c) with respect to any Interest Payment Date in respect of a Fixed Rate Bond or a Bond bearing interest at a Long-Term Fixed Interest Rate, the first day of the month in which the Interest Payment Date occurs; provided, however, that, with respect to a Variable Rate Bond bearing interest at a floating Long-Term Fixed Interest Rate, the Record Date shall be the Business Day preceding such Interest Payment Date, and, provided further, that if the Record Date is not a Business Day, then such Record Date shall be deemed to be the first Business Day following such Record Date.

“Remarketing Agent” means the remarketing agent designated on the front cover hereof for the Variable Rate Bonds, and its successors and assigns, unless another remarketing agent shall be duly appointed in accordance with the Resolutions.

“Remarketing Alternate Rate Determination Period” means any period during which the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, or the Effective Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law or would have an adverse effect upon the exclusion of interest on the Variable Rate Bonds from gross income for federal income tax purposes as evidenced by a Counsel’s Opinion.

“SIFMA Municipal Swap Index” means the index comprised of seven-day variable rate demand notes published by Municipal Market Data.

“Tender Agent” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, and its successors and assigns.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, and its successors and assigns.

### ***Interest Rate Provisions***

**Prior to Conversion.** The interest on the Variable Rate Bonds shall be payable on the applicable Interest Payment Date as described in the “Mode Chart for Variable Rate Bonds” appearing on pages (i) and (ii) hereof and herein. From the date of initial authentication and delivery of the Variable Rate Bonds to and including the day preceding the next Effective Rate Date, the Variable Rate Bonds shall bear interest at the rate determined in advance by Merrill Lynch, Pierce, Fenner & Smith Incorporated. Thereafter, the Variable Rate Bonds shall bear interest, commencing on the Effective Rate Date based on the current Mode Period, at the rates determined by the Remarketing Agent for the new Effective Rate Period (except for any Variable Rate Bonds that are held by the Bank which, in accordance with the related BANA Standby Agreement, shall bear interest at the Bank Rate). In no event shall the interest rates borne by such Variable Rate Bonds exceed the Maximum Rate (except for the Variable Rate Bonds that are held by the Bank, which, in accordance with the related BANA Standby Agreement, shall bear interest at the Bank Rate). From time to time, by notice to the Notice Parties and as required under the Resolution, the Authority may designate a new Mode Period.

During each Mode Period, the Effective Rate shall be that rate which is less than or equal to the Maximum Rate and which, in the determination of the Remarketing Agent, would enable the Remarketing Agent to sell such Variable Rate Bonds on the Effective Rate Date at the Purchase Price.

The Remarketing Agent, in determining the Effective Rate, must take into account factors described herein. The Authority does not require an indexing agent with respect to the determination of the Effective Rate on the Variable Rate Bonds.

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

The determination by the Remarketing Agent of the Effective Rate to be borne by the Variable Rate Bonds shall be conclusive and binding on the Holders of such Variable Rate Bonds and the other Notice Parties except as provided in the Resolutions. Failure by the Remarketing Agent or the Trustee to give any notice required under the Resolutions, or any defect therein, shall not affect the interest rate borne by the Variable Rate Bonds or the rights of the Holders thereof.

Upon the occurrence of a Remarketing Alternate Rate Determination Period, the Effective Rate for the Variable Rate Bonds in the Daily Mode or the Weekly Mode shall be deemed to be the Effective Rate for the prior Effective Rate Period (to be effective for the subsequent seven (7) Effective Rate Periods for such Variable Rate Bonds in the Daily Mode or for the immediately subsequent Effective Rate Period for such Variable Rate Bonds in the Weekly Mode), and thereafter, and in any event with respect to all other Modes, until the termination of the conditions causing such Remarketing Alternate Rate Determination Period, shall be equal to 110% of the SIFMA Municipal Swap Index or, in the event that such index is not available, a comparable index or publication of national recognition, as selected by the Remarketing Agent or, in the absence of a Remarketing Agent, the Authority.

**After Conversion.** Any Variable Rate Bonds that are Converted will bear interest at Long-Term Fixed Interest Rates determined upon such Conversion until the maturity or prior redemption thereof. The Remarketing Agent shall determine the Long-Term Fixed Interest Rates as those rates which, in the determination of the Remarketing Agent, would enable the Remarketing Agent to sell such Converted Variable Rate Bonds on the

Conversion Date at the Purchase Price or at such other price as to which the Trustee shall have received a Counsel's Opinion to the effect that sale at such price shall not adversely affect the exclusion of interest on such Converted Variable Rate Bonds from federal income taxation.

### ***Conversion Provisions***

**Conversion to Long-Term Fixed Interest Rates.** The 2019 Series B Resolution provides that the Authority has the option to Convert all or a portion of the Variable Rate Bonds on any Effective Rate Date to Long Term Fixed Interest Rates, in accordance with the Resolutions and as described herein. Prior and as a condition to the Conversion of any of the Variable Rate Bonds, the Trustee must deliver a notice to the Holders thereof specifying the Conversion Date, which date shall be not less than 14 days following the receipt of such notice. No Long-Term Fixed Interest Rate shall be established unless, on or before the Rate Determination Date for such Long-Term Fixed Interest Rate Period, a Counsel's Opinion has been delivered to the Trustee to the effect that the Conversion to a Long-Term Fixed Interest Rate in accordance with the provisions of the 2019 Series B Resolution (1) is lawful under the Act and is permitted by the Resolution, and (2) will not adversely affect the exemption of interest on such Variable Rate Bonds from Federal income taxation. Unless and until such conditions for Conversion are satisfied, such Variable Rate Bonds shall continue to bear interest at the Effective Rate.

**Designation of Subseries Upon Conversion.** With respect to the Variable Rate Bonds, all of such Variable Rate Bonds subject to such Conversion on a Conversion Date shall automatically, upon such Conversion, bear a subseries designation determined in the following manner. The first such Variable Rate Bonds so Converted shall be redesignated "2019 Subseries B-2-1" or "2019 Subseries B-3-1," as applicable, and the second such Variable Rate Bonds so Converted shall be redesignated "2019 Subseries B-2-2" or "2019 Subseries B-3-2," as applicable. Such redesignations shall continue in like manner until all Outstanding Variable Rate Bonds of a Series shall have been Converted to Long-Term Fixed Interest Rates.

### ***Tender Provisions***

**Holders' Election to Tender.** Prior to Conversion, while the Variable Rate Bonds, other than Variable Rate Bonds in a Flexible Mode Period or a Term Mode Period, remain within the same Mode Period, Holders of Variable Rate Bonds may elect to tender their Variable Rate Bonds which, if so tendered upon proper notice at the times and in the manner set forth in the "Mode Chart for Variable Rate Bonds" appearing on pages (i) and (ii) hereof, will be purchased on the date of tender at a price equal to the Purchase Price. Such notice of elective tender for purchase of Variable Rate Bonds by the Holders thereof will be irrevocable once such notice is given to the Remarketing Agent and the Tender Agent, while in a Daily, Weekly or Monthly Mode Period, or the Tender Agent, while in a Quarterly or Semiannual Mode Period, as directed in the 2019 Series B Resolution and set forth in the "Mode Chart for Variable Rate Bonds" appearing on pages (i) and (ii) hereof.

If the Variable Rate Bonds are held in registered form with DTC, they shall be tendered in accordance with the rules and procedures established by DTC (see "THE OFFERED BONDS – Book-Entry Only System" herein).

**Mandatory Tender.** The Variable Rate Bonds are subject to mandatory tender for purchase (i) with respect to a change from one Mode Period to any other Mode Period, on such Mode Change Date, (ii) in connection with a substitution of an Alternate Liquidity Facility or any other Liquidity Expiration Event (except as caused by a Special Event of Default or Suspension Event, as such terms are defined under the heading "*BANA Standby Agreements*," below), on the Business Day immediately preceding the last day the Bank is obligated to purchase Variable Rate Bonds under the Liquidity Facility, (iii) with respect to a Flexible Mode Period, on the day next succeeding the last day of each Flexible Rate Segment, (iv) with respect to a Term Mode Period, on the last day of each Term Rate Term, (v) at the election of the Authority, on any Business Day not later than one Business Day before the Liquidity Facility terminates by its terms (with respect to Variable Rate Bonds in the Flexible Rate Mode, only at the end of an applicable Flexible Mode Segment) and (vi) in all events, on any Conversion Date, in each case, at a purchase price equal to 100% of the principal amount thereof plus accrued interest; provided, that if any such day shall not be a Business Day, such mandatory tender shall occur on the immediately preceding Business Day. Upon any such event, other than an event described in clause (iii) above, the Trustee shall deliver a notice of mandatory tender to Holders at least fifteen (15) days prior to the mandatory tender date stating the reason for the mandatory tender, the date of mandatory tender,

and that all Holders of Variable Rate Bonds subject to such mandatory tender shall be deemed to have tendered their Variable Rate Bonds upon such date.

On each date on which Variable Rate Bonds are required to be purchased (each, a “Purchase Date”), and upon written direction of the Authority in any case when there is to be no Liquidity Facility effective with respect to such Variable Rate Bonds for the ensuing Effective Rate Period, the Remarketing Agent shall (i) determine the interest rate to be in effect commencing on each Purchase Date as though such Purchase Date were an Effective Rate Date and (ii) use its best efforts to remarket such Variable Rate Bonds on such Purchase Date. In the event the Remarketing Agent is unable to remarket the Variable Rate Bonds so tendered, the Bank will purchase such Bonds in accordance with the terms of the related BANA Standby Agreement; provided, however, that with respect to unremarketed Variable Rate Bonds in a Term Mode Period, such unremarketed Variable Rate Bonds will be purchased with moneys provided by the Authority. Upon the occurrence of certain events of termination or suspension under the related BANA Standby Agreement, the Bank’s obligation to purchase the related Variable Rate Bonds may be immediately terminated or suspended without notice. See “THE OFFERED BONDS – Description of the Variable Rate Bonds – *BANA Standby Agreements.*” Under such circumstances, Bondholders may be required to retain such Variable Rate Bonds at the rates set by the Remarketing Agent to their respective maturities or prior redemptions, as more fully described below under the heading “*Authority Not Responsible For Bank’s Failure to Purchase Variable Rate Bonds upon Occurrence of Certain Events of Default.*”

The following paragraph is applicable only if Replacement Bonds (as defined under “Discontinuance of Book-Entry System”) have been issued or if DTC has exercised its option to surrender and exchange its Variable Rate Bond certificates. Any Variable Rate Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date (“Untendered Bonds”), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of such Variable Rate Bonds shall be deemed to have been tendered and purchased on such Mandatory Tender Date. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, and said Holders shall no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the purchase price. Bond certificates will be issued in place of Untendered Bonds pursuant to the Resolutions and, after the issuance of the replacement Variable Rate Bond certificates, such Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

**Authority Responsibility For Bank’s Wrongful Failure to Purchase Variable Rate Bonds.** The Authority will enter into the Liquidity Facility with the Bank for the payment, subject to the terms and conditions contained in the Liquidity Facility, of the purchase price of the Variable Rate Bonds in certain Modes that are tendered or deemed tendered for purchase, which cannot be remarketed as provided in the Resolutions. Under the terms and provisions of the Remarketing Agreement and the Liquidity Facility, the purchase price of Variable Rate Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from monies furnished in connection with remarketing of such Variable Rate Bonds or from the Liquidity Facility. Upon any wrongful failure by the Bank to purchase Variable Rate Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2019 Series B Resolution, the Authority agrees, from any available funds, to purchase any such Variable Rate Bonds; provided that the Authority’s failure to so purchase such Variable Rate Bonds shall not constitute an Event of Default under the Resolution. Under such circumstances, (a) such Variable Rate Bonds shall continue to bear interest at the rates set by the Remarketing Agent as set forth in the 2019 Series B Resolution, which rates (i) will be less than or equal to the Maximum Rate and (ii) in the determination of the Remarketing Agent, will enable the Remarketing Agent to sell such Variable Rate Bonds on the applicable Effective Rate Date at the Purchase Price, and (b) Bondholders shall retain the right to tender such Variable Rate Bonds but will only receive the Purchase Price from remarketing proceeds or a voluntary purchase by the Authority.

**Authority Not Responsible For Bank’s Failure to Purchase Variable Rate Bonds upon Occurrence of Certain Events of Default.** Upon the occurrence of a Special Event of Default or Suspension Event (as such terms are defined under the heading “*BANA Standby Agreements,*” below) under the BANA Standby Agreements, the Bank’s obligation to purchase Variable Rate Bonds under the related BANA Standby Agreement shall immediately terminate or be suspended, as applicable, without notice or other action on the part of the Bank and the Bank will not be obligated to honor any tenders of such related Variable Rate Bonds. See “BANA Standby Agreements” herein. The Authority has no responsibility for any failure by the Bank to purchase Variable Rate Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2019 Series B Resolution upon the occurrence of any

Special Event of Default or Suspension Event under the related BANA Standby Agreement. The Authority shall cause notice to be promptly given to Holders of the Variable Rate Bonds following the occurrence of any event that shall entitle the Bank to immediately terminate or to suspend its obligations to purchase Variable Rate Bonds under the BANA Standby Agreements.

In the event of a failure by the Bank to purchase any Variable Rate Bonds tendered or deemed tendered for purchase by the Holders thereof resulting from a Special Event of Default or Suspension Event, such Bonds shall automatically bear interest in the same Mode Period with the interest rate reset on a weekly basis (for Bonds bearing interest in a Weekly Mode Period) or daily basis (for Bonds bearing interest in a Daily Mode Period) at the minimum rate for such Bonds to trade at par up to the Maximum Rate. Bondholders will not have the right to tender such Variable Rate Bonds during such Mode Period and may be required to hold such Variable Rate Bonds to their maturity or prior redemption.

#### ***Disclosure Concerning Sales of Variable Rate Bonds by Remarketing Agent***

**The Remarketing Agent is Paid by the Authority.** The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Variable Rate Bonds that are optionally tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Variable Rate Bonds.

**General Duties of Remarketing Agent.** With respect to the Variable Rate Bonds, the Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Variable Rate Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, on the date the rate becomes effective (the "Effective Rate Date"). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered Variable Rate Bonds at a price equal to 100% of the principal amount thereof plus accrued interest. The Remarketing Agent is permitted, but not obligated, to purchase tendered Variable Rate Bonds for its own account.

**The Remarketing Agent May Purchase Variable Rate Bonds for its Own Account.** The Remarketing Agent, in its sole discretion, may acquire tendered Variable Rate Bonds for its own inventory in order to achieve a successful remarketing of the Variable Rate Bonds (i.e., because there otherwise are not enough buyers to purchase the Variable Rate Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Variable Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Variable Rate Bonds by purchasing and selling Variable Rate Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Variable Rate Bonds. If the Remarketing Agent purchases Variable Rate Bonds for its own account, it may offer those Variable Rate Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Variable Rate Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Variable Rate Bonds. The purchase of Variable Rate Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Variable Rate Bonds in the market than is actually the case. The practices described above also may reduce the supply of Variable Rate Bonds that may be tendered in a remarketing.

**The Variable Rate Bonds May be Offered at Different Prices on any Date.** The interest rate on the Variable Rate Bonds will reflect, among other factors, the level of market demand for the Variable Rate Bonds (including whether the Remarketing Agent is willing to purchase Variable Rate Bonds for its own account). There may or may not be Variable Rate Bonds tendered and remarketed on a Rate Determination Date or an Effective Rate Date. When the Variable Rate Bonds are tendered, the Remarketing Agent may or may not be able to remarket all or any of such Variable Rate Bonds tendered for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Variable Rate Bonds at the remarketing price. If not all of the tendered Variable Rate Bonds are remarketed and the Remarketing Agent purchases such tendered Variable Rate Bonds at par for its own account or otherwise holds such Variable Rate Bonds that it purchased in the course of market making activities, the Remarketing Agent may sell these Variable Rate Bonds in secondary transactions at varying prices to different investors on such date or any other date.



**The Ability to Sell the Variable Rate Bonds other than through Tender Process May Be Limited.** While the Remarketing Agent may buy and sell Variable Rate Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Variable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Variable Rate Bonds other than by tendering the Variable Rate Bonds in accordance with the tender process.

**Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing of the Variable Rate Bonds, Without a Successor Being Named.** Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Resolutions.

BofA Securities, Inc. will be the new legal entity for the institutional services that are now provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated. This transfer is expected to occur on May 13, 2019 (the “Transfer Date”). Merrill Lynch, Pierce, Fenner & Smith Incorporated, the remarketing agent of the Variable Rate Bonds, will be assigning its rights and obligations as a remarketing agent to BofA Securities, Inc. on or after the Transfer Date.

### ***BANA Standby Agreements***

**General.** The following summarizes certain provisions of the BANA Standby Agreements providing liquidity support for the Variable Rate Bonds of the related Subseries, to which reference is made for the detailed provisions thereof. Each BANA Standby Agreement contains various provisions, covenants and conditions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the related BANA Standby Agreement to which reference is made hereby. Investors are urged to obtain and review a copy of the related BANA Standby Agreement in order to understand all of the terms of those documents. Certain words or terms used in the following summary are defined herein below and other words or terms not defined herein below are defined elsewhere in this Official Statement, the related BANA Standby Agreement or the Series Resolution, as applicable, and reference thereto is made for such definitions. In the event of any conflict between a definition set forth herein and the corresponding definition set forth in the related BANA Standby Agreement, the definition set forth in the related BANA Standby Agreement shall control for purposes of this section “***BANA Standby Agreements.***”

No BANA Standby Agreement guarantees or otherwise supports the payment of principal of or interest or redemption premium, if any, on the Variable Rate Bonds of the related Subseries in the event of non-payment of such interest, principal or redemption premium, if any, by the Authority. Each BANA Standby Agreement is available to provide funds only for the purchase of the related Subseries of the tendered Variable Rate Bonds described in such BANA Standby Agreement and none of the funds available pursuant to such BANA Standby Agreement may be used to pay the Purchase Price of any Offered Bonds other than the related Subseries of the Eligible Variable Rate Bonds (which are Variable Rate Bonds of the related Subseries which bear interest at a Covered Rate (the Daily Rate or the Weekly Rate) and which are not Bank Bonds, collectively referred to herein, as “Eligible Variable Rate Bonds.”).

The obligation of the Bank pursuant to the related BANA Standby Agreement is to provide funds for the purchase of the Variable Rate Bonds of the related Subseries that have been tendered and not remarketed. This obligation under the related BANA Standby Agreement will end on the earliest of (a) the close of business on the Expiration Date (initially, May 9, 2023); (b) the date on which no Eligible Variable Rate Bonds are outstanding; (c) the close of business on the Business Day immediately succeeding the Conversion Date; (d) the close of business on the thirtieth (30th) day following the date on which a Notice of Termination Date is received by the Authority and the Tender Agent pursuant to the related BANA Standby Agreement, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; and (e) the date on which the related Available Commitment has been reduced to zero or terminated in its entirety pursuant to the related BANA Standby Agreement (for such BANA Standby Agreement, the “Commitment Period”).

Subject to the terms and conditions of each BANA Standby Agreement, the Bank agrees from time to time during the related Commitment Period to purchase, with its own funds, Eligible Variable Rate Bonds at the Purchase Price on a Purchase Date. The aggregate principal amount (or portion thereof in Authorized Denominations or any integral multiple thereof) of any Eligible Variable Rate Bond of the related Subseries purchased on any Purchase Date

shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Eligible Variable Rate Bonds by the Bank on such date) on such Purchase Date under the related BANA Standby Agreement and the portion of the Purchase Price constituting accrued interest on Eligible Variable Rate Bonds shall not exceed the lesser of (i) the Available Interest Commitment under the related BANA Standby Agreement with respect to such Eligible Variable Rate Bonds on such date and (ii) the actual amount of interest accrued and unpaid on such Eligible Variable Rate Bonds to but excluding on such date. Any Variable Rate Bonds of such Subseries so purchased shall thereupon constitute Bank Bonds relating to such Subseries and shall, from the date of such purchase and for so long as such Subseries of the Variable Rate Bonds constitute Bank Bonds of the related Subseries, bear interest at the Bank Rate and have other characteristics of Bank Bonds as set forth in the related BANA Standby Agreement and the Resolutions.

If, on any Purchase Date during the related Commitment Period, the Bank receives not later than 12:00 p.m., New York time, a notice of bank purchase from the Tender Agent, the Bank shall, subject to the conditions set forth in the related BANA Standby Agreement, transfer to the Tender Agent not later than 2:00 p.m., New York time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all or such portion of such related Eligible Variable Rate Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such notice of bank purchase. A notice of bank purchase shall be irrevocable after receipt thereof by the Bank.

The obligation of the Bank to purchase Eligible Variable Rate Bonds of the related Subseries on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank: (i) receipt of a notice of bank purchase as set forth in the related BANA Standby Agreement; and (ii) no Special Event of Default, as such term is defined under the sub-heading “*BANA Standby Agreements – Events of Default – Events of Default Constituting Special Events of Default*” below), or Suspension Event, as such term is defined under the sub-heading “*BANA Standby Agreements – Events of Default – Events of Default Constituting a Suspension Event*” below) shall have occurred and be continuing on such Purchase Date.

The Subseries 2019 B-2 Standby Bond Purchase Agreement provided by the Bank will only support the payment of the principal and interest on the 2019 Subseries B-2 Bonds constituting Eligible Variable Rate Bonds tendered for purchase as provided in the Resolutions and the Subseries 2019 B-3 Standby Bond Purchase Agreement provided by the Bank will only support the payment of the principal and interest on the 2019 Subseries B-3 Bonds constituting Eligible Variable Rate Bonds tendered for purchase as provided in the Resolutions. The Bank is obligated only for the amount payable under the related BANA Standby Agreement for the Variable Rate Bonds of the related Subseries and is not obligated to pay any amount payable under the other BANA Standby Agreement or for any Subseries of Offered Bonds not supported by such BANA Standby Agreement.

### ***Events of Default***

***Events of Default Constituting Special Events of Default.*** Each of the following constitutes both an “Event of Default” and a “Special Event of Default” under the related BANA Standby Agreement:

- (1) ***Payments.*** The Authority shall have failed to pay when due any principal or sinking fund requirement due on, or interest on, any Variable Rate Bonds of the related Subseries (including Bank Bonds of the related Subseries) or Parity Debt ; or
- (2) ***Judgments.*** One or more final, unappealable judgments against the Authority as to the Pledged Property for the payment of money, and not covered by insurance, or attachments against the Pledged Property, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or
- (3) ***Insolvency.*** (a) The Authority shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution,

composition or other relief with respect to it, or seeking to declare a moratorium with respect to the Variable Rate Bonds of the related Subseries or any Parity Debt, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or a substantial portion of the Pledged Property, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Pledged Property, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (c) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a) or (b) above or any of the acts set forth in clause (a) under “*Events of Default Constituting a Suspension Event*” below; or (d) the Authority shall not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (e) (i) a moratorium shall have been declared (whether or not in writing) with respect to any Variable Rate Bonds of the related Subseries (including Bank Bonds) or all debt of the Authority by the Authority or the State of Connecticut (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or (ii) a moratorium (whether or not in writing) with respect, to any Variable Rate Bonds of the related Subseries (including Bank Bonds) or all debt of the Authority is declared by the Authority or imposed as a result of any finding or ruling by any Governmental Authority having jurisdiction over the Authority; or

- (4) *Invalidity*. (a) Any material provision of the Act, the related BANA Standby Agreement, the Resolutions, the Variable Rate Bonds of the related Subseries or any Parity Debt relating to the payment of the principal of or interest on the Variable Rate Bonds of the related Subseries (including any Bank Bonds) or any Parity Debt shall at any time for any reason cease to be valid and binding on the Authority as a result of federal or state legislative or administrative action, or shall be declared by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable; or (b) the State of Connecticut or the Authority shall have taken or permitted to be taken any official action, or has duly enacted any statute, which would materially adversely affect the enforceability of the related BANA Standby Agreement, the Variable Rate Bonds of the related Subseries, the Act, the Resolutions or any Parity Debt relating to the payment of the principal of or interest on the Variable Rate Bonds of the related Subseries (including any Bank Bonds) or any Parity Debt; or
- (5) *Ratings Downgrade Below “Baa3” or “BBB-”*. Moody’s and S & P and any other Rating Agency then under contract with the Authority to maintain ratings on the Variable Rate Bonds of the related Subseries and any Parity Debt shall have (a) assigned the Variable Rate Bonds of the related Subseries or any Parity Debt a long-term rating below “Baa3” or “BBB-”, respectively (or comparable rating in the case of another Rating Agency), (b) withdrawn their long-term ratings of the Variable Rate Bonds of the related Subseries or any Parity Debt for any credit related reasons or (c) suspended their long-term ratings of the Variable Rate Bonds of the related Subseries or any Parity Debt for any credit related reasons; *provided, however*, that any downgrade, withdrawal or suspension described in any of the foregoing provisions of this paragraph 5 shall not be deemed an Event of Default under the related BANA Standby Agreement if said downgrade, withdrawal or suspension, as the case may be, shall be attributable to the downgrade, withdrawal or suspension of the long-term ratings assigned to any bond insurance or other credit enhancement provided by a Person other than the Authority.

*Remedies for Events of Default Constituting a Special Event of Default.* If any Special Event of Default shall have occurred as described above, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank under the related BANA Standby Agreement shall immediately terminate and expire without requirement of notice by the Bank; provided, that (i) the Event of Default described in paragraph (1) under the sub-

heading “*Events of Default Constituting Special Events of Default*” above will not qualify as a “Special Event of Default” under the related BANA Standby Agreement if the failure to pay the principal of, or interest on, a Bank Bond or Parity Debt purchased by a Person providing a letter of credit, reimbursement agreement, liquidity facility or similar instrument pursuant to a liquidity drawing is due solely to an acceleration thereof by the Bank or the provider of such liquidity drawing agreement for any reason other than nonpayment as described in paragraph (1) under the sub-heading “*Events of Default Constituting Special Events of Default*” above. After such termination or expiration, the Bank shall deliver promptly to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

*Events of Default Constituting a Suspension Event.* An Event of Default with respect to any of the following events shall constitute a “Suspension Event” under the related BANA Standby Agreement:

- (1) *Involuntary Bankruptcy Proceeding.* There shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause 3(a) above under the sub-heading “*Events of Default Constituting Special Events of Default*” which (i) results in an order for such relief or in the appointment of a receiver or similar official and (ii) such case, proceeding or other action remains undismissed, undischarged or unbonded for a period of sixty (60) days; or
- (2) *Ruling of Invalidity.* Any governmental entity with jurisdiction to rule on the validity of the related BANA Standby Agreement, the Variable Rate Bonds of the related Subseries, the Act, the Resolutions or any Parity Debt shall find or rule that any material provision of the related BANA Standby Agreement, the Variable Rate Bonds of the related Subseries, the Act, the Resolutions or any Parity Debt, as the case may be, relating to the payment of the principal of or interest on the Variable Rate Bonds of the related Subseries (including any Bank Bonds) or any Parity Debt is not valid or not binding on the Authority; or
- (3) *Authority Claim of Invalidity.* The Authority (a) makes a claim in a judicial or administrative proceeding that the Authority has no further liability or obligation under the related BANA Standby Agreement, the Variable Rate Bonds of the related Subseries, the Act, the Resolutions or any Parity Debt or (b) contests in a judicial or administrative proceeding the validity or enforceability of any material provision of the related BANA Standby Agreement, the Variable Rate Bonds of the related Subseries, the Act, the Resolutions or any Parity Debt relating to or otherwise affecting the Authority’s obligation to pay the principal of or interest on any related Subseries of the Variable Rate Bonds (including any Bank Bonds) or such Parity Debt.

*Remedies for a Suspension Event.* If any Suspension Event shall have occurred as described above:

(a) The obligation of the Bank to purchase Eligible Variable Rate Bonds under the related BANA Standby Agreement shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Variable Rate Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Authority, the Trustee, the Tender Agent and the Remarketing Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Variable Rate Bonds pursuant to the related BANA Standby Agreement.

(b) Upon the occurrence of a Suspension Event described in paragraph (1) under the sub-heading “*Events of Default Constituting a Suspension Event*” above, the Bank’s obligations to purchase Eligible Variable Rate Bonds shall remain suspended until the case, proceeding or other action referred to therein is either (i) dismissed, discharged or bonded or (ii) sixty (60) days shall have elapsed from the commencement of such case, proceeding or action, whichever is the first to occur. In the event that said Suspension Event shall have been dismissed, discharged or bonded within the sixty (60) day period described therein, then the Available Commitment and the obligation of the Bank to purchase Eligible Variable Rate Bonds shall be reinstated and the terms of the related BANA Standby Agreement shall continue in full force

and effect (unless the related BANA Standby Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. In the event that said Suspension Event shall not have been dismissed, discharged or bonded within such sixty (60) day period, then the Available Commitment and the obligation of the Bank to purchase Eligible Variable Rate Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase the related Eligible Variable Rate Bonds.

(c) Upon the occurrence of a Suspension Event described in paragraphs (2) or (3) under the sub-heading “*Events of Default Constituting a Suspension Event*” above, if a court with jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the material provisions of the Act or any other document described in paragraph (2) under the sub-heading “*Events of Default Constituting a Suspension Event*” above are not valid or not binding on the Authority or that a claim or contest described in paragraph (3) under the sub-heading “*Events of Default Constituting a Suspension Event*” above shall have been upheld in favor of the State of Connecticut or the Authority in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase related Eligible Variable Rate Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase related Eligible Variable Rate Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the material provision of the Act or any other document described in paragraph (2) is valid and binding on the Authority or that the claim or contest described in paragraph (3) shall have been dismissed pursuant to a final and nonappealable judgment, then the Available Commitment and the obligations of the Bank under the related BANA Standby Agreement shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated, suspended or expired as provided in the related BANA Standby Agreement). Notwithstanding the foregoing, if three (3) years after the effective date of the suspension of the obligations of the Bank pursuant to any Event of Default described in paragraph (2) or(3), litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, then the Available Commitment and the obligation of the Bank to purchase the related Eligible Variable Rate Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Variable Rate Bonds.

(d) In the case of each Suspension Event, the Tender Agent shall immediately notify all affected Variable Rate Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Bank to purchase the related Eligible Variable Rate Bonds.

*Events of Default Not Constituting a Special Event of Default or Suspension Event.* In addition to the Events of Default set forth in under the sub-heading “*Events of Default Constituting Special Events of Default*” and “*Events of Default Constituting a Suspension Event*” above, the occurrence of any of the following events shall also constitute an “Event of Default” under the related BANA Standby Agreement but shall not constitute a “Special Event of Default” or a “Suspension Event” under such BANA Standby Agreement:

- (1) Payments. The Authority shall have failed to pay when due (a) any principal payment due on any Bank Bond during the Term Out Period pursuant to the related BANA Standby Agreement, or (b) any other amount owed to the Bank pursuant to the related BANA Standby Agreement (other than amounts described in paragraph (1) under the sub-heading “*Events of Default Constituting Special Events of Default*” above with respect to the Variable Rate Bonds of the related Subseries (including Bank Bonds of the related Subseries); or
- (2) Other Payments to Bank. The Authority shall fail to pay when due any amount owing under certain designated provisions of the related BANA Standby Agreement or under the related Fee Letter; or
- (3) Representations. Any representation or warranty made by or on behalf of the Authority in the related BANA Standby Agreement, the Resolutions or in any other Related Document or in any certificate or statement delivered under the related BANA Standby Agreement or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

- (4) Certain Covenants. The Authority shall default in the due performance or observance of certain of the covenants set forth in the related BANA Standby Agreement; or
- (5) Other Covenants. The Authority shall materially default in the due performance or observance of any other term, covenant or agreement contained in the related BANA Standby Agreement (other than those referred to in paragraphs 1, 2, 3 and 4 above), the Resolutions or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority shall have received notice thereof; or
- (6) Ratings Downgrade Below "A3" or "A-". The long-term rating assigned to the Variable Rate Bonds of the related Subseries or any Parity Debt by Moody's (without regard to bond insurance or other credit enhancement) shall be suspended, withdrawn or reduced below "A3" (or its equivalent) or the long-term rating assigned to the Variable Rate Bonds of the related Subseries or any Parity Debt by S&P (without regard to bond insurance or other credit enhancement) shall be suspended, withdrawn or reduced below "A-" (or its equivalent); or
- (7) Cross Default. (a) Any "event of default" as defined in the General Resolution which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder; or (b) any "Event of Default" which is not cured within any applicable grace period shall occur which, if not cured, would give rise to remedies available under any other agreement between the Authority and the Bank regarding Parity Debt.

*Remedies for All Events of Default.* If any Event of Default shall have occurred and be continuing:

(a) Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) declare all obligations of the Authority to the Bank under the related BANA Standby Agreement (other than payments of principal and redemption price of and interest on the Bank Bonds unless said Bank Bonds have otherwise become subject to mandatory tender pursuant to the Series Resolution) to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; (ii) the Bank may give written notice of such Event of Default and termination of the related BANA Standby Agreement (a "Notice of Termination Date") to the Trustee, the Tender Agent, the Authority and the Remarketing Agent requesting a Default Tender; *provided*, that the obligation of the Bank to purchase the Variable Rate Bonds of the related Subseries shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment under the related BANA Standby Agreement shall terminate and the Bank shall be under no obligation under such BANA Standby Agreement to purchase the Variable Rate Bonds of the related Subseries; (iii) exercise any right or remedy available to it under any other provision of the BANA Standby Agreement; or (iv) exercise any other rights or remedies available under the Resolutions and any other Related Document, any other agreement or at law or in equity; *provided, further, however*, the Bank shall not have the right to terminate its obligation to purchase the Variable Rate Bonds of the related Subseries except as provided under this sub-heading "*Events of Default.*" Notwithstanding anything to the contrary in a related BANA Standby Agreement, no failure or delay by the Bank in exercising any right, power or privilege under the related BANA Standby Agreement, under the Resolutions and any other Related Document or under the Variable Rate Bonds of the related Subseries and no course of dealing between the Authority and the Bank shall operate as a waiver hereof or thereof nor shall any single or partial exercise hereof or thereof preclude any other or further exercise hereof or thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the related BANA Standby Agreement shall be cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

(b) In addition to the foregoing, upon the occurrence of any Event of Default under the related BANA Standby Agreement, all Obligations due and payable under such BANA Standby Agreement shall bear interest at the Default Rate.

## ***Defined Terms***

As used under the heading “BANA Standby Agreement,” the following terms have the meanings indicated below:

“*Available Commitment*” means on any day the sum of the related Available Principal Commitment and the related Available Interest Commitment, in each case, as of such day.

“*Available Interest Commitment*” initially means, (x) with respect to the 2019 Subseries B-2 Bonds, to November 15, 2019, an amount equal to \$1,114,232 (calculated on the Available Principal Commitment at 14.00% per annum for 192 days on a basis of a 365-day year calculated on the basis of the actual number of days elapsed), and beginning after November 15, 2019, an amount equal to \$1,079,412 (calculated on the Available Principal Commitment at 14.00% per annum for 186 days on a basis of a 365-day year calculated on the basis of the actual number of days elapsed), and (y) with respect to the 2019 Subseries B-3 Bonds, to November 15, 2019, an amount equal to \$1,463,304 (calculated on the Available Principal Commitment at 14.00% per annum for 192 days on a basis of a 365-day year calculated on the basis of the actual number of days elapsed), and beginning after November 15, 2019, an amount equal to \$1,417,575 (calculated on the Available Principal Commitment at 14.00% per annum for 186 days on a basis of a 365-day year calculated on the basis of the actual number of days elapsed), and, thereafter, means such amount adjusted from time to time as follows: (A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; and (B) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment.

“*Available Principal Commitment*” initially means the aggregate principal amount of the 2019 Subseries B-2 Bonds outstanding of \$15,130,000, and the aggregate principal amount of the 2019 Subseries B-3 Bonds outstanding of \$19,870,000, and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the related BANA Standby Agreement; (b) downward by the principal amount of any 2019 Subseries B-2 Bonds or 2019 Subseries B-3 Bonds purchased by the Bank pursuant to the related BANA Standby Agreement; and (c) upward by the principal amount of any 2019 Subseries B-2 Bonds or 2019 Subseries B-3 Bonds theretofore purchased by the Bank pursuant to the related BANA Standby Agreement which are remarketed (or deemed to be remarketed) pursuant to the related BANA Standby Agreement by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon; *provided, however*, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed \$15,130,000 in the case of the 2019 Subseries B-2 Bonds and \$19,870,000 in the case of the 2019 Subseries B-3 Bonds. Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Bonds*” means each Variable Rate Bond of the related Subseries purchased and held by or for the account of the Bank in accordance with the provisions of the related BANA Standby Agreement; *provided, however*, that if the Bank elects to retain ownership of any Bank Bonds of the related Subseries for which the Remarketing Agent has found a purchaser, as permitted by the related BANA Standby Agreement, then such Bonds shall thereafter cease to be Bank Bonds as and to the extent provided in the related BANA Standby Agreement.

“*Bank Owner*” means the Bank (but only in its capacity as owner of the Variable Rate Bonds of the related Subseries acquired pursuant to the related BANA Standby Agreement) and any other Person to whom the Bank has sold Bank Bonds of the related Subseries pursuant to such BANA Standby Agreement.

“*Conversion Date*” means the date the interest rate on all of the Variable Rate Bonds of the related Subseries has been converted to bear interest at an interest rate other than the Daily Rate or the Weekly Rate.

“*Default*” means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or the giving of notice, or both, would constitute an Event of Default.

“*Defaulted Interest*” means accrued interest payable on the Variable Rate Bonds of the related Subseries which was not paid when due or any amounts accruing on amounts owed on the Variable Rate Bonds of the related Subseries by reason of such amounts being not paid when due.

“*Expiration Date*” means the later of (a) 5:00 p.m. (New York City time), on May 9, 2023 or, if such day is not a Business Day, the Business Day next preceding such day, and (b) 5:00 p.m., New York time, on the last day of any extension of such date pursuant to the related BANA Standby Agreement or, if such last day is not a Business Day, the Business Day next preceding such day.

“*Fee Letter*” means, as applicable, the certain (i) Fee Letter, dated May 9, 2019, relating to the Subseries 2019 B-2 Standby Bond Purchase Agreement and (ii) Fee Letter, dated May 9, 2019, relating to the Subseries 2019 B-3 Standby Bond Purchase Agreement, each from the Bank to the Authority, relating to the payment of certain fees and expenses, as the same may be amended and supplemented from time to time.

“*Governmental Authority*” means national, state or local domestic government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person, if and to the extent payable from the Pledged Property, and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

“*Obligations*” means all amounts owed by the Authority to the Bank under a related BANA Standby Agreement and the Bank Bonds.

“*Parity Debt*” means other Debt, including bonds (excluding the related Variable Rate Bonds), now or hereafter outstanding under the terms of the General Resolution; provided, that such Debt is secured by the Pledged Property on a parity with the related Variable Rate Bonds pursuant to the General Resolution.

“*Pledged Property*” means the monies and securities, including Pledged Receipts and Recoveries of Principal (as defined in the General Resolution), pledged for the payment of related Variable Rate Bonds pursuant to the General Resolution.

“*Purchase Date*” means a Business Day during the related Commitment Period on which the Bank purchases the Variable Rate Bonds of the related Subseries pursuant to the related BANA Standby Agreement.

“*Purchase Price*” means, with respect to any Eligible Variable Rate Bond as of any date, 100% of the principal amount of such Eligible Variable Rate Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however*, if the Purchase Date for any Eligible Variable Rate Bond is also an Interest Payment Date for such Eligible Variable Rate Bond, the Purchase Price for such Eligible Variable Rate Bond shall not include accrued but unpaid interest on such Eligible Variable Rate Bond; and provided, further, in no event shall the Purchase Price of any Variable Rate Bond include any premium owed with respect to any Variable Rate Bond or any Defaulted Interest in the excess of any amount specified in the related BANA Standby Agreement.

“*Related Documents*” means for a Subseries of Variable Rate Bonds, the related BANA Standby Agreement, the related Fee Letter, such Variable Rate Bonds of the related Subseries, the Official Statement, the Resolutions, the Bond Purchase Agreement relating to such Subseries of Variable Rate Bonds and the Remarketing Agreement related to such Subseries of Variable Rate Bonds.



*“Special Event of Default”* means an Event of Default described under the sub-heading *“Events of Default Constituting Special Events of Default”* above shall have occurred and be continuing on a Purchase Date.

*“Substitution Date”* means the date on which a Substitute Liquidity Facility is accepted by the Trustee and becomes effective.

*“Suspension Event”* means an Event of Default described under the sub-heading *“Events of Default Constituting a Suspension Event”* above shall have occurred and be continuing on a Purchase Date.

*“Term Out Period”* means the period commencing on the first to occur of (a) the one hundred eighty first (181st) day following a Purchase Date and (b) the final day of the Commitment Period, and ending on the fifth (5th) anniversary of the date on which the related Liquidity Advance was first made pursuant to the related BANA Standby Agreement.

### **Book Entry Only System**

The Fixed Rate Bonds will be available in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. The Variable Rate Bonds will be available in book-entry form only, in the principal amount of (i) prior to the Conversion Date and during any Mode Period other than a Flexible Mode Period, a Term Mode Period or a Semiannual Mode Period, \$100,000 or integral multiples of \$5,000 in excess of \$100,000, (ii) during a Flexible Mode Period, \$100,000 or integral multiples of \$1,000 in excess of \$100,000, and (iii) during a Semiannual Mode Period, a Term Mode Period or on and after the Conversion Date, \$5,000 or integral multiples thereof; provided, however, that on and after the Conversion Date, Variable Rate Bonds bearing interest at floating Long-Term Fixed Interest Rates will be available in the principal amount of \$100,000 or integral multiples of \$5,000 in excess thereof. Purchasers of the Offered Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as the Offered Bonds are immobilized in the custody of DTC, references to Bondholders or registered owners of such Bonds (except under “TAX MATTERS”) mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities in the name of Cede & Co. One fully-registered Offered Bond will be issued for each maturity within a Subseries of the Offered Bonds, as set forth on the inside cover page, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“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. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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](http://www.dtcc.com).

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

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

A Beneficial Owner will give notice to elect to have its Variable Rate Bonds tendered, through its Participant, to the Tender Agent, and will effect delivery of such Variable Rate Bonds by causing the Direct Participant to transfer the Participant's interest in the Variable Rate Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Variable Rate Bonds in connection with a demand for tender or a mandatory tender will be deemed satisfied when the ownership rights in the Variable Rate Bonds are transferred by Direct Participants on DTC's records. No charge will be imposed upon registered owners in connection with the transfer or exchange, except as described in "Discontinuance of Book Entry System" herein.

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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices and significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered 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 notices be provided directly to them.

Redemption notices shall be sent to Cede. If less than all of a Subseries of the Offered Bonds within a particular maturity and interest rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant therein to be redeemed.

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

Redemption proceeds, and principal and purchase price of and interest payments on the Offered Bonds will be made to Cede or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on a 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, purchase price and principal and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR PURCHASE PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE RESOLUTIONS, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR PARTIAL TENDER AND PURCHASE OF THE OFFERED BONDS, OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

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

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be required to be printed and delivered as described in the Resolutions.

#### **Discontinuance of Book Entry System**

The Resolution provides for issuance of bond certificates (“Replacement Bonds”) directly to Beneficial Owners of the Offered Bonds, but only in the event that (a) DTC determines not to act as securities depository for the Offered Bonds; or (b) the Authority has advised DTC of its determination that DTC is incapable of discharging its duties; or (c) the Authority has determined that it is in the best interests of the Beneficial Owners of the Offered Bonds that they be able to obtain bond certificates. Upon the occurrence of an event described in (a) or (b) above, the Authority shall attempt to locate another qualified securities depository. If the Authority fails to locate another securities depository to replace DTC, the Trustee shall authenticate and deliver Replacement Bonds, in certificated form. In the event the Authority makes the determination noted in (b) or (c) above (the Authority undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Authority to make any such determination), and has made provisions to notify the Beneficial Owners of the Offered Bonds by mailing an appropriate notice to DTC, it shall cause to be authenticated and delivered Replacement Bonds in certificated form to any DTC Participant making such a request. Principal or redemption price or purchase price of and interest, if any, on the Replacement Bonds shall be payable by check or draft mailed to each holder of such Replacement Bond at the address of such holder as it appears in the bond register maintained by or on behalf of the Authority. Replacement Bonds will be transferable only by presentation and surrender to the Authority, or an agent of the Authority to be designated in the Replacement Bonds, together with an assignment duly executed by the holder of the Replacement Bond or by such holder’s representative in form satisfactory to the Authority, or an agent of the Authority, and containing information required by the Authority in order to effect such a transfer.

For every exchange or transfer of the Offered Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except for the first exchange or transfer of a bond, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

#### **SOURCES AND USES**

The proceeds of the Offered Bonds, along with other available monies under the Resolution, are expected to be used (i) within 90 days of the date of issuance thereof, to refund and/or replace and refund certain current and/or future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by special and/or optional redemption, which bonds were initially issued in part to finance certain home Mortgage Loans, (ii) provide new monies for the

financing of permanent home Mortgage Loans, and (iii) to pay certain costs of issuance. The sources of funds and uses thereof in connection with the Offered Bonds are expected to be approximately as set forth below:

**Sources**

Principal Amount of Offered Bonds .....	\$121,995,000.00
Original Issue Premium on the 2019 Series B PAC Bonds.....	3,003,020.95
Available monies under the resolutions .....	<u>69,681,815.76</u>
Total Sources .....	<u>\$194,679,836.71</u>

**Uses**

Redemption or payment of Outstanding Bonds .....	\$68,461,865.76
Bond Proceeds Account for Financing Home Mortgage Loans .....	124,998,020.95
Costs of Issuance.....	590,602.38
Underwriters' Compensation and Expenses.....	<u>629,347.62</u>
Total Uses .....	<u>\$194,679,836.71</u>

**SOURCES OF PAYMENT**

The Bonds are general obligations of the Authority, and the full faith and credit of the Authority are pledged for the payment, when due, of the principal or redemption price, if any, of and interest on the Bonds. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and on the terms set forth in the Resolution, including payment of Operating Costs, the Bonds are entitled to the lien created by the pledge under the Resolution of:

- (a) the proceeds derived from the sale of Bonds;
- (b) all monies received as “Pledged Receipts,” including (i) the scheduled payments (monthly or otherwise) of principal and interest paid to the Authority from any source on any Mortgage Loan financed under the Housing Mortgage Finance Program and (ii) all fees and charges imposed by the Authority with respect to its Mortgage Loans;
- (c) all monies received as “Recoveries of Principal,” including (i) prepayments of any Mortgage Loan, (ii) proceeds of condemnation or foreclosure of mortgaged premises, (iii) mortgage insurance proceeds, and (iv) monies received from the sale or other disposition of any mortgage;
- (d) all monies or securities in the Housing Mortgage General Fund and Housing Mortgage Capital Reserve Fund; and
- (e) any monies received from the State for the Housing Mortgage Finance Program, including any funds appropriated from the general fund of the State to the Housing Mortgage Capital Reserve Fund in accordance with the Resolution and the Act.

Acquired Program Mortgages financed by the Authority are not themselves subject to the lien of the Resolution, but are to be assigned to the Trustee on its request upon the occurrence of an event of default under the Resolution.

Upon certain terms and conditions provided in the Resolution, amounts in the Surplus Account may be released annually between November 12 and December 1 free and clear of the lien of the Resolution. See Part 2 “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION—Surplus Account.”

As of December 31, 2018, the Authority had net assets in Other Funds of approximately \$30,249,000, including \$20,400,000 held pursuant to the Special Needs Housing Mortgage Finance Program Indenture. The remaining net assets in Other Funds was comprised of (i) \$3,506,000 in the Housing Mortgage Insurance Fund, which was funded primarily from amounts transferred from the Surplus Account to the Authority free and clear of the lien of the Resolution, (ii) \$3,661,000 held pursuant to the Single Family Special Obligation Bond Resolution and the

Single Family Other Bond Resolution, (iii) \$2,485,000 held pursuant to the Multifamily Special Obligation Bond Resolution and the Multifamily Other Bond Resolution, and (iv) \$197,000 held pursuant to the Qualified Energy Conservation Bond Resolution.

For further information concerning the financial position of the Authority, see the financial statements included in Appendix B to Part 2.

### **HOUSING MORTGAGE CAPITAL RESERVE FUND**

Pursuant to Section 8-258(a) of the Act, the Housing Mortgage Capital Reserve Fund must be maintained in an amount equal to the principal, sinking fund installments, and interest becoming due on the Bonds of the Authority in the next succeeding calendar year (the “Housing Mortgage Capital Reserve Fund Minimum Requirement” or the “Required Minimum Capital Reserve”). The Resolution specifies that no Bonds or Other Bonds issued for Housing Mortgage Finance Program purposes and secured by the Housing Mortgage Capital Reserve Fund shall be issued by the Authority unless the amount in the Housing Mortgage Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments, and interest becoming due on the Outstanding Bonds and Outstanding Other Bonds in any succeeding calendar year (the “Housing Mortgage Capital Reserve Fund Maximum Requirement”).

In the event that the monies available to the Authority under the Resolution for the payment of principal, sinking fund installments, and interest on the Bonds in any year are not sufficient, an amount equal to such insufficiency is required to be withdrawn from the Housing Mortgage Capital Reserve Fund to provide for such payments. Under the Resolution, the Chairperson of the Authority is required to certify to the Secretary of the Office of Policy and Management of the State, on or prior to December 1 of such year, the amount necessary to restore such fund to the Required Minimum Capital Reserve. The Act provides as follows:

On or before December first of each year, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the chairman of the authority, to the secretary of the office of policy and management, as necessary to restore said fund to an amount equal to the required minimum capital reserve, and such amounts shall be allotted and paid to the authority. For purposes of valuation of the housing mortgage capital reserve fund, securities acquired as an investment for said fund shall be valued at par, actual cost to the authority or market value, whichever is less.

In the opinions of Co-Bond Counsel to the Authority, such appropriation and payment from the general fund of the State do not require further legislative approval.

In addition to the Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, and, under limited circumstances, the Connecticut Health and Educational Facilities Authority are authorized to issue and have issued bonds secured by special capital reserve funds for which amounts are deemed appropriated from the State’s general fund under similar circumstances.

Amounts paid by the State to restore the Housing Mortgage Capital Reserve Fund to the Housing Mortgage Capital Reserve Fund Minimum Requirement are required by the Act to be repaid to the State by the Authority and credited to the State’s general fund, as soon as possible, from any monies available therefor in excess of the amounts that the Authority determines will keep it self-supporting. The Resolution provides that such amounts may be paid from the Surplus Account.

On the date of issuance of the Offered Bonds, the amount of securities on deposit in the Housing Mortgage Capital Reserve Fund, valued in accordance with the Resolution, will be at least equal to the Housing Mortgage Capital Reserve Fund Maximum Requirement.

The Authority is authorized to issue additional Bonds under the Resolution and to issue Other Bonds under one or more general resolutions secured by the Housing Mortgage Capital Reserve Fund. See Part 2 under the

headings “THE HOUSING MORTGAGE FINANCE PROGRAM – Other Bonds Held as Investments under the Resolution and Secured by the Housing Mortgage Capital Reserve Fund” and “SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION—Issuance of Additional Obligations” and “—Housing Mortgage Capital Reserve Fund.”

## **TAX MATTERS**

**Interest on the Taxable Bonds is included in gross income for Federal income tax purposes, and, therefore, the following discussion does not apply to proceeds of or Mortgage Loans attributable to the Taxable Bonds. See “Taxable Bonds and Opinions of Co-Bond Counsel to the Authority” herein.**

*The requirements of applicable Federal tax law must be satisfied with respect to an “issue” of tax-exempt bonds. For purposes of arbitrage and certain other Federal tax matters, the Offered Bonds other than the 2019 Subseries B-4 Bonds (the “2019 Series B Tax-Exempt Bonds”) will be treated as a composite issue, in which case certain requirements must be satisfied with respect to all of the 2019 Series B Tax-Exempt Bonds in order that interest on each individual Subseries of such Bonds be excluded from gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Authority reserves the right to issue Bonds in the future that could be treated as a composite issue with the 2019 Series B Tax-Exempt Bonds for Federal income tax purposes.*

### **Requirements of the Code Relating to Home Mortgage Loans**

Interest on bonds that are issued to finance or to refund bonds issued to finance single family residences, such as the 2019 Series B Tax-Exempt Bonds, is not included in gross income for Federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for home mortgage loans and borrowers (see “Mortgage Eligibility Requirements Under the Code”), (ii) yield and investment requirements (see “Requirements Related to Arbitrage”), and (iii) certain other requirements related to the issue (see “Other Requirements”).

#### ***Mortgage Eligibility Requirements Under the Code***

The Authority must reasonably expect at the time the home Mortgage Loan is executed that the borrower will make the residence financed by the home Mortgage Loan the borrower’s principal residence within a reasonable time after the financing is provided. Under the procedures that the Authority has established as described herein, the borrower is required to certify at the closing of the home Mortgage Loan that the borrower intends to make the financed residence the borrower’s principal residence within 60 days. In addition, the Authority requires the participating lender to inspect and verify that the borrower has occupied the residence as the borrower’s principal residence within 60 days after the closing of the home Mortgage Loan.

At least 95% of the net proceeds of an issue, including towards such 95% proceeds used to make mortgage loans in targeted areas or to veterans and proceeds used for qualified rehabilitation and qualified home improvement, must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three year period prior to the date on which the mortgage is executed. If applicable, the Authority requires the borrower to provide the borrower’s Federal income tax returns for the preceding three years for review for evidence of prior ownership of a principal residence, and to certify at the closing of the home Mortgage Loan that the borrower has not had a present ownership interest in the borrower’s principal residence within the preceding three years. The first-time homebuyer requirement does not apply to certain veterans receiving financing for residences financed from the proceeds of qualified mortgage bonds.

Under the Code, the maximum purchase prices for existing and new single family residences (except in Targeted Areas) are 90% of the average area purchase prices applicable to such residences. In Targeted Areas the maximum purchase prices may be up to 110% of such limits. The Authority may rely upon the average area safe harbor limitations provided by the United States Internal Revenue Service or limitations different from such safe harbors based on more accurate and comprehensive data. The Authority’s purchase price limits do not exceed those permitted under the Code.

Additionally, mortgagors purchasing a home with a home Mortgage Loan may not have incomes that exceed limits established by the Code. Except in Targeted Areas and certain high housing cost areas, the Code establishes maximum income limits for families of three or more persons at no greater than 115% (100% for families of fewer than three persons) of the higher of the area or the statewide median income. In Targeted Areas, one third of the financing may be provided to borrowers without regard to the Code's income limitation, and the balance of the financing must be provided to borrowers whose income does not exceed 140% (120% for families of fewer than three persons) of the higher of the area or the statewide median income.

An existing mortgage loan may not be acquired or replaced with proceeds of a home Mortgage Loan except for certain first mortgage loans for qualified rehabilitation, as described below. The Authority requires a borrower to certify at the closing of a home Mortgage Loan that the borrower is not using the proceeds of the home Mortgage Loan to acquire or replace an existing loan. In addition, the participating lender is required to examine the borrower's Federal income tax returns for the preceding three years and a credit report prior to closing to determine if the borrower has any outstanding loans that could be acquired or replaced with proceeds of the home Mortgage Loan.

The Code requires that home Mortgage Loans not be assumed unless the principal residence, no prior home ownership interest, income limitations, and purchase price requirements are met at the time of assumption. The Authority requires that each of its home Mortgage Loans have a "due on sale" clause so that the Authority may accelerate the home Mortgage Loan if the mortgage is assumed and all such requirements are not met. FHA and VA allow a "due on sale" clause provided that the borrower is fully informed and consents in writing to such requirements.

The Code also permits proceeds of an issue to be made available for financing of mortgage loans for qualified rehabilitation and qualified home improvement (as more particularly described in the Code). The Code requirements are generally applicable to both qualified rehabilitation and home improvement loans except that the borrower is permitted to have had an ownership interest in a principal residence during the prior three year period. In addition, the borrower can use the proceeds of the qualified rehabilitation loan to refinance an existing mortgage, and the purchase price requirement does not apply with respect to a qualified home improvement loan.

An issue of qualified mortgage bonds is treated as meeting certain mortgage eligibility requirements of the Code only if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgage deed was executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue of qualified mortgage bonds used to make home mortgage loans was devoted to financing residences that met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, the Code permits the Authority to rely on a certificate of the borrower (the "Borrower Certificate") and on examination of copies of the borrower's Federal income tax returns for the three years preceding the date the mortgage is executed, even though the relevant information in such affidavits and returns should ultimately prove to be untrue, unless the Authority or the participating lender knows or has reason to believe that such information is false.

### ***Requirements Related to Arbitrage***

The Code requires that the yield on home mortgage loans financed with the proceeds of qualified mortgage bonds issued subsequent to December 31, 1980 may not exceed the yield on the issue of such bonds by more than 1.125%. The Code provides rules for determining the yield on home mortgage loans financed from such bonds and requires that the funds held in certain investment accounts for the bonds invested at a yield materially higher than the yield on the bonds meet the temporary periods or other arbitrage provisions applicable to nonmortgage investments. For bonds issued prior to 1981, and for certain bonds issued to refund such bonds, the Code permits the yield on home mortgage loans financed with the proceeds of such bonds to exceed the yield on such bonds by up to 1.50%, or more if cost justified.

With respect to qualified mortgage bonds issued after December 31, 1980, the Code also requires the Authority to pay to the United States certain investment earnings (for bonds issued prior to 1989, the Code required the Authority on the issuance of such bonds to elect to pay said investment earnings to the United States or to rebate said investment earnings to mortgagors) on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the

yield on the bonds together with any income attributable to such excess. The Authority has established accounting procedures to determine the amount of such excess investment earnings.

An issue of bonds is treated as meeting certain arbitrage restrictions on mortgage loans and other requirements of the Code if (i) the issuer in good faith attempted to meet such requirements and (ii) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with these requirements.

### ***Other Requirements***

The Code imposes an annual volume limitation on the amount of private activity bonds (except qualified 501(c)(3) bonds and certain other bonds) that may be issued in each state. The 2019 Series B Tax-Exempt Bonds will meet the requirements of the Code with respect to annual volume limitation.

The Code requires that a specified portion of the net proceeds of an issue of qualified mortgage bonds be made available for owner financing of residences in Targeted Areas for at least one year after the date on which owner financing is first made available and that the Authority attempt with reasonable diligence to place such proceeds in qualified home mortgage loans. Targeted Areas are those census tracts in the State in which 70% or more of the families have an income that is 80% or less of the statewide median family income or areas of chronic economic distress that have been designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code.

The Code contains a qualified mortgage bond provision that requires a payment to the United States from certain mortgagors with respect to mortgage loans originated after December 31, 1990 upon disposition of an interest in their homes financed by a mortgage loan without regard to the date on which the applicable bonds were issued (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be the subsidy provided by qualified mortgage bond financing (but not in excess of 50% of the gain) be recaptured on disposition of the residence. The recapture amount increases over the period of ownership, with full recapture occurring if the residence is sold at the end of the fifth year. The recapture amount declines ratably to zero with respect to sales occurring in years six through nine. An exception excludes from recapture part or all of the subsidy in the case of assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires an issuer to inform mortgagors of certain information with respect to the Recapture Provision. The Authority has established procedures to meet such recapture information requirements. The Authority is unable to predict what effect, if any, such recapture requirement will have on the origination or prepayment of home Mortgage Loans to which such provision will apply. For home Mortgage Loans closed on or after March 18, 2013, the Authority has agreed to reimburse mortgagors for any recapture tax actually paid by the mortgagor.

The Code requires redemption of qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been so used within 42 months from the date of issuance (or the date of issuance of the original bonds in the case of a refunding or a series of refundings), except for a \$250,000 de minimis amount. Additionally, for qualified mortgage bonds issued after 1988, the Code permits repayments (including prepayments) of mortgage loans financed with the proceeds of a qualified mortgage bond issue to be used to make additional mortgage loans only for ten years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of a refunding or a series of refundings). Thereafter, such repayments must be used to redeem bonds of the "issue" not later than the close of the first semiannual period after the date the repayment is received, subject to the \$250,000 de minimis exception (the "Ten-Year Rule").

### ***Monitoring for Compliance with the Code***

Compliance standards and procedures have been modified to comply with the Code. Participating lenders are responsible for reviewing each home mortgage loan application with the accompanying documentation, including the Borrower Certificate, for compliance with the requirements of the Code. Normal and appropriate measures are required to be undertaken to verify the information given, either independently or concurrently with credit reviews, when applicable. All documentation is cross checked to assure that the information presented is complete and consistent. Based on its experience with processing home mortgage loans under the Code, the Authority believes that its procedures have been adequate to ensure compliance with the Code.



Participating lenders are required to warrant as to each home mortgage loan sold to the Authority that, among other things, (1) the home mortgage loan is in compliance with the Operating Manual, (2) the lender has reviewed the borrower's application, the Borrower Certificate, and the borrower's Federal income tax returns for compliance with the provisions of the Code, and (3) the home mortgage loan has been closed in accordance with the Operating Manual.

Prior to issuing a commitment to purchase any home mortgage loan, the Authority reviews documents submitted to the Authority, including the borrower's application, the Borrower Certificate, and the borrower's Federal income tax returns, for compliance with the requirements of the Code. To the extent that these provisions are not complied with, the participating lender will be contacted to provide sufficient additional explanation or documentation to enable the Authority to make a determination regarding the status of the loan application. Upon a participating lender's failure to comply with reasonable requests from the Authority to correct or complete documentation for any home mortgage loans or upon any other breach of the terms of the Commitment Agreement, or any failure to comply with the requirements for eligibility set forth in the Operating Manual (which failure is to be determined in the sole discretion of the Authority) without regard as to whether the participating lender may be at fault, the home mortgage loan will be reassigned to and repurchased by the participating lender in accordance with the provisions of the Operating Manual, or otherwise reassigned in compliance with the Code.

### **Requirements of the Code Relating to Multifamily Mortgage Loans**

Interest on bonds that are issued to finance multifamily housing mortgage loans or to refund bonds issued to finance multifamily housing mortgage loans is not included in gross income for Federal income tax purposes only if certain requirements are met including (i) use of proceeds and requirements with respect to developments and tenants, (ii) yield and investment requirements, and (iii) certain other requirements related to such bonds.

For bonds issued to finance multifamily housing mortgage loans originated with the proceeds of obligations issued after April 24, 1979 and prior to September 4, 1982, or bonds issued to refund such obligations, interest on the obligations will be exempt from Federal income taxation if substantially all of the proceeds of such obligations are used for "residential rental property" (as such term is defined by the Code) and at least 20% of the units in each development, or 15% in certain Targeted Areas (see "Requirements of the Code Relating to Home Mortgage Loans" for a description of Targeted Areas), are to be occupied by individuals of low or moderate income within the meaning of Section 167(k)(3)(B) of the Code (the "low income set aside"). This requirement need only be met for a period of twenty years. Treasury regulations provide that in order to prevent the retroactive Federal income taxation of interest on the tax-exempt bonds used to finance multifamily developments, among other things, (i) the low income set aside test must be satisfied on a continuous basis with respect to each development for twenty years from the date such development is available for occupancy and (ii) all of the units of each development must be continued as rental units for the longer of the remaining term of the obligations or twenty years. The Treasury regulations further provide that the low income set aside requirement shall be met if the owner of the project contracts with a federal or State agency to maintain at least 20% (or 15% in the case of Targeted Areas) of the units for low or moderate income individuals or families for twenty years in consideration for rent subsidies for such individuals or families for such period. The regulations provide, however, that such retroactive taxation will not occur if the Authority corrects any non-compliance with the above requirements occurring after the issuance of such bonds within a reasonable period after such non-compliance is first discovered or should have been discovered by the Authority or if any non-compliance is caused by an involuntary event such as fire, seizure, or foreclosure. Such requirements are not applicable to obligations issued prior to April 25, 1979, the proceeds of which were used to finance multifamily housing Mortgage Loans, or to bonds issued to refund such obligations.

For multifamily housing mortgage loans originated with the proceeds of obligations issued after September 3, 1982 and before August 16, 1986, or bonds issued to refund such obligations, the Tax Equity and Fiscal Responsibility Act of 1982 made two changes to the foregoing requirements. First, the definition of individuals of low and moderate income was changed to be individuals whose incomes are 80% or less of area median gross income as determined under Section 8 of the United States Housing Act of 1937. Second, 20% of the housing units in a project (15% in Targeted Areas) were to be occupied by individuals of low or moderate income until the later of (i) 10 years after more than one half of the project was first occupied, (ii) a date ending on a date that is 50% of the period to maturity of the longest maturity of the bonds after the project is first occupied, or (iii) the date on which any Section 8 (or comparable) assistance terminates. All of the rental units must remain as rental units for the longer of the remaining term of the obligation or the above noted time period.

For multifamily housing mortgage loans originated with the proceeds of obligations issued after August 15, 1986, or bonds issued to refund such obligations, the Code imposes numerous new requirements. The Code requires that at least 95% of the net proceeds of the issue be used to provide residential rental property and at all times during the qualified project period either (a) at least 20% of the units in each development be occupied by individuals whose incomes are 50% or less of area median gross income, as adjusted for family size, or (b) at least 40% of the units in each such development be occupied by individuals whose incomes are 60% or less of area median gross income, as adjusted for family size. (The foregoing requirement is hereinafter referred to as the “20/50 or 40/60 Requirement.”) For each such development, the term “qualified project period” is defined in the Code such that its ending date is the latest of (i) the date that is at least 15 years after the date on which 50% of the units in such development are first occupied, (ii) the first day on which no tax exempt private activity bond issued with respect to such development is outstanding, or (iii) the date on which any assistance provided with respect to such development under Section 8 terminates. Finally, all of each such development’s units must remain residential rental property throughout the applicable qualified project period.

Developments, if any, that are eligible for Federal low-income housing tax credits are also subject to income limitations and rent restrictions under the Code. See Appendix C to Part 2.

The Code imposes an annual volume limitation on the amount of private activity bonds (except qualified 501(c)(3) bonds and certain other bonds) that may be issued in each state.

#### ***Requirements Related to Arbitrage***

The Code requires that the yield on multifamily mortgage loans financed with the proceeds of residential rental bonds may not exceed the yield on such bonds by more than 1.50%. The Code provides rules for determining the yield on multifamily mortgage loans financed from such bonds and requires that the funds held in certain investment accounts for the bonds invested at a yield materially higher than the yield on the bonds meet the temporary periods or other arbitrage provisions applicable to non-mortgage investments.

With respect to multifamily mortgage bonds issued after August 15, 1986, the Code also requires the Authority to pay to the United States certain investment earnings on non-mortgage investments to the extent such investments earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the yield on the bonds together with any income attributable to such excess. The Authority has established accounting procedures to determine the amount of such excess investment earnings.

#### **Certain Tax Covenants and Tax Certification**

The Authority has included provisions in the 2019 Series B Resolution, the Operating Manual and other relevant documents (the “Program Documents”) and has established procedures (including receipt of certain affidavits and warranties from borrowers and, with respect to home Mortgage Loans, from participating lenders respecting the mortgage eligibility requirements) in order to assure compliance with the applicable mortgage eligibility requirements and other requirements that must be met subsequent to the date of issuance of the 2019 Series B Tax-Exempt Bonds. See “Requirements of the Code Relating to Home Mortgage Loans” and “Requirements of the Code Relating to Multifamily Mortgage Loans.” The Authority has covenanted in the 2019 Series B Resolution to do and perform all acts and things permitted by law and necessary or desirable to comply with the Code and, for such purpose, to adopt and maintain appropriate procedures. The Authority believes that the procedures and documentation requirements established for the purpose of fulfilling these covenants are sufficient to assure that the proceeds of the 2019 Series B Tax-Exempt Bonds will be applied in accordance with the requirements of the Code so as to assure that interest on such 2019 Series B Tax-Exempt Bonds will be excluded from gross income for Federal income tax purposes.

The Authority’s tax certification, which will be delivered concurrently with the delivery of the 2019 Series B Tax-Exempt Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. The Authority, in executing its tax certification, will certify with respect to the 2019 Series B Tax-Exempt Bonds to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. In furtherance thereof, the Authority has required and will require each Mortgagor to make certain covenants in the Mortgage Loan documents (the forms of which were and are, respectively, subject to the review of Co-Bond Counsel

to the Authority) in order to satisfy the above-described requirements of applicable Federal tax law. However, no assurance can be given that in the event of a breach of any such covenants, the remedies available to the Authority and/or owners of the 2019 Series B Tax-Exempt Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable Federal law and therefore to prevent the loss of the exclusion of interest on the 2019 Series B Tax-Exempt Bonds from gross income under applicable Federal tax law.

### **Opinions of Co-Bond Counsel to the Authority With Respect to the 2019 Series B Tax-Exempt Bonds**

In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2019 Series B Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”); (ii) interest on the 2019 Subseries B-1 Bonds and the 2019 Subseries B-3 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; and (iii) interest on the 2019 Subseries B-2 Bonds is treated as a preference item in calculating the alternative minimum tax under the Code. In rendering such opinions, Co-Bond Counsel to the Authority have assumed compliance by the Authority with and enforcement by the Authority of the Resolution and the 2019 Series B Resolution. In the opinions of Co-Bond Counsel to the Authority, under existing statutes, interest on the 2019 Series B Tax-Exempt Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the alternative minimum tax imposed under the Code with respect to individuals, trusts and estates.

Co-Bond Counsel to the Authority express no opinion as to any other federal, state or local tax consequences arising with respect to the 2019 Series B Tax-Exempt Bonds, or the ownership or disposition thereof, except as stated above. Co-Bond Counsel to the Authority render their respective opinions under existing statutes and court decisions as of the date thereof, and assume no obligation to update, revise or supplement such opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to the attention of Co-Bond Counsel to the Authority, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Co-Bond Counsel to the Authority express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Co-Bond Counsel to the Authority express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel (other than Co-Bond Counsel, to the extent that we also render such opinion) regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2019 Series B Tax-Exempt Bonds.

### **Certain Federal Tax Consequences**

The following is a discussion of certain Federal income tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular Bondholders or Beneficial Owners of the 2019 Series B Tax-Exempt Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2019 Series B Tax-Exempt Bonds, as well as any tax consequences that may arise under the laws of any state or other taxing jurisdiction.

Interest on the 2019 Series B Tax-Exempt Bonds must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of the 2019 Series B Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes.

## **Bond Premium**

In general, if an owner acquires a 2019 Series B Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2019 Series B Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2019 Series B Tax-Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Amortized bond premium also reduces the owner’s cost basis, and under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2019 Series B Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2019 Series B Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2019 Series B Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2019 Series B Tax-Exempt Bonds under Federal or state law or otherwise prevent Beneficial Owners of the 2019 Series B Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2019 Series B Tax-Exempt Bonds.

Prospective purchasers of the 2019 Series B Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

## **Taxable Bonds and Opinions of Co-Bond Counsel to the Authority**

### ***Certain Federal Income Tax Consequences***

The following discussion is a brief summary of certain United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are “U.S. Holders,” as defined herein. This summary does not discuss all of the United States Federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules. Owners of Taxable 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 Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Taxable Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder 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 U.S. Holder’s adjusted tax basis in the Taxable Bond. The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the Resolution (a “defeasance”). (See Part 2, “Summary of Certain of the Provisions of the Resolution” herein). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such U.S. Holder of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder, and which constitutes over-withholding, would be allowed as a refund or a credit against such U.S. Holder’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

The term “U.S. Holder” means a beneficial owner of a Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) 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.

### ***Miscellaneous***

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law or otherwise prevent beneficial owners of the Taxable Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

### ***Opinion of Co-Bond Counsel to the Authority with respect to the Taxable Bonds***

In the opinions of Co-Bond Counsel to the Authority, under existing statutes and court decisions, interest on the Taxable Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

In the opinions of Co-Bond Counsel to the Authority, under existing statutes, interest on the Taxable Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the alternative minimum tax imposed under the Code with respect to individuals, trusts and estates.

### **LITIGATION**

At the time of the delivery of and payment for the Offered Bonds, a certificate of the Authority and the opinion of the General Counsel of the Authority will be furnished for the Offered Bonds, dated the date of delivery thereof, to the effect that 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 such Bonds, or the making or purchasing of Mortgage Loans from the proceeds of or amounts deemed to be proceeds of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Offered Bonds, or the existence or powers of the Authority.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance, and sale of the Offered Bonds are subject to the approving opinions of Hawkins Delafield & Wood LLP, Hartford, Connecticut and Lewis & Munday, A Professional Corporation, of Detroit, Michigan, with offices in Glastonbury, Connecticut, Co-Bond Counsel to the Authority in connection with the issuance of the Offered Bonds. A copy of each such approving opinion, each in substantially the form attached as Appendix A to this Part 1, will be available at the time of delivery of the Offered Bonds. Certain legal matters in connection with the issuance and sale of the Offered Bonds will be passed upon for the Underwriters by their counsel, Tobin, Carberry, O'Malley, Riley & Selinger, P.C., New London, Connecticut and for the Bank by its counsel, Nixon Peabody LLP, New York, New York.

### **FINANCIAL ADVISOR**

Lamont Financial Services Corporation has served as Financial Advisor to the Authority with respect to the sale of the Offered Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Offered Bonds.

### **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 Bonds at a price of \$89,998,020.95 (representing the par amount of the 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 Bonds plus original issue premium in the amount of \$3,003,020.95). From a portion of the 2019 Subseries B-1 Bond and the 2019 Subseries B-4 Bonds proceeds, the Underwriters will receive \$554,579.38, which represents their fees and expenses for underwriting the 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 Bonds.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole Underwriter of the Variable Rate Bonds, has agreed, subject to certain conditions, to purchase all but not less than all of the Variable Rate Bonds at a price equal to par. From a portion of the Variable Rate Bonds proceeds, Merrill Lynch, Pierce, Fenner & Smith Incorporated will receive \$74,768.24, which represents their fee and expenses for underwriting the Variable Rate Bonds.

The issuance of the Fixed Rate Bonds is contingent upon the sale and delivery of the Variable Rate Bonds, and the issuance of the Variable Rate Bonds is contingent upon the sale and delivery of the Fixed Rate Bonds.

The following language has been provided by the underwriters named therein. The Authority takes no responsibility as to the accuracy or completeness thereof.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, an underwriter of the Fixed Rate Bonds, sole underwriter of the Variable Rate Bonds and Remarketing Agent for the Variable Rate Bonds, and Bank of America, N.A., the provider of two separate Liquidity Facilities which will provide liquidity support for the 2019 Subseries B-2 Bonds and the 2019 Subseries B-3 Bonds, respectively, are both wholly-owned indirect subsidiaries of Bank of America Corporation.

Citigroup Global Markets Inc., an underwriter of the Fixed Rate Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). As part of the distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through Fidelity. As part of this arrangement, Fidelity will receive all related selling compensation for its selling efforts with respect to the Fixed Rate Bonds.

The current business of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") is being reorganized into two affiliated broker-dealers (i.e., MLPF&S and BofA Securities, Inc.) in which BofA Securities, Inc. will be the new legal entity for the institutional services that are now provided by MLPF&S. This transfer is expected to occur on the Transfer Date. MLPF&S, the remarketing agent of the B-2 and B-3 Bonds, will be assigning its rights and obligations as a remarketing agent to BofA Securities, Inc. on or after the Transfer Date.

Morgan Stanley & Co. LLC, an underwriter of the 2019 Subseries B-1 Bonds and the 2019 Subseries B-4 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 Offered 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 Products 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 Products Group ("WFBNA"), one of the underwriters of the Fixed Rate 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 Fixed Rate 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 Fixed Rate Bonds with WFA. WFBNA has 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 Fixed Rate 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.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Authority, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such

securities and instruments. Such investment and securities activities may involve securities and instruments of Authority.

One or more of the Underwriters may hold a portion of the outstanding bonds that may be repaid or redeemed by special and/or optional redemption with the proceeds of the Offered Bonds and, as such, may receive a portion of the net proceeds from this offering. One or more of the Underwriters and/or their affiliates may also serve as counterparty to certain derivative and hedging arrangements of the Authority.

## **LEGAL INVESTMENT**

The Act provides that the Bonds are securities in which all Connecticut trust companies, banks, investment companies, savings banks, building and loan associations, executors, administrators, guardians, conservators, trustees and other fiduciaries, and pension, profit sharing and retirement funds, may properly invest funds.

## **RATINGS**

The Fixed Rate Bonds have been assigned ratings of “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), and “Aaa” by Moody’s Investors Service (“Moody’s”) and the Variable Rate Bonds have been assigned ratings of “AAA/A-1” by S&P and “Aaa/VMIG 1” by Moody’s.

Any explanation of the significance of any such rating may only be obtained from S&P or Moody’s, as appropriate. The ratings are not a recommendation to buy, sell or hold any of the Offered Bonds. There is no assurance that any such rating will remain for any given period of time or that it may not be lowered or withdrawn entirely either by S&P or Moody’s if, in its independent judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating on the Offered Bonds may have an adverse effect on the current market price and marketability of such Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The Securities and Exchange Commission has adopted subsection (b)(5) (the “Amendment”) to Rule 15c2-12 (as amended, the “Rule”) requiring a participating underwriter not to purchase or sell municipal securities in connection with an offering unless the participating underwriter has reasonably determined that the issuer or other obligated person has undertaken certain continuing disclosure obligations. The Amendment applies to those offerings of municipal securities (i) that are not subject to an exemption from the Rule, as expressly provided therein, or (ii) with respect to which a Participating Underwriter (as defined in the Rule) has not contractually committed to act as an underwriter prior to July 3, 1995. Pursuant to Public Act No. 95-270 of the Connecticut General Statutes, the Authority, constituting a quasi-public agency of the State as defined in Section 1-120 of the General Statutes, is specifically empowered to make representations or agreements for the benefit of the holders of its bonds, notes or other obligations to provide secondary market disclosure information. This Statute provides that any such agreement may include (1) covenants to provide secondary market disclosure information, (2) arrangements for such information to be provided with the assistance of a paying agent, trustee or other agent, and (3) remedies for breach of such agreement, which remedies may be limited to specific performance. All such agreements entered into and all such actions taken prior to the effective date of such Public Act are therein and thereby validated.

Accordingly, in the 2019 Series B Resolution the Authority has included an article (the “Continuing Disclosure Undertaking,” a summary of which is attached as Appendix B to this Part 1), which article shall constitute the Authority’s written undertaking for the benefit of Bondholders and which shall apply to all Bonds of the Authority under the Resolution.

The intent of the Authority’s undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, the Authority reserves the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the information the Authority has agreed to provide, the obligation of the Authority pursuant to the Rule to provide such information also shall cease immediately.



The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual or alleged failure by the Authority to comply with its written undertaking, in accordance with the Rule and Section 3-20e of the Connecticut General Statutes. Furthermore, the Continuing Disclosure Undertaking shall provide that any failure by the Authority to comply with any provision of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Resolution.

It is noted that the Authority (or the Dissemination Agent) from time to time may be required pursuant to applicable law or the Resolution to provide, or may choose to provide, notice of the occurrence of certain other events, in addition to those defined as "Listed Events" in the Continuing Disclosure Undertaking if, in the judgment of the Authority (or the Dissemination Agent under the Resolution), such other event is material with respect to any Bonds under the Resolution.

### **ADDITIONAL INFORMATION**

Certain provisions of the Act and the Resolution are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents, copies of which are available upon request, for a full and complete statement of their respective provisions.

The information contained herein is subject to change without notice, and no implication shall be derived therefrom or from the sale of the Offered Bonds that there has been no change in the affairs of the Authority from the date hereof. Pursuant to the Resolution, the Authority has covenanted to keep proper books of record and account in which full, true, and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of the Authority and that the Authority furnish a copy of the auditor's report, when available, upon the request of the holder of any Outstanding Bond.

Any statements in this Official Statement involving matters of opinion, projections or estimates, 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 Authority and the purchasers or holders of any of the Bonds.

CONNECTICUT HOUSING FINANCE AUTHORITY

By: /s/ Hazim Taib  
Chief Financial Officer

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**FORM OF PROPOSED APPROVING OPINIONS OF CO-BOND COUNSEL TO THE  
AUTHORITY FOR THE OFFERED BONDS**

Upon the delivery of the 2019 Series B Bonds, Co-Bond Counsel to the Authority, Hawkins Delafield & Wood LLP and Lewis & Munday, A Professional Corporation of Detroit, Michigan, with offices in Glastonbury, Connecticut, each proposes to deliver a final approving opinion in substantially the following form:

CONNECTICUT HOUSING FINANCE AUTHORITY  
999 West Street  
Rocky Hill, Connecticut 06067

Ladies and Gentlemen:

As Co-Bond Counsel to the Connecticut Housing Finance Authority (the “Authority”), a body politic and corporate constituting a public instrumentality and political subdivision of the State of Connecticut (the “State”) organized and existing under the Connecticut Housing Finance Authority Act, constituting Chapter 134 of the General Statutes of Connecticut, as amended (the “Act”), and other laws of the State, we have examined a record of proceedings relating to the issuance of \$121,995,000 Housing Mortgage Finance Program Bonds, 2019 Series B, consisting of Subseries B-1 (the “2019 Subseries B-1 Bonds”), Subseries B-2 (the “2019 Subseries B-2 Bonds”), Subseries B-3 (the “2019 Subseries B-3 Bonds”), and Subseries B-4 (the “2019 Subseries B-4 Bonds”, and, together with the 2019 Subseries B-1 Bonds, the 2019 Subseries B-2 Bonds, and the Subseries B-3 Bonds, the “2019 Series B Bonds”). The 2019 Subseries B-1 Bonds, the 2019 Subseries B-2 Bonds, and the 2019 Subseries B-3 Bonds are sometimes referred to collectively herein as the “2019 Series B Tax-Exempt Bonds.”

The 2019 Series B Bonds are authorized to be issued pursuant to the Act, the General Housing Mortgage Finance Program Bond Resolution of the Authority adopted September 27, 1972, as amended and supplemented (the “General Resolution”), and a series resolution adopted by the Authority on March 28, 2019 (together with the General Resolution called the “Resolutions”). Housing Mortgage Finance Program Bonds, including the 2019 Series B Bonds, are authorized to be issued pursuant to the General Resolution for the purpose of providing sufficient funds to carry out the Authority’s Housing Mortgage Finance Program as described in the General Resolution, which includes, among other things, the purchase of mortgages or the making of construction and permanent loans secured by mortgages to primarily finance or refinance the construction, rehabilitation and purchase or leasing of housing in the State.

The 2019 Series B Bonds are dated, will mature on the dates, will bear interest at the rates and are subject to redemption prior to maturity, all as set forth in or determined pursuant to the Resolutions.

The Authority is authorized to issue Housing Mortgage Finance Program Bonds, in addition to the 2019 Series B Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the 2019 Series B Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. In addition, under certain conditions as set forth under the General Resolution, the Authority may issue other bonds secured by an equal pledge or lien on the Housing Mortgage General Fund (other than the Acquired Program Mortgages, Pledged Receipts or Recoveries of Principal) or the Housing Mortgage Capital Reserve Fund.

The 2019 Series B Tax-Exempt Bonds, for purposes of arbitrage and certain other Federal tax law requirements, will be treated as a composite issue. Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the 2019 Series B Tax-Exempt Bonds in order that interest on each Subseries of the 2019 Series B Tax-Exempt Bonds be and remain excluded from gross income under the Internal Revenue Code of 1986, as amended (the “Code”). The Authority has adopted the Resolutions and procedural documents, including the operating manual, to carry out the Housing Mortgage Finance Program (herein called the “Program Documents”), which Program Documents establish procedures under which such requirements can be met. The Authority has covenanted in the Resolutions to comply with the requirements of applicable Federal tax law and, for such purpose, to adopt and maintain appropriate procedures. In rendering this opinion, we have relied on such covenant and have

assumed the Authority's compliance with and enforcement of provisions of the Resolutions and the Program Documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the Authority has been duly created and validly exists as a body politic and corporate, performing an essential public function with good right and lawful authority, among other things, to carry out the Housing Mortgage Finance Program, including purchasing mortgages thereunder and the making of construction and permanent mortgage loans secured by mortgages to primarily finance or refinance the construction, rehabilitation and purchase or leasing of housing in the State, and to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of Housing Mortgage Finance Program Bonds, including the 2019 Series B Bonds, and to perform its obligations under the terms and conditions of the Resolutions, including refunding of bonds, purchasing of the mortgages or making mortgage loans and collecting and enforcing the collection of Pledged Receipts and Recoveries of Principal as covenanted in the General Resolution.

2. The Resolutions have been duly adopted by the Authority and are valid and binding upon the Authority and enforceable against the Authority in accordance with their terms.

3. The 2019 Series B Bonds are valid and legally binding general obligations of the Authority for the payment of which, in accordance with their terms, the full faith and credit of the Authority have been legally and validly pledged and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

4. The Housing Mortgage Finance Program Bonds, including the 2019 Series B Bonds, are secured by a pledge in the manner and to the extent set forth in the General Resolution. The General Resolution creates the valid pledge of and the valid lien upon the Pledged Receipts, Recoveries of Principal and monies and securities held or set aside or to be set aside and held in the Housing Mortgage General Fund and the Housing Mortgage Capital Reserve Fund, established or confirmed thereunder, which the General Resolution purports to create, subject only to the provisions of the General Resolution.

5. Pursuant to the Resolutions, the Authority has validly covenanted in the manner and to the extent provided in the General Resolution, among other things, to make or purchase mortgage loans under the Housing Mortgage Finance Program with the proceeds of Bonds (as defined in the General Resolution) and other available monies, to do all acts and things necessary to receive and collect the Pledged Receipts and Recoveries of Principal and to cause its Chairperson on or before December 1 of each year to make and deliver to the Secretary of the Office of Policy and Management of the State the certificate of the Chairperson stating such sums, if any, as necessary to restore the Housing Mortgage Capital Reserve Fund to an amount equal to the Housing Mortgage Capital Reserve Fund Minimum Requirement provided for by the Resolutions pursuant to the Act. Such sums stated in such certificate of its Chairperson are validly deemed to be appropriated by the Act from the general fund of the State and such amounts shall be allotted and paid from such general fund to the Authority. Pursuant to the General Resolution, the Authority has validly covenanted to cause such amounts to be paid to the Trustee for deposit in the Housing Mortgage Capital Reserve Fund. Such appropriation and payment do not require further legislative approval.

6. The 2019 Series B Bonds do not constitute a debt or liability of the State or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut or a pledge of its faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolutions and the Act.

7. Under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2019 Series B Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (ii) interest on the 2019 Subseries B-1 Bonds and the 2019 Subseries B-3 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; and (iii) interest on the 2019 Subseries B-2 Bonds is treated as a preference item in calculating the alternative minimum tax under the Code.

8. Under existing statutes and court decisions, interest on the 2019 Subseries B-4 Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Code.

9. Under existing statutes, interest on the 2019 Series B Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the alternative minimum tax imposed under the Code with respect to individuals, trusts and estates.

We express no opinion as to any other Federal, state or local tax consequences arising with respect to the 2019 Series B Bonds, or the ownership or disposition thereof, except as stated in paragraphs 7, 8 and 9 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding Federal, state or local tax matters, including, without limitation, exclusion from gross income for Federal income tax purposes of interest on the 2019 Series B Tax-Exempt Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2019 Series B Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed 2019 Subseries B-1 Bond, 2019 Subseries B-2 Bond, 2019 Subseries B-3 Bond, and 2019 Subseries B-4 Bond numbered B1R-1, B2R-1, B3R-1, and B4R-1, respectively, and the forms of said Bonds and their execution are regular and proper.

Very truly yours,

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## SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following is a summary of the Authority's written undertaking for the benefit of the Bondholders pursuant to Rule 15c2-12(b)(5) and authorized by Public Act No. 95-270, set forth in Article VI of the 2019 Series B Resolution. Various words or terms used in the following summary are defined in the Resolution and reference thereto is made for full understanding of their import. See also Appendix D to Part 2. Reference is also made to Rule 15c2-12 (defined herein as the "Rule") and to Public Act No. 95-270 for full understanding of their import.

### Definitions and Interpretation [Section 102]

Generally, all defined terms contained in the Resolution shall have the same meanings in the 2019 Series B Resolution as such terms are given in Section 101 of the Resolution unless the context otherwise requires. The following definitions relate specifically to the Authority's written undertaking pursuant to and in accordance with the Rule and authorized by Public Act No. 95-270, which undertaking is set forth in Article VI of the 2019 Series B Resolution for the benefit of the Bondholders:

"Annual Financial Information" means, with respect to the Housing Mortgage Finance Program, collectively,

(A) (i) the Audited Financial Statements of the Authority for the preceding Fiscal Year (commencing with the Fiscal Year beginning on or after January 1, 2019) or Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to Sections 602 and 603 of the 2019 Series B Resolution;

(ii) investments in the Housing Mortgage Capital Reserve Fund and in the various accounts in the Housing Mortgage General Fund;

(iii) identification of all Outstanding Bonds issued by the Authority including a table summarizing certain Bond information, such as coupon rates and call features; and

(iv) data reflecting the Housing Finance Mortgage Program consisting of (a) the Authority's Home Mortgage Loan Portfolio and Agency Security Portfolio, including tables describing outstanding Mortgage Loans, Commitments and Reservations, delinquencies and experience with Recoveries of Principal; and (b) the Authority's Multifamily Mortgage Loan Portfolio, including tables describing multifamily developments financed with Bond proceeds; and delinquencies, foreclosures and multifamily real estate owned.

(B) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (A) above.

Any or all of the items listed above may be included by specific reference to other documents which (i) are available on the MSRB's Internet website or (ii) have been filed with the SEC.

In the event that any of the financial information or operating data constituting Annual Financial Information can no longer be generated because the operations to which such information or data relate have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

"Audited Financial Statements" means, with respect to the Housing Mortgage Finance Program, the annual financial statements, if any, of the Authority, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the Authority may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the Authority to the Dissemination Agent, who shall promptly deliver such notice to the MSRB.

“Dissemination Agent” means the dissemination agent appointed pursuant to the Resolution, which initially shall be U.S. Bank National Association.

“GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board (“GASB”).

“Listed Event” means any of the following events with respect to any Bonds under the Resolution (the “securities” under the Rule) and the Authority (the “obligated person” under the Rule):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.



Listed Event (xii) includes the note related thereto contained in the Rule. For the purposes of Listed Events (xv) and (xvi), the term “financial obligation” means “financial obligation” as such term is defined in the Rule.

“Listed Event Notice” means notice of a Listed Event required to be provided pursuant to Section 604 of the 2019 Series B Resolution.

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

“Official Statement” means the “final official statement,” as defined in paragraph (f)(3) of the Rule, relating to any Series of Bonds.

“Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the 2019 Series B Resolution, including any amendments thereto or official interpretations thereof issued either before or after such date which are applicable to Article VI of the 2019 Series B Resolution.

“SEC” means the United States Securities and Exchange Commission.

“Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

#### **Purpose [Section 601]**

Article VI shall constitute the written undertaking for the benefit of the Holders of the Bonds required by Section (b)(5)(i) of the Rule and authorized by Public Act No. 95-270, and shall apply to all Bonds of the Authority under the Resolution.

#### **Submission of Annual Financial Information Statements [Section 602]**

(A) The Authority shall, while any Bonds are Outstanding, provide to the Dissemination Agent, when completed, Annual Financial Information, in an electronic format as prescribed by the MSRB, with respect to each Fiscal Year of the Authority beginning on or after January 1, 2019, which Annual Financial Information is expected to be completed within 180 days of the end of such Fiscal Year (the “Submission Date”). Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. The Authority shall include with each such submission of Annual Financial Information a written representation addressed to the Dissemination Agent to the effect that the Annual Financial Information so submitted is the Annual Financial Information required pursuant to Section 602, and that such Annual Financial Information complies with the applicable requirements of Article VI. The Dissemination Agent shall provide to the MSRB such Annual Financial Information on or before four (4) Business Days following the Submission Date (the “Report Date”) while any Bonds are Outstanding or, if not received by the Dissemination Agent by the Submission Date, then within three (3) Business Days of its receipt by the Dissemination Agent.

(B) It shall be sufficient if the Authority provides to the Dissemination Agent and the Dissemination Agent provides to the MSRB the Annual Financial Information by specific reference to documents available to the public on the MSRB’s Internet web site or previously filed with the Securities and Exchange Commission.

#### **Submission of Audited Financial Statements [Section 603]**

The Authority shall submit to the Dissemination Agent by the Submission Date Audited Financial Statements for each Fiscal Year beginning on or after January 1, 2019, when and if available while any Bonds are Outstanding, whether as part of the Annual Financial Information or separately, which Audited Financial Statements the Dissemination Agent shall then provide to the MSRB by the Report Date. If Audited Financial Statements for any Fiscal Year are not so provided to the Dissemination Agent by the Submission Date, the Authority shall provide to

the Dissemination Agent (i) by the Submission Date, Unaudited Financial Statements for such Fiscal Year as part of the Annual Financial Information required to be delivered pursuant to Section 602 of the 2019 Series B Resolution, and (ii) when available, Audited Financial Statements for such Fiscal Year, which Audited Financial Statements the Dissemination Agent shall provide to the MSRB within three (3) Business Days of its receipt thereof.

**Listed Event Notices** [Section 604]

(A) If a Listed Event occurs while any Bonds are Outstanding, the Authority shall provide in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, the MSRB and the Dissemination Agent, in an electronic format as prescribed by the MSRB, a Listed Event Notice. Each Listed Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the applicable Bonds.

(B) The Trustee shall promptly advise the Authority and the Dissemination Agent whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee identifies an occurrence which would require the Authority to provide a Listed Event Notice under Section 604; provided, however, that the failure of the Trustee so to advise the Authority and the Dissemination Agent shall not constitute a breach by the Trustee of any of its duties and responsibilities under the 2019 Series B Resolution or the Resolution.

**Notification by Dissemination Agent of Failure by the Authority to File Annual Financial Information** [Section 605]

(A) The Authority shall, while any Bonds are Outstanding, provide, in a timely manner not in excess of five (5) business days after the occurrence of such Listed Event, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in paragraph (A) of Section 602 of the 2019 Series B Resolution to the MSRB and the Dissemination Agent. Upon receipt of such notice, the Dissemination Agent shall provide, in a timely manner not in excess of five (5) business days after receipt of notice thereof from the Authority, notice of such failure of the Authority to provide the Annual Financial Information by such date to the MSRB.

(B) The Dissemination Agent shall, while any Bonds are Outstanding and without further direction or instruction from the Authority, provide in a timely manner to the MSRB notice of any failure to provide to the MSRB Annual Financial Information on or before the Report Date (whether caused by failure of the Authority to provide such information to the Dissemination Agent by the Submission Date or for any other reason). For the purposes of determining whether information received from the Authority is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the Authority's written representation made pursuant to paragraph (A) of Section 602 of the 2019 Series B Resolution.

**Additional Information** [Section 606]

(A) Nothing in Article VI shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in Article VI or any other means of communication, or including any such other information in any Annual Financial Information or Listed Event Notice, in addition to that required hereby. If the Authority should so disseminate or include any such additional information, the Authority shall have no obligation under Article VI to update, provide or include such additional information in any future materials disseminated pursuant to Article VI or otherwise.

(B) If the Authority provides to the Dissemination Agent additional information as described in paragraph (A) above, and such additional information is not included in any Annual Financial Information or Listed Event Notice, the Authority may direct the Dissemination Agent to provide such additional information to information repositories, upon which direction the Dissemination Agent shall provide such additional information in a timely manner to the MSRB.

### **Reference to Other Documents** [Section 607]

It shall be sufficient for purposes of Section 602 of the 2019 Series B Resolution if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB's Internet web site or (ii) previously filed with the SEC.

### **Transmission of Information and Notices** [Section 608]

Unless otherwise required by law and, in the Authority's sole determination, subject to technical and economic feasibility, the Authority and the Dissemination Agent shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the information and notices required to be delivered pursuant to the provisions of Article VI. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

### **Change in Fiscal Year, Submission Date and Report Date** [Section 609]

The Authority may adjust the Submission Date and the Report Date if the Authority changes its Fiscal Year by providing written notice of such change in Fiscal Year and the new Submission Date and Report Date to the Dissemination Agent, which written notice the Dissemination Agent shall then promptly deliver to the MSRB; provided, however, that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than four (4) Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

### **Termination** [Section 610]

(A) The Authority's and the Dissemination Agent's obligations under Article VI shall terminate immediately once the Bonds are no longer Outstanding.

(B) Article VI, or any provision thereof, shall be null and void in the event that the Authority delivers to the Dissemination Agent and the Trustee a Counsel's Opinion, addressed to the Authority, the Trustee and the Dissemination Agent, to the effect that those portions of the Rule which require the provisions of Article VI, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion. The Dissemination Agent shall, upon receipt of such opinion, promptly provide copies thereof to the MSRB.

### **Amendment** [Section 611]

(A) Article VI may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required under clause (3)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby; (2) Article VI, as so amended would have complied with the requirements of the Rule as of the date of the 2019 Series B Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) either (i) the Authority shall have delivered to the Dissemination Agent and the Trustee a Counsel's Opinion, addressed to the Authority, the Trustee and the Dissemination Agent, which opinion states that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to Article VI pursuant to the same procedures as are required for amendments to the Resolution with consent of Holders of Bonds pursuant to Section 901 of the Resolution as in effect on the date of the 2019 Series B Resolution. In the event the Authority delivers to the Dissemination Agent a Counsel's Opinion pursuant to sub-paragraph (3)(i) of this subsection 612(A), the Dissemination Agent shall promptly deliver copies of such opinion and amendment to the MSRB.

(B) In addition to subsection (A) above, Article VI may be amended and any provision of Article VI may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the date of the 2019 Series B Resolution, which is applicable to Article VI and (2) the Authority shall have delivered to the Dissemination Agent and the Trustee a Counsel's Opinion, addressed to the Authority, the Trustee and the Dissemination Agent, to the effect that performance by the Authority and Dissemination Agent under Article VI as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule. Upon receipt by the Dissemination Agent of such Opinion, the Dissemination Agent shall promptly deliver copies of such Opinion and amendment to the MSRB.

(C) In the event of any amendment respecting the type of operating data or financial information contained in the Authority's Annual Financial Information, the Authority shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) In the event of any amendment specifying the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. In the event of any such change in accounting principles, the Authority shall deliver notice of such change in a timely manner to the Dissemination Agent, upon receipt of which the Dissemination Agent shall promptly deliver such notice to the MSRB.

#### **Benefit; Third-Party Beneficiaries; Enforcement [Section 612]**

(A) The provisions of Article VI shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of Article VI.

(B) Except as provided in this subsection (B), the provisions of Article VI shall create no rights in any person or entity. The obligations of the Authority to comply with the provisions of Article VI shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notices, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of Article VI shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under Article VI. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (A) of this Section 612, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (B). Without limiting the generality of the foregoing and except as otherwise provided in the Resolution with respect to the Trustee, neither the commencement nor the successful completion of an action to compel performance under Article VI shall entitle the Trustee or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

(C) Any failure by the Authority or the Dissemination Agent to perform in accordance with Article VI shall not constitute a default or an Event of Default under the Resolution or any series resolution, and the rights and remedies provided by the Resolution or any series resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(D) Article VI shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of Article VI shall be instituted in a court of competent jurisdiction in the State; provided,

however, that to the extent Article VI addresses matters of federal securities laws, including the Rule, Article VI shall be construed in accordance with such federal securities laws and official interpretations thereof.

**Duties, Immunities and Liabilities of Dissemination Agent** [Section 613]

The Dissemination Agent shall have only such duties under Article VI as are specifically set forth in the 2019 Series B Resolution. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report provided by the Authority. The Dissemination Agent has no power to enforce the performance on the part of the Authority of its obligations under Article VI. The Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under this Section 613, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct in the performance of its duties under this Section 613. The obligations of the Authority under this Section 613 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Duties, Immunities and Liabilities of Officials** [Section 614]

Pursuant to Public Act No. 95-270, the Authority shall protect and save harmless any official or former official of the Authority from financial loss and expense, including legal fees and costs, if any, arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, while acting in the discharge of his official duties, in providing secondary market disclosure information pursuant to Article VI or performing any other duties set forth in the 2019 Series B Resolution. Nothing in Article VI shall be construed to preclude the defense of governmental immunity to any such claim, demand or suit. For purposes of this Section 614, "official" means any person elected or appointed to office or employed by the Authority. The Authority may insure against liability imposed by this Section 614 in any insurance company organized in the State or in any insurance company of another state authorized to write such insurance in the State or may elect to act as self-insurer of such liability. This Section 614 shall not apply to cases of willful and wanton fraud.

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**CERTAIN INFORMATION RELATING TO BANK OF AMERICA, N.A.**

Bank of America, N.A. (the "*Bank*") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "*Corporation*") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2018, the Bank had consolidated assets of \$1.783 trillion, consolidated deposits of \$1.457 trillion and stockholder's equity of \$207.73 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) which contains the filings that the Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the Corporation files with the SEC are also available at its website, [www.bankofamerica.com](http://www.bankofamerica.com).

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporation  
Office of the Corporate Secretary/Shareholder Relations  
Hearst Tower, 214 North Tryon Street  
NC1-027-18-05  
Charlotte, NC 28255

PAYMENTS OF THE PURCHASE PRICE OF THE 2019 SUBSERIES B-2 BONDS AND 2019 SUBSERIES B-3 BONDS WILL BE MADE FROM DRAWINGS UNDER THE APPLICABLE BANA STANDBY AGREEMENT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH EACH BANA STANDBY AGREEMENT IS A BINDING OBLIGATION OF THE BANK, THE 2019 SUBSERIES B-2 BONDS AND 2019 SUBSERIES B-3 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE 2019 SUBSERIES B-2 BONDS AND 2019 SUBSERIES B-3 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this Appendix C is correct as of any time subsequent to the referenced date.

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**APPENDIX D**

**PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING  
AND PROJECTED WEIGHTED AVERAGE LIVES**

Set forth in the table below are projected percentages of initial principal balance outstanding and projected weighted average lives for the 2019 Series 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 2019 Series B PAC Bonds set forth below is hypothetical based on the making of certain assumptions, which are the same as those made under the caption “THE OFFERED BONDS — Projections of Weighted Average Lives of the 2019 Series B PAC Bonds under Certain Hypothetical Scenarios” in the Official Statement.

**APPENDIX D**

**Table 4**

**Projected Percentages of Initial Principal Balance Outstanding<sup>1</sup> and Weighted Average Lives  
\$36,055,000 Series 2019B-1 PAC Bonds Due May 15, 2049**

**Prepayment Assumption (expressed as a Percentage of SIFMA)**

	<u>0</u>	<u>25</u>	<u>50</u>	<u>75</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>
Initial Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
May 15, 2019	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
May 15, 2020	100.0	99.4	98.8	98.2	98.2	98.2	98.2	98.2	98.2
May 15, 2021	100.0	96.8	93.5	90.3	90.3	90.3	90.3	90.3	90.3
May 15, 2022	100.0	92.4	84.9	77.5	77.5	77.5	77.5	77.5	77.5
May 15, 2023	100.0	87.9	76.1	64.7	64.7	64.7	64.7	64.7	64.7
May 15, 2024	100.0	83.7	68.0	53.0	53.0	53.0	53.0	53.0	53.0
May 15, 2025	99.8	79.8	60.6	42.5	42.5	42.5	42.5	42.5	42.5
May 15, 2026	99.5	76.1	53.8	33.1	33.1	33.1	33.1	33.1	33.1
May 15, 2027	99.0	72.7	47.7	24.9	24.9	24.9	24.9	24.9	24.9
May 15, 2028	98.3	69.5	42.3	17.7	17.7	17.7	17.7	17.7	17.7
May 15, 2029	97.8	66.7	37.5	11.6	11.6	11.6	11.6	11.6	11.7
May 15, 2030	97.4	64.3	33.5	6.6	6.6	6.6	6.6	6.6	7.5
May 15, 2031	96.4	61.6	29.6	2.6	2.6	2.6	2.6	2.6	4.6
May 15, 2032	95.3	59.2	26.3	0.0	0.0	0.0	0.0	0.0	2.7
May 15, 2033	93.6	56.8	23.3	0.0	0.0	0.0	0.0	0.0	1.3
May 15, 2034	88.2	50.6	16.9	0.0	0.0	0.0	0.0	0.0	0.4

*Table continued on next page*

Table 4 continued

May 15, 2035	87.1	49.7	16.2	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2036	86.7	49.4	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2037	85.6	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2038	85.0	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2039	84.1	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2040	83.7	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2041	83.7	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2042	83.7	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2043	83.7	49.3	16.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2044	70.3	39.5	9.1	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2045	54.0	27.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2046	37.0	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2047	19.2	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2048	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
May 15, 2049	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>First Payment or Redemption Date</b>	5/15/2025	5/15/2020	5/15/2020	5/15/2020	5/15/2020	5/15/2020	5/15/2020	5/15/2020	5/15/2020
<b>Last Payment or Redemption Date</b>	11/15/2048	11/15/2047	11/15/2045	5/15/2032	5/15/2032	5/15/2032	5/15/2032	5/15/2032	5/15/2035
<b>Weighted Average Life</b>									
<b>Optional Call Not Exercised</b>	24.8	17.2	10.2	6.0	6.0	6.0	6.0	6.0	6.1
<b>Optional Call at 11/15/2028 Exercised</b>	9.5	8.2	6.9	5.7	5.7	5.7	5.7	5.7	5.7
<b>Weighted Average Life Date</b>									
<b>Optional Call Not Exercised</b>	3/22/2044	7/30/2036	8/6/2029	5/8/2025	5/8/2025	5/8/2025	5/8/2025	5/8/2025	6/4/2025
<b>Optional Call at 11/15/2028 Exercised</b>	11/4/2028	7/15/2027	4/12/2026	2/6/2025	2/6/2025	2/6/2025	2/6/2025	2/6/2025	2/6/2025

1. Projected percentages of initial principal balance outstanding assuming optional call not exercised.

# CONNECTICUT HOUSING FINANCE AUTHORITY

## OFFICIAL STATEMENT PART 2 relating to Housing Mortgage Finance Program Bonds

This Part 2 of this Official Statement provides certain information concerning prior Series of Bonds, certain sources of payment and security for the Bonds, the Authority and the Housing Mortgage Finance Program. It contains only a part of the information to be provided by the Authority in connection with the issuance or remarketing of certain Series of its Bonds. The terms of the Series of Bonds being issued or remarketed, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions and any other terms or information relating thereto are set forth in Part 1 of this Official Statement with respect to such Series. Additional information concerning certain sources of payment and security for the Bonds, the Authority and the Housing Mortgage Finance Program is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein.

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# CONNECTICUT HOUSING FINANCE AUTHORITY

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## OFFICIAL STATEMENT PART 2 relating to Housing Mortgage Finance Program Bonds

### INTRODUCTION

The purpose of this Part 2 of this Official Statement, which includes the cover page and the appendices hereto, is to set forth certain information concerning the Authority, a public instrumentality and a political subdivision of the State, created by the Act, its Housing Mortgage Finance Program, and its Bonds, in connection with the issuance or remarketing of certain Series of the Bonds by the Authority. Each Series of Bonds is issued pursuant to the Act, the Resolution, and a related series resolution. All defined terms used in this Part 2 and not otherwise defined shall have the meanings ascribed thereto in Part 1 of this Official Statement.

All references in this Official Statement to the Act and the Resolutions are qualified in their entirety by reference to each such document, copies of which are available from the Authority, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolution and this Official Statement.

### THE AUTHORITY

#### Purpose and Organization

The Authority was created in 1969 as a body politic and corporate, constituting a public instrumentality and political subdivision of the State, to meet the housing needs of low and moderate income families and persons, with the objectives of reducing the cost of mortgage financing for, increasing the supply of and encouraging and assisting the development and construction of, well planned and well designed single family and multifamily housing for low and moderate income families and persons throughout the State. In 1976, the Act was amended to permit the Authority to finance residential mortgage loans in eligible urban areas for persons of all income levels. The eligible urban areas are municipalities in the State with a population in excess of 75,000 or with population densities in excess of 3,500 per square mile of physically accessible land area as determined by the 1970 United States Census. Such municipalities are Bridgeport, Hartford, New Britain, New Haven, New London, Norwalk, Stamford, Waterbury, and West Haven.

The Act authorizes the Authority to make or purchase, and to enter into commitments to make or purchase, construction and permanent mortgage loans directly or indirectly insured or guaranteed by any department, agency, or instrumentality of the United States or of the State, including the Authority itself, or by a public corporation chartered by the Congress of the United States, including but not limited to the Federal Home Loan Mortgage Corporation, or a private mortgage insurance company, without limit as to amount, and to make or purchase and commit to make or purchase permanent loans secured by mortgages not so insured or guaranteed in an aggregate amount not to exceed \$2,250,000,000. In each case, the underlying mortgage loans must have been made to finance or refinance the construction, rehabilitation, purchase, or leasing of single family and multifamily housing for low and moderate income families and persons throughout the State or for families and persons of all income levels in eligible urban areas. Although the Act provides that mortgage loans may be secured by, under certain conditions, a second mortgage lien, such loans may not be financed with Bonds issued under the Resolution.

#### Board of Directors

The powers of the Authority are vested in and exercised by a Board of Directors. The Act requires that the Board of Directors of the Authority consist of five State officials, serving ex officio, and eleven directors, seven of whom shall be appointed by the Governor, one by the President Pro Tempore of the Senate, one by the Speaker of the House of Representatives, one by the Minority Leader of the Senate and one by the Minority Leader of the House of Representatives. One such member of the Board must be an officer or employee of the State, appointed by the

Governor or such member of the General Assembly. The Chairperson of the Board shall be appointed by the Governor. The Board annually elects one of its appointed members as Vice Chairman. Directors serve for terms of five years and until such member's successor has been appointed except for ex officio directors, who serve for the terms of their respective offices, and as follows: (1) the member initially appointed by the President Pro Tempore of the Senate shall serve a term of four years; (2) the member initially appointed by the Minority Leader of the Senate shall serve a term of three years; and (3) the member initially appointed by the Minority Leader of the House of Representatives shall serve a term of two years. Thereafter, each member of the Board appointed by a member of the General Assembly shall serve a term of five years. The present directors of the Authority and their state offices or private affiliations are as follows:

<u>Name</u>	<u>Position</u>	<u>Occupation</u>
Seila Mosquera-Bruno	Chairperson	Commissioner, Connecticut Department of Housing
Heidi DeWyngaert	Vice-Chairperson	Executive Vice President and Chief Lending Officer, Bankwell
Lisa Tepper Bates	Director	Consultant, Fio Partners
Michael Cicchetti	Director	Director, Government and External Affairs, Frontier Communications Corporation
Kathleen A. Dorgan	Director	Principal, Dorgan Architecture & Planning
Timothy B. Hodges	Director	Vice President, Government Relations and CRA Investment Officer, People's United Bank
Kiley A. Gosselin	Director	Executive Director, Partnership for Strong Communities
Melissa McCaw	Ex officio Director	Secretary, Office of Policy and Management
Jorge Perez	Ex officio Director	Commissioner, State Department of Banking
Franklin E. Perry II	Director	Attorney and Director of Policy for the Majority Leader, House of Representatives
Jared Schmitt	Director	Director, Legal Research, Connecticut House Republican Office
David Lehman	Ex officio Director	Commissioner, State Department of Economic and Community Development
Carla Weil	Director	Chief Strategy Officer, Capital for Change
Shawn T. Wooden	Ex officio Director	Treasurer, State of Connecticut

Each ex officio director may designate a deputy or any staff member to represent him or her at meetings of the Authority with full power to act on his or her behalf. There are currently two vacancies on the Board.

### **Principal Staff**

The Authority employs a staff that includes professionals in various fields relating to housing and mortgage lending, including the following officers:

<u>Name</u>	<u>Position</u>	<u>Prior Background</u>
Karl F. Kilduff	Executive Director	2008-2015, Town Administrator, Town of Darien, Connecticut; 2001-2008, Town Manager, Town of North Branford, Connecticut; 1998-2001, City Manager, City of Johnstown, Pennsylvania; Master of Public Administration, University of Connecticut; Bachelor of Arts, Syracuse University.

Hazim Taib	Chief Financial Officer	2011-2013, Chief Financial Officer, 2009-2011, Deputy Chief Financial Officer, 2006-2009, Director Structured Finance, 1998-2006, Financial Analyst, Illinois Housing Development Authority, Chicago, Illinois; MBA (Finance & Statistics), Indiana State University, B.S. Finance, Indiana State University, Graduate Certificate – Accounting (External Auditing), Keller Graduate School of Management, Diploma – Public Administration, Universiti Teknologi MARA, Malaysia.
Nancy I. O’Brien	Managing Director of Multifamily	2017-2018, Interim Managing Director, Multifamily Programs, 2006-2017 Director and Administrator positions Multifamily Development and Operations, 2005-2006 Manager Residential Mortgages, of the Authority; 1990-2004 Senior Vice President, 1987-1990 Vice President, 1986-1987 Assistant Vice-President of Wachovia Bank, N.A.; 1985-1986 Loan Workout Specialist, Federal Deposit Insurance Corporation; 1980-1985 Assistant Vice President and Mortgage Officer, New York State Mortgage Loan Corporation; 1978-1980 Loan Officer and Mortgage Analyst, The New York City Department of Housing Preservation and Development; 1975-1976 Research Analyst, Office of U.S. Senator Charles H. Percy; Masters of Urban Planning and Real Estate Finance, New York University; Bachelor of Arts in Political Science, American University.
Victor Rush	Managing Director of Administration	2007-2014, Vice President & Store Manager III, TD Bank, N.A., Newington, Connecticut; 1995-2007, Associate Deputy Director Administration, Hartford Housing Authority, Hartford, Connecticut; 1988-1995, Senior Branch Manager, Fleet Bank, N.A., Hartford, Connecticut; 1986-1988, Assistant Store Manager, Lechmere Stores (Dayton/Hudson Company), Newington, Connecticut; 1984-1986, Customer Service Manager, G. Fox & Co. (May Department Stores), South Windsor, Connecticut; B.A., University of Connecticut.
Robert Hicks	Interim General Counsel	2018-2019, Assistant Director-Legal of the Authority; 2012-2018, Assistant Counsel of the Authority; 2001-2012, private practice of law; J.D., University of Connecticut School of Law; B.A., Connecticut College; Admitted to practice of law in Connecticut.

The Authority has a permanent staff of approximately 133 persons including the officers listed above. The supporting staff includes the Interim Deputy Managing Director of Single Family Programs and Directors of: Business Services, Information Technology, Multifamily, Single Family, Planning Research and Evaluations, Communications, Internal Audit, Investment and Debt Management, Financial Reporting and Control, Portfolio Management and Government Relations; and also underwriters, asset managers, architects, and those providing accounting, data and word processing, administrative, technical, legal, secretarial, and clerical support services. The Authority’s address is 999 West Street, Rocky Hill, Connecticut 06067, telephone (860) 721-9501.

### **THE HOUSING MORTGAGE FINANCE PROGRAM**

The Authority’s activities under the Housing Mortgage Finance Program include providing construction and permanent financing for housing and related facilities, the primary purpose of which is to provide safe and adequate

housing for low and moderate income families and persons throughout the State and to provide financing for mortgage loans in the eligible areas for persons of all income levels. Such housing and related facilities may include certain commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to such housing and dwelling accommodations for persons other than those of low and moderate income. The Housing Mortgage Finance Program has been implemented in order that the Authority's purpose to assist in providing such housing may be accomplished either by the purchase of mortgages or by the making of loans secured by mortgages. The Authority has to date both purchased and made construction and permanent multifamily housing development mortgage loans and has purchased permanent home mortgage loans pursuant to a Master Commitment Agreement for Mortgage Purchases (the "Commitment Agreement").

Permanent multifamily and home mortgage loans made by the Authority under the provisions of the Act: (i) must not exceed 90% of the estimated cost of housing owned or to be owned by a profit making organization or 100% of such cost in the case of a non-profit organization or a home owner; (ii) must have a maturity no longer than fifty years from the date of the loan; (iii) must contain amortization provisions requiring periodic payment by the mortgagor not in excess of the mortgagor's ability to pay; and (iv) must be in such form and contain such terms and provisions with respect to property insurance, repairs, payment of taxes and assessments, defaults, delinquency charges, additional and secondary liens, equitable and legal redemption rights, and other matters as the Authority may prescribe. The Authority requires the multifamily mortgagor or its contractor to post 100% payment and performance surety bonds or to provide letters of credit or other assurances and guarantees as the Authority may deem necessary in amounts that are based upon the size and nature of the development. Construction mortgage loans made by the Authority under the provisions of the Act may be advanced in installments as the work progresses, but the total of all advances made is not to exceed 90% of the project cost if the development is owned by a for profit mortgagor and 100% of the project cost if the development is owned by a non-profit mortgagor. The final installment of a construction mortgage loan may be either advanced to the mortgagor or retained in the discretion of the Authority until after the Authority inspects the development and determines that the mortgagor has complied in all respects with the Act. Mortgage loans are required to be financed by the Authority pursuant to the Act and consistent with the Authority's cost of operation and its responsibilities to the holders of its Bonds and other obligations. For further information concerning provisions of the Act relating to mortgage loans of the Authority, see Appendix A – "Certain Present Provisions of the Act Relating to Mortgage Loans of the Authority" in this Part 2.

### **Multifamily Housing Mortgage Loans**

The Authority originates uninsured and privately insured or guaranteed loans for multifamily developments in accordance with its own guidelines, standards, and procedures, which may be modified from time to time, consistent with the Authority's experience and judgment. In the case of insured developments, both the Authority's and the insurers' processing procedures are applicable. In addition, the Authority has processed developments in conjunction with Federal mortgage insurance programs. The Authority participates in the HUD Risk Sharing Program and has the ability to process all developments through the Program to determine eligibility therein.

### **Multifamily Mortgage Loan Processing and Servicing Procedures**

The process described below generally is used by the Authority in evaluating, processing, financing and servicing multifamily residential housing.

*Preliminary Evaluation.* The Authority initially considers several aspects relating to each development. The Authority evaluates the proposed site to determine if it is physically suitable for the development. The sponsor must provide the Authority with evidence that the proposed development satisfies or will satisfy all local zoning requirements and proof of site control. The site is evaluated to determine its appropriateness for the housing to be provided based on location, accessibility to local services and facilities, available utilities, and density requirements. In the case of housing for the elderly, particular emphasis is placed upon proximity to such services and facilities, including medical care and senior citizen centers. An attempt is made to assure adequate site conditions compatible with the proposed housing through sound site engineering review.

The Authority generally arranges a meeting to discuss the proposal with the sponsor and evaluates the ability of a sponsor to complete and manage the proposed development and program requirements. The experience of the



sponsor is reviewed and an evaluation is made of the proposed development team including architects, management agent, and general contractor.

*Development Feasibility.* After the preliminary evaluation of a development has been completed, the Authority proceeds to determine acceptable design criteria, construction plans and specifications, acceptability of the management program, and overall financing feasibility over the life of the mortgage loan. The Authority's staff reviews and analyzes the development for proper site utilization, compatibility of design with the neighborhood and design of the units, and other amenities. The construction feasibility is concerned with, among other items, environmental review, site conditions, construction type, the construction budget, compliance with equal opportunity requirements, the Americans with Disabilities Act requirements and other Federal and State requirements. The Authority accepts the design and construction proposal for the development, which includes site and landscaping plans. A cost analysis is conducted at this stage based on comparable data to determine development feasibility, and an evaluation is made as to whether the mortgage can support the construction costs.

In addition, the Authority continues its review of the qualifications of the proposed mortgagor, general contractor, architect, and managing agent of the development, as well as the budget for the development's operation. Consideration is given to whether the developer can meet the Authority's requirements for the maintenance and administration of the development and services to tenants of the development. The review includes acceptance of a marketing plan, if applicable.

The financial feasibility of the development is established by a review of operating expenses which meet the Authority's operational requirements. The Authority reviews estimated taxes, utility and heating costs, insurance, maintenance allowances, reserves for replacements and repairs, and general operating costs. After such review, the Authority determines if the proposed rental income and resultant net operating income is sufficient to cover debt service on the mortgage loan and operating costs (including reserves and escrow accounts and return on equity for limited dividend sponsors). In determining financial feasibility, the Authority reviews construction time and cost requirements and other aspects of the development that could affect feasibility.

*Commitment to Finance.* Upon approval of the feasibility of the development by the Authority's staff, the proposal is either submitted for consideration by the Mortgage Committee composed of Directors of the Authority and then to the Authority's Board of Directors for approval or it may be submitted directly to the Board of Directors for approval, provided that certain small loans as determined by the Authority may be submitted to a committee of senior staff for approval. This approval establishes the financial parameters of the mortgage loan(s), which includes loan terms and the proposed mortgage interest rate. In the case of an insured development, the Authority receives a firm commitment for such insurance from HUD.

*Market Analysis.* Developments expected to be financed by the Authority are analyzed and reviewed to determine marketability and market acceptance of the proposal. In addition, usually the Authority, at the applicant's expense, contracts with a third party professional for a market study and appraisal in form and content acceptable to the Authority, when required by the Authority.

*Construction Loan Closing.* Prior to the final decision of the Authority to finance a development, the Authority generally requires the submission of final plans and specifications, the contractor's trade payment breakdown of materials and labor, the construction contract, and other documents and exhibits acceptable to the Authority. The initial closing takes place before the disbursement of any loan proceeds and involves the execution of the mortgage loan documents, including, among other documents, the construction contract, and certification of environmental conditions acceptable to the Authority.

The Authority requires certain fees to be paid by the mortgagor at or prior to the closing of the mortgage loan. These and other fees may be eligible for reimbursement from loan proceeds following the execution of the mortgage.

The Authority observes construction progress on a continuing basis throughout the construction period. Construction advances are made monthly based on the percentage of work completed as determined by the contractor and verified by the Authority. Up to 10% of the amount due the contractor is retained by the Authority pending the

completion of construction. The retainage may be reduced to a lesser amount between the time the development is substantially completed and the final mortgage closing by the Authority.

*Assurance of Completion.* The general contractor is required to execute a contract agreeing to complete construction in conformity with the plans and specifications for not more than the accepted contract amount. The contract typically provides that the contractor is liable for liquidated damages in the event that all construction is not completed on or before the required contract completion date. In order to assure completion of construction, the Authority currently requires 100% payment and performance bonds or, in lieu thereof, letters of credit or other assurances or guarantees as the Authority may deem necessary, in amounts that are based upon the size and nature of the development.

*Development Cost Certification and Final Closing.* When all units in a development are completed and ready for occupancy, a cut-off date is established for cost certification of the development and a certificate of substantial completion is issued. Final closing consists of a review and approval by the Authority of cost certifications by the mortgagor and the general contractor. In the case of an insured development, a review and approval by HUD of a certification by an independent certified public accountant of the total cost of the development and of operating income and expenses of the development through the cut-off date is required. Based upon such review, the mortgage loan amount for any development may be decreased or increased with the approval of the Authority. In the case of developments with FHA-insured mortgage loans, the approval of HUD is also required. For such developments, both HUD and the Authority's counsel review and approve the final title insurance policy and other closing documents, and the mortgage note receives final endorsement for insurance by FHA before the final construction disbursement is made. The Authority also reviews the mortgagor's insurance policies prior to closing to assure that sufficient amounts and kinds of insurance are in force as of final closing.

*Tenant Selection, Marketing, and Management.* The Authority requires that the mortgagor of each development be subject to a regulatory agreement between the Authority and the mortgagor. In addition, the mortgagor of an FHA-insured development is subject to a regulatory agreement between HUD and the mortgagor. Such regulatory agreements regulate the rents, occupancy, management and operations of the development and the profits of the mortgagor.

The Authority requires a management plan for each development covering all pertinent development operations. The management plan includes a tenant lease in a form accepted by the Authority, a statement of occupancy and eligibility requirements, affirmative marketing and tenant selection standards, required accounting and reporting procedures, and tenant relations policies. The Authority requires a management agreement prepared by the Authority to be executed between the mortgagor and the management agent. This agreement is reviewed and approved by the Authority (and HUD in the case of an insured development), and may be terminated by the Authority, or by HUD in the case of a development subsidized under Section 8 of the U.S. Housing Act of 1937, as amended ("Section 8") or an insured development, with or without cause by giving thirty days' notice to the mortgagor and agent.

Each development receiving Section 8 rent subsidies has a housing assistance payments contract ("HAPC"), which provides for subsidy payments through the Authority, a local housing authority, or directly from HUD to the mortgagor on behalf of eligible tenants. In the case of all developments receiving Section 8 subsidies, the Authority requires the mortgagor to assign to the Authority all its right, title, and interest, including its right to renew the HAPC for successive periods and to receive subsidy payments in amounts sufficient to make payments of principal and interest on the mortgage loan when due.

From time to time, proposals have been discussed (and, in some instances, legislation has been introduced) by HUD and by members of Congress which, if enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD, would affect many HUD programs, including the Section 8 Program. Among the effects could be a reduction in the contract rents or in the annual adjustments thereof for Section 8 assisted multifamily developments. Any such reduction in such rents or such adjustments could adversely affect the financial feasibility of certain of these developments and the adequacy of rental income to pay principal and interest on the mortgage loans financing such developments. There can be no assurance that these proposals or legislation will or will not be enacted into law, promulgated as HUD regulations or adopted as official enforceable policies of HUD.

See Appendix C – “Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs” in this Part 2.

The Authority monitors the operation of the development for compliance by the mortgagor with the provisions of each regulatory agreement and for compliance by the management agent with the terms of the management agreement and management plan. Each regulatory agreement requires an annual operating budget, annual audited financial statements, and periodic reports for the development to be submitted. Except for uninsured unsubsidized units, changes in rents must be within HUD guidelines and, except for annual adjustments in Section 8 rents, must be approved by HUD if such development is insured or subsidized. Any such changes are reviewed by the Authority, and appropriate comments are transmitted to HUD for consideration. Market rate increases are initiated by the owner/developer and are reviewed for acceptability by the Authority.

Depending on the performance rating of a development, the Authority may require a periodic report on each of its multifamily developments that indicates occupancy rate, income received, expenses paid, accounts payable, accounts receivable, and cash on hand at the end of the period. Observations are performed based on performance rating. The Authority regularly monitors the status of escrow accounts and requires all mortgagors to submit audited annual financial statements prepared by a third party certified public accountant.

In addition to these financial checks, each development is visited for a physical observation based on its performance rating but at a minimum at least once every three years. A physical observation is performed to evaluate the physical condition of buildings, grounds, equipment, and the adequacy of preventive and corrective maintenance operation. Mortgagors and managing agents receive a written report of the physical observation findings. Management evaluations are performed during regular visits to each development by the staff member assigned to that development. An attempt is made to ensure that any defects noted in the physical observation have been corrected, and that the managing agent’s record keeping, tenant selection, marketing, leasing, staffing, and servicing policies conform to those required in the regulatory and management agreements.

If the Authority has responsibility for administering the Section 8 contract for a particular development, it also reviews the mortgagor’s compliance with initial tenant eligibility certification and recertification procedures and other requirements of the HAPC, including calculation of the tenant’s income and rental contribution.

*Reserve for Replacements, Escrow for Real Estate Taxes and Insurance Premiums, and Security Against Operating Deficits.* The Authority requires each mortgagor to pay monthly amounts to fund escrow accounts for estimated real estate taxes and, if applicable, for a reserve for replacement accounts, FHA insurance premiums, and fire and casualty insurance premiums for each development. The mortgagor may request the Authority to disburse funds from the reserve for replacements account from time to time for payment of the cost of replacement items. The Authority considers such reserves to be generally adequate for their purpose based on its experience to date, but there can be no assurance that the reserves so established will be large enough to pay all of the replacement costs which may be required in the circumstances of any particular case. Real estate taxes and insurance premiums are paid by the Authority for each development from amounts on deposit in the respective escrow accounts. In some cases, the Authority may require the mortgagor to secure potential operating deficits for a period of three years from final closing of the mortgage loan. The forms of such security vary at the discretion of the Authority and include letters of credit, personal guarantees, and cash escrows.

*Servicing.* The Authority services its Multifamily Housing Mortgage Loans itself.

### **Multifamily Mortgage Loan Portfolio**

*General.* The Authority holds three separate portfolios of mortgage loans on multifamily properties or multi-unit developments under the Resolution: (i) the “Multifamily Mortgage Loan Portfolio,” representing mortgage loans originally financed with the proceeds of Housing Mortgage Finance Program Bonds or amounts from the Investment Trust Subaccount (or its predecessor, the Authority’s Investment Trust Fund), (ii) the “DECD Development Portfolio,” also known as the State Sponsored Housing Portfolio (SSHP), consisting of multifamily mortgage loans originally financed by the State and subsequently transferred to the Authority, and (iii) the “Federal Grant Portfolio,” consisting of forgivable mortgage loans funded by the U.S. Treasury under its Tax Credit Assistance Program and the Tax Credit Exchange Program. This section provides information only with respect to

the Multifamily Mortgage Loan Portfolio and the DECD Development Portfolio. For a description of the Federal Grant Portfolio and the DECD Portfolio (of which the DECD Development Portfolio is a part), see “THE HOUSING MORTGAGE FINANCE PROGRAM – Other Portfolios within the Investment Trust Subaccount” in this Part 2. Revenues from the Multifamily Mortgage Loan Portfolio constitute Pledged Receipts under the Resolution.

As of December 31, 2018, the aggregate outstanding principal balance of the Multifamily Mortgage Loan Portfolio and the DECD Development Portfolio (without regard to allowance for loan losses) was \$1,302,834,208, consisting of \$125,614,440 of Construction Loans and \$1,177,219,768 of Permanent Loans. The Multifamily Mortgage Loan Portfolio and DECD Development Portfolio are secured by 363 multifamily properties or development programs throughout the State, containing over 25,300 dwelling units. For a listing of each such property, the related Mortgage Loans, certain characteristics of each development, outstanding loan balances and loan rates, see Schedule A attached to this Part 2.

*Developments Financed with the Proceeds of Bonds.* As of December 31, 2018, the Mortgage Loans within the Multifamily Mortgage Loan Portfolio that were originally financed with proceeds of Housing Mortgage Finance Program Bonds had an outstanding principal balance of \$721,239,624. In addition, as of March 31, 2019, the Authority had approximately \$27,000,000 of bond proceeds available to provide for the completion of multifamily developments under construction. These Mortgage Loans financed with the proceeds of Housing Mortgage Finance Program Bonds were secured by 142 housing developments. As reflected in Schedule A, many of these developments have also received financing from: (i) mortgage loans within the Multifamily Mortgage Loan Portfolio that were not originally financed with proceeds of Housing Mortgage Finance Program Bonds and (ii) mortgage loans within the DECD Development Portfolio.

Of these 142 developments, 56 are exclusively for the elderly. These mortgage loans have been sponsored by non-profit housing corporations or limited dividend housing organizations (including corporations, partnerships and individuals). None of the 142 multifamily housing developments receive annual subsidies from HUD pursuant to Section 236 of the National Housing Act, as amended (“Section 236”), and 53 receive subsidies pursuant to the Section 8 program. 15 of the total number of developments are insured or partially insured under various FHA programs. Certain information with respect to the Section 8 housing assistance payments program and the various FHA insurance programs is contained in Appendix C – “Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs” in this Part 2. See “THE HOUSING MORTGAGE FINANCE PROGRAM – Housing Mortgage Finance Program Bonds” for more information on the outstanding Bonds of the Authority.

*Multifamily Mortgage Loan Delinquencies and Foreclosures.* As of December 31, 2018, the Authority had ten (10) multifamily mortgage loans that were funded with proceeds of Housing Mortgage Finance Program Bonds or with monies in the Investment Trust Subaccount on its watch list of potentially problem loans with an aggregate outstanding principal balance of \$27,387,794. The Authority has adopted a Multifamily Troubled Debt Restructuring (“TDR”) program to evaluate and resolve multifamily mortgages which have either defaulted or have the potential of default on their mortgage obligations. Authority staff review all proposals for mortgage restructuring submitted under the TDR program. Proposals for mortgage restructuring are submitted to the Mortgage Committee of the Board of Directors for consideration, provided certain small loans, as determined by the Authority, may be submitted to a committee of senior staff for approval.

The Authority has actively engaged the mortgagors of such delinquent and potentially delinquent loans in order to discuss the various alternatives available to resolve the default or avert any possible delinquencies. However, where resolution does not prove to be possible, the Authority forecloses or accepts a deed in lieu of foreclosure. As of December 31, 2018, the Authority or its subsidiaries owned one project (“Real Estate Owned” or “REO”). See table below entitled “Multifamily Real Estate Owned as of December 31, 2018.” REO projects are currently valued on the Authority’s books at the lower of appraised value, or according to the project’s net operating income at the Authority’s cost of funds at the time title transferred, or the most recent real estate tax value. The Authority has created subsidiaries to own, operate and manage certain multifamily projects. Depending upon market conditions, policy considerations and an Authority review of whether or not it is desirable for such subsidiaries to continue to own, operate and manage the projects, the Authority may consider further transactions involving an assumption of such Mortgage Loans by other entities.

The Authority has an administrative policy of obtaining an environmental assessment of all large multifamily developments prior to culminating foreclosure proceedings.

The following is a list of the Authority's Multifamily Real Estate Owned as of December 31, 2018.

**Multifamily Real Estate Owned  
as of December 31, 2018**

<u>Name</u>	<u>Location</u>	<u>Units</u>	<u>Type</u>	<u>Occupancy Rate %</u>	<u>Outstanding<sup>(1)</sup> Mortgage Balance</u>	<u>Current Carrying Value<sup>(2)</sup></u>
Eno Farms	Simsbury	<u>50</u> 50	Family	94	<u>\$1,300,000</u> \$1,300,000	<u>\$2,300,000</u> \$2,300,000

<sup>(1)</sup> As of the date the Authority took title.

<sup>(2)</sup> Current carrying value is based on the appraised value at title date.

**Preservation of Housing Affordability Program**

The Authority has developed a Preservation of Housing Affordability Program to provide funding to assist in the preservation of affordable permanent rental housing where the affordability and/or subsidies are at risk of being lost. Financing solutions may include the sale, transfer, acquisition, rehabilitation and/or new permanent debt, with or without moratorium, debt restructuring and/or equity take out of existing housing properties subject to statutory limitations and the Authority's guidelines.

**Home Mortgage Loans**

*Home Mortgage Loan Origination Policies and Programs*

The Authority purchases home mortgage loans for owner occupied dwellings having up to four units (except for newly constructed housing, which is limited to one unit, or, in the case of borrowers in Targeted Areas whose family income does not exceed 140% of applicable family median income, two units) from participating lenders meeting requirements of the Authority, which are comprised of commercial banks, savings banks, savings and loan associations, credit unions and mortgage bankers throughout Connecticut ("participating lenders") that have entered into the Commitment Agreement with the Authority. Pursuant to the Commitment Agreement, the participating lenders originate and close loans at a rate of interest established by the Authority. Applications for such loans are processed by the participating lenders of the applicants' choice. The Authority has reserved, and may continue to reserve, some of its home mortgage funds for certain geographical areas and for financing newly constructed homes.

Section 8-265d(a) of the Connecticut General Statutes mandated that the Authority, together with the Commissioner of Housing, develop a pilot program to provide mortgages at reduced interest rates. This initiative (the "Homeownership Program"), which for several years has provided low interest rate mortgage loans for families and individuals moving from public housing tenancy into homeownership, was made a permanent program of the Authority in 1994.

The Authority has developed a program of home purchase assistance for state and local police officers to encourage them to reside in locally designated neighborhoods and communities in certain municipalities in which they are employed. The Authority provides fixed rate, 30-year mortgages under the program. It is anticipated that applicants will be eligible for down payment assistance and grants from municipalities for closing costs.

The Authority has established, and from time to time amends, income and sales price limits based upon location and family size for purchasers of homes throughout the State. The Authority establishes income limits that are no greater than the limits permitted under the Code. Under the Code, except as set forth in the next sentence, the income limits throughout the State for families of three or more range from \$111,320 to \$155,135. A portion of mortgage loans in certain eligible urban areas and Targeted Areas may be made to mortgagors with greater income,

in accordance with requirements of the Code. Before the Authority may finance a home mortgage loan in an eligible urban area for a mortgagor with an income in excess of the applicable limit, it must be furnished with proof that a financial institution has refused to make the loan on reasonable terms, which are that institution's (i) regular interest rate, (ii) length of loan term, and (iii) down payment requirements. The Authority's purchase price limits for existing and newly constructed housing range from \$271,160 to \$553,760, subject to modifications permissible under the Code.

The Authority currently finances the purchase of individual condominium units throughout the State. Prior to financing any such unit in a condominium complex, the Authority ensures that the condominium complex is approved by the FHA or meets VA, USDA, FNMA or FHLMC eligibility criteria. Generally, the Authority will not finance more than 50% of the units in any one complex. Purchase price and income limits are the same as those above noted.

The Authority requires home mortgage loans in federally targeted urban areas and non-targeted areas to be insured or guaranteed by FHA, VA, RD, the Authority or PMI, unless the mortgagor's down payment is equal to 20% or more of the purchase price; provided, that the PMI requirement for HFA Preferred Mortgages ends once the borrower reaches 22 percent equity in the property, either through paying down the mortgage and/or an increase in the property's value, as mentioned above. Rating agencies' reviews of private mortgage insurers in recent years may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies.

For a discussion of FHA, VA, RD, Authority and PMI mortgage insurance and guaranty programs and certain percentage limitations on the amount of the mortgage loans insured or guaranteed, see Appendix C – "Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in this Part 2.

Each home mortgage loan application submitted to the Authority by a participating lender is generally accompanied by a mortgage insurance or guaranty commitment. The Authority independently reviews each application to verify, to its satisfaction, compliance with the loan standards described above, and in appropriate instances declines to finance home mortgage loans despite earlier review and approval for insurance or guaranty by FHA, VA, RD, the Authority or PMI. The Authority's review criteria for PMI insured mortgage loans are similar to those established by Fannie Mae. The Authority will make a firm commitment to purchase only those home mortgage loans that satisfy its criteria. The commitment obligates the Authority for a specified period to purchase the loan, subject to the closing conditions contained in the commitment.

Each participating lender must warrant that all home mortgage loans offered for sale to the Authority meet certain conditions, among which are the following: (i) the mortgage was duly executed, (ii) the mortgage is a valid first lien on the premises and the note is a valid and binding obligation of the mortgagor, (iii) neither the mortgage nor the note was in default on the date of such offer or on the date of the Authority's acceptance thereof, (iv) the full principal balance of the loan has been advanced to the mortgagor and is fully secured by the mortgage, (v) all requirements of applicable Federal and state laws have been fully complied with, (vi) the premises are covered by a hazard insurance policy in an amount at least equal to the outstanding principal balance of the loan, and (vii) the mortgage is covered by a title insurance policy that meets the Authority's requirements. For the failure to meet any of the conditions set forth above, the Authority may reject any home mortgage loan for purchase at its discretion. Subsequent to the purchase of any home mortgage loan, if the participating lender breaches any warranty under the Commitment Agreement, the Authority may require the lender to repurchase the home mortgage loan concerned and to hold the Authority harmless from any loss or other expenses associated with such repurchase. To date, the Authority has not been required to request a significant number of such repurchases.

The Authority purchases home mortgage loans from participating lenders after processing the loan application and the closing of the loan by such lenders. The Authority requires the participating lender to furnish to the Authority, among other items, (i) a copy of the mortgage note, (ii) a copy of the mortgage insurance or guaranty certificate, and (iii) a copy of the participating lender certification. The Authority performs a final review of the loan documentation to ensure that the participating lender has complied with the Authority's guidelines for the purchase of home mortgage loans. Any irregularities discovered during the review process are further reviewed by counsel to the Authority, and if the documentation does not satisfy the Authority's requirements, the participating lender is requested to supply the proper documentation. Thereafter, if it is determined that the home mortgage loan or the

documentation relating thereto does not comply with the Act or the Authority's current guidelines, the Authority, pursuant to its Commitment Agreement, may require the repurchase of any such loan by the participating lender if such lender does not cure the deficiency within a reasonable period of time. The Authority generally purchases home mortgage loans within two months of making its commitment, depending upon the time required by participating lenders to close loans. All original mortgage loan documentation is retained by the servicer on behalf of the Authority.

### ***Servicing Arrangements for Home Mortgage Loans***

The Authority has entered into agreements with bank servicers, non-bank or independent mortgage servicers and subservicers for the servicing of its home mortgage loans for a servicing fee. In addition, the Authority services a small number of home mortgage loans itself. The participating lender that originated the loan has the option to service it. The Authority's annual servicing fee with respect to home mortgage loans at the present time is up to three eighths of one percent (.00375) per annum, computed on the unpaid principal balance prior to the monthly payment.

Accepted industry standards for servicing institutions have been adopted by the Authority. Among other things, the servicer of a home mortgage loan is required to inspect the mortgaged property, maintain required records, and render to the Authority an accounting of funds collected. The servicer is expected to attempt to cure any delinquency or default on the mortgage loan and, in case of default, to institute foreclosure proceedings, but all foreclosure expenses not covered by insurance are borne by the Authority.

Upon receipt of scheduled mortgage payments with respect to mortgage loans financed by the Authority, the servicer deposits, at least semi-monthly, that portion of such payments representing the principal payment due on such mortgage loans and the interest thereon (net of servicing fees), with a depository bank or banks, to be held in escrow for the Trustee. The balance of such payments, representing payments for such items as property taxes and mortgage insurance, is kept by the servicer and applied as necessary. The Trustee holds such receipts in a common fund created under the Resolution and known as the Pledged Account. Monies within the Pledged Account are distributed on a monthly basis in accordance with the Resolution.

### ***Private Mortgage Insurance***

A portion of the Mortgage Loans financed with the proceeds of Housing Mortgage Finance Program Bonds may be insured by private mortgage insurers or by the Authority. The Authority makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to the Authority of claims on the Mortgage Loans on which the Authority may experience losses.

### ***Loan Modifications***

In the case of delinquencies of mortgage loans insured or guaranteed by FHA, VA or RD or by any private insurance companies, the Authority may modify the terms of such mortgage loans in accordance with the requirements of the mortgage insurer or guarantor. Such modifications may include the deferral of monthly payments of principal and interest, the extension of the maturity dates and re amortization of the outstanding principal balances of the mortgage loans, and, in the case of FHA-insured mortgage loans, the payment by FHA of partial insurance claims.

FHA has issued its Mortgagee Letter 2009-35, which, effective October 23, 2009, introduces to lenders holding FHA-insured mortgage loans in default an additional loss mitigation action involving the modification of such mortgage loans by reducing the principal amount thereof (accompanied by payment of FHA insurance benefits), reducing the interest rates and extending the term to a full 30 years from the date of loan modification. The Authority has requested and received approval from the National Servicing Center of the U.S. Department of Housing and Urban Development of its variance request from the requirements of Mortgage Letter 2009-35 (as well as Mortgagee Letter 2009-23) when reviewing FHA-insured home mortgages for the Loan Modification and/or FHA HAMP Options under HUD's Loss Mitigation Program. In November 2012, FHA issued its Mortgagee Letter 2012-22, which included revised requirements for HUD's Loss Mitigation Program, including an amendment to the FHA HAMP guidelines set forth in Mortgagee Letter 2009-23. The Authority subsequently requested and received

approval of a variance request from the requirements of Mortgage Letter 2012-22, enabling the Authority to participate by utilizing the FHA HAMP Option with a specific waiver from any and all provisions requiring mortgage interest rate adjustments.

### ***Home Mortgage Loan Portfolio***

*General.* The Authority holds four separate portfolios of mortgage loans on homes under the Resolution: (i) the “Home Mortgage Loan Portfolio,” representing Mortgage Loans originally financed with the proceeds of Housing Mortgage Finance Program Bonds, amounts transferred to the Investment Trust Subaccount, or Recoveries of Principal with respect to the Home Mortgage Loan Portfolio, (ii) the “DAP Portfolio,” consisting of down payment assistance loans originally financed by the State or repayments with respect to the DAP Portfolio (which are dedicated to such purpose), (iii) the “RAM Portfolio,” consisting of reverse annuity mortgage loans originally funded by the State, and (iv) the “Special Programs Portfolio,” consisting of mortgage loans under a number of the Authority’s special programs originally financed by the Investment Trust Subaccount. In addition, the Authority holds an “Agency Security Portfolio,” which consists of GNMA securities, FHLMC securities and FNMA securities (collectively, “Agency Securities”) that are backed by GNMA, FHLMC or FNMA guaranteed qualified mortgages, as the case may be, which Agency Securities are purchased by the Authority and held as investments under the Resolution. The DECD Portfolio described under “THE HOUSING MORTGAGE FINANCE PROGRAM – Other Portfolios within the Investment Trust Subaccount” in this Part 2 also contains a small number of consumer loans (the “DECD Consumer Portfolio”). This section provides information only with respect to the Home Mortgage Loan Portfolio. For a description of the DAP Portfolio, the RAM Portfolio, the Special Programs Portfolio and the DECD Portfolio, see “THE HOUSING MORTGAGE FINANCE PROGRAM – Other Portfolios within the Investment Trust Subaccount” in this Part 2. For a description of the Agency Security Portfolio, see “THE HOUSING MORTGAGE FINANCE PROGRAM – Home Mortgage Loans – Agency Securities.” Revenues from the Home Mortgage Loan Portfolio and the Agency Security Portfolio constitute Pledged Receipts under the Resolution.

The following tables set forth certain information regarding the Home Mortgage Loan Portfolio as December 31, 2018.

[TABLE APPEARS ON FOLLOWING PAGE]



**Housing Mortgage Finance Program  
Home Mortgage Loan Portfolio  
Distribution by Year of Origination, with Weighted Average Coupon and Original Term  
as of December 31, 2018**

Year of Origination	Original Balance	Outstanding Balance	Original Number of Loans	Current Weighted Average Coupon	Weighted Average Original Term
Before 2005	4,879,743,959	210,172,759	57,723	5.63%	393
2005	377,901,938	97,911,603	2,369	4.90%	360
2006	472,607,335	101,058,946	2,776	5.39%	360
2007	489,949,258	114,942,605	2,815	5.52%	360
2008	333,553,302	87,930,837	1,968	5.59%	360
2009	300,815,102	142,608,319	1,925	4.92%	360
2010	114,342,597	65,204,116	723	4.31%	360
2011	153,716,647	93,137,859	976	3.80%	360
2012	102,012,292	68,796,312	688	3.03%	360
2013	180,948,915	136,586,178	1,144	2.92%	360
2014	186,375,298	151,158,551	1,207	3.39%	360
2015	147,502,145	127,424,178	939	3.12%	360
2016	89,633,075	82,382,602	557	2.89%	359
2017	70,976,444	68,201,863	426	3.17%	360
2018	52,034,060	51,387,410	301	3.65%	360
	7,952,112,369	1,598,904,138	76,537		

**Housing Mortgage Finance Program  
Home Mortgage Loan Portfolio  
Distribution by Amortized LTV Ratio and Insurance Coverage  
as of December 31, 2018**

	< 80.00		80.00 - 94.99		≥ 95.00		TOTAL	
	Balance	% Del. <sup>(1)</sup>	Balance	% Del. <sup>(1)</sup>	Balance	% Del. <sup>(1)</sup>	Balance	% Del.
<b>Governmental Insurance</b>								
FHA	473,600,708	10.1%	573,470,494	11.8%	57,717,858	15.6%	1,104,789,060	11.3%
VA	11,718,629	2.4%	24,142,289	7.6%	8,834,080	3.2%	44,694,998	5.4%
RD	13,101,584	5.5%	43,627,485	5.0%	13,691,696	2.3%	70,420,766	4.6%
	498,420,921		641,240,268		80,243,635		1,219,904,824	
<b>Private Mortgage Insurance</b>								
Genworth Mortgage Insurance Corp.	-	-	4,518,447	32.3%	-	-	4,518,447	32.3%
Mortgage Guaranty Insurance Corp.	-	-	1,276,493	25.4%	-	-	1,276,493	25.4%
PMI Mortgage Insurance Co.	-	-	21,729,533	8.0%	-	-	21,729,533	8.0%
United Guaranty Corporation	-	-	846,614	75.6%	-	-	846,614	75.6%
Other PMI	-	-	374,229	37.4%	-	-	374,229	37.4%
	-		28,745,316		-		28,745,316	
<b>No Insurance</b>								
Never Insured / Self Insured	240,233,333	5.2%	11,468,221	12.6%	501,775	-	252,203,330	5.5%
Prior PMI subject to cancellation	98,050,667	6.4%	-	-	-	-	98,050,667	6.4%
	338,284,001		11,468,221		501,775		350,253,997	
<b>Total</b>	836,704,922	8.1%	681,453,806	11.3%	80,745,410	11.9%	1,598,904,138	9.7%

(1) Represents percentage, by principal balance, of Mortgage Loans 60 days or more delinquent, including those Mortgage Loans in foreclosure.

As reflected above, as of December 31, 2018, the Home Mortgage Loan Portfolio had an outstanding principal balance of \$1,598,904,138 and consisted of approximately 13,800 Mortgage Loans.

*Home Mortgage Loan Delinquencies and Foreclosures.* Substantially all home mortgage loans that were either delinquent or in foreclosure were either FHA- or PMI-insured or VA-guaranteed. In general, the FHA mortgage insurance program for home mortgage loans provides coverage for the principal amount of insured mortgages. The insurance proceeds are generally paid in cash, but under some programs the FHA has authority to pay with twenty year debentures, which, in certain circumstances, may have an interest rate less than that of the insured mortgage. In most cases, the insurance payment does not cover all accrued but unpaid interest. The VA program generally provides a maximum guaranty equal to the lesser of the veteran's available entitlement or: (a) for home and condominium loans up to \$45,000, 50% of the original principal amount of the loan; (b) for home and condominium loans over \$45,000, and not more than \$56,250, \$22,500; (c) for home and condominium loans over \$56,250 and not more than \$144,000, 40% of the original principal amount of the loan up to \$36,000; (d) for home and condominium loans over \$144,000, the lesser of the applicable "maximum guaranty amount" or 25% of the original principal amount of the loan; and (e) for manufactured home loans, the lesser of 40% of the original principal amount of the loan or \$20,000. The "maximum guaranty amount" generally is 25% of the Freddie Mac conforming loan limit as adjusted. Pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the "maximum guaranty amount" for loans originated from July 30, 2008 through December 31, 2011 was 25% of the greater of: (a) the Freddie Mac conforming loan limit, as adjusted, and (b) 125% of the area median price for single family residences, but in no case to exceed 175% of the Freddie Mac conforming loan limit, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of the unsatisfied indebtedness on a mortgage loan upon its assignment to the VA. A mortgage lender will ordinarily suffer a monetary loss on a VA guaranteed loan only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guaranty, adjusted for payments. Any foreclosed single family properties that the Authority does not convey to either FHA, VA or a PMI insurer after receipt of payment pursuant to mortgage insurance or a guaranty, are sold by the Authority in accordance with customary practice. For a discussion of the FHA, VA and RD mortgage insurance and guaranty programs, see Appendix C – "Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in this Part 2.

The Authority generally considers a mortgage loan in default and initiates default proceedings after such loan has been delinquent for 90 days, unless a forbearance agreement has been entered into with respect to such loan and such default proceedings may lead to a judicial foreclosure. While motions in Connecticut foreclosure actions are considered privileged matters and are heard on an expedited basis, judges' ability to render judgments is hampered by their growing case load. The action commences as any other civil action and, after service of process, the action may proceed to judgment within a short period of time relative to other types of civil actions, providing there are no defenses to the action. At the hearing for judgment, the court determines the mortgagor's equity in the property and sets a redemption or sale date accordingly. An unemployed or underemployed person who has had a mortgage on a dwelling that has served as his principal residence for not less than two years may, under certain circumstances, apply to the court for protection from foreclosure in the form of restructuring of the mortgage debt so as to provide for the payment of any arrearage in payments over a period of not more than six months. Section 49-311 of the Connecticut General Statutes established a court supervised foreclosure mediation program in actions to foreclose mortgages on residential property filed on or after July 1, 2008. The program requires foreclosing mortgagees to notify mortgagors of its availability and provides for a stay of action for up to eight months. The rights of eligible property owners are protected in Connecticut foreclosure actions by Sections 8-265cc through 8-265kk of the Connecticut General Statutes known as the Emergency Mortgage Assistance Program. See "OTHER ACTIVITIES – The Emergency Mortgage Assistance Program" in this Part 2.

During 2018, the Authority completed foreclosure on 14 privately insured mortgages and anticipates recovering approximately 70% of all principal and expenses. As of December 31, 2018, \$52,858,633 or 2.97% of outstanding principal balances of home mortgage loans in the Home Mortgage Loan Portfolio were in various stages of foreclosure proceedings. The tables below reflect, for fiscal years 2009 through December 31, 2018, on a consolidated basis, delinquency information for (i) home mortgage loans in the Home Mortgage Loan Portfolio and (ii) home mortgage loans purchased through the Federal New Issue Bond Program. See "OTHER ACTIVITIES – Federal New Issue Bond Program" in this Part 2.

**Number of Mortgage Loans in the Home Mortgage Portfolio  
and including Mortgage Loans financed under the Federal NIBP**

As of	Performing Loans (including 30-59 days)		Non-Performing Loans						Total Loans	
	Number of Loans	% of Total Loans	60-89 days Delinquent		90+ days Delinquent		In Foreclosure		Number of Loans	% of Total Loans
			Number of Loans	% of Total Loans	Number of Loans	% of Total Loans	Number of Loans	% of Total Loans		
December 31, 2018	14,135	91.82%	422	2.74%	411	2.67%	426	2.77%	15,394	100.00%

**Dollar Amount of Mortgage Loans in the Home Mortgage Portfolio  
and including Mortgage Loans financed under the Federal NIBP**

As of	Performing Loans (including 30-59 days)		Non-Performing Loans						Total Loans	
	Outstanding Balance	% of Balance	60-89 days Delinquent		90+ days Delinquent		In Foreclosure		Outstanding Balance	% of Balance
			Outstanding Balance	% of Balance	Outstanding Balance	% of Balance	Outstanding Balance	% of Balance		
December 31, 2018	1,631,627,580	91.43%	50,451,163	2.83%	49,633,952	2.78%	52,858,633	2.96%	1,784,571,328	100.00%
December 31, 2017	1,734,957,872	90.54%	53,449,654	2.79%	75,034,613	3.92%	52,632,511	2.75%	1,916,074,650	100.00%
December 31, 2016	1,823,075,556	89.41%	63,543,647	3.12%	85,424,524	4.19%	66,867,688	3.28%	2,038,911,415	100.00%
December 31, 2015	2,078,584,347	90.10%	59,014,514	2.56%	105,308,386	4.56%	64,240,874	2.78%	2,307,148,121	100.00%
December 31, 2014	2,112,713,639	89.31%	55,414,087	2.34%	120,405,999	5.09%	77,058,065	3.26%	2,365,591,790	100.00%
December 31, 2013	2,050,827,832	88.24%	64,339,141	2.77%	101,274,823	4.36%	107,659,369	4.63%	2,324,101,165	100.00%
December 31, 2012	2,156,189,461	87.67%	62,004,916	2.52%	115,169,544	4.68%	126,173,045	5.13%	2,459,536,966	100.00%
December 31, 2011	2,334,499,740	88.68%	74,474,574	2.83%	124,686,435	4.74%	98,969,355	3.76%	2,632,630,104	100.00%
December 31, 2010	2,356,060,654	90.01%	60,064,091	2.29%	98,039,816	3.75%	103,398,533	3.95%	2,617,563,094	100.00%
December 31, 2009	2,290,986,933	90.72%	66,444,067	2.63%	90,548,807	3.59%	77,429,915	3.07%	2,525,409,722	100.00%

**Agency Securities**

In furtherance of its Home Mortgage Loan Program, the Authority may direct certain of its participating lenders to assign certain Authority qualified single family mortgage loans to a designated servicer (the “Servicer”) for assembly into pools guaranteed by the Government National Mortgage Association (“GNMA”) or pools guaranteed by the Federal National Mortgage Association (“FNMA”) or pools guaranteed by the Federal Home Loan Mortgage Corporation (“FHLMC”) and issuance, in each case, by the Servicer of Agency Securities backed by the GNMA, FHLMC or FNMA guaranteed qualified mortgages, as the case may be, for purchase by the Authority. The Servicer for qualified single family mortgage loans reserved prior to January 2, 2015 is U.S. Bank of Bedford, Ohio (“U.S. Bank”), and the Servicer for qualified single family mortgage loans reserved on or after January 2, 2015 is the Idaho Housing and Finance Association (“IHFA”), an independent public body corporate and politic of the State of Idaho. In the case of the GNMA program, such single family mortgage loans must be government insured, and in the case of the FHLMC or FNMA program, such single family mortgage loans must be insured by private mortgage insurance companies or meet agency guidelines for not requiring private mortgage insurance. All such mortgage loans are otherwise originated pursuant to the policies and procedures applicable to the Home Mortgage Loan Program as described above. For federal income tax purposes, all such GNMA, FHLMC and FNMA guaranteed mortgage loans are subject to all rules relating to Acquired Program Mortgages, including the Ten-Year Rule described in Part 1 under the caption “TAX MATTERS – Requirements of the Code Relating to Home Mortgage Loans – Other Requirements,” a rule which has an impact on the frequency and amount of prior par redemptions of the Bonds. See Schedule B to this Part 2 and “Appendix C – Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs” in this Part 2.

In July 2013, the Authority began offering “HFA Preferred” mortgages for first time homebuyers in Connecticut. To qualify for an HFA Preferred Mortgage, first time homebuyers must meet Authority and FNMA eligibility requirements, and loans originated under this program must be PMI insured and will also be subject to the underwriting criteria of the private mortgage insurer insuring the loan. The PMI requirement ends once the borrower reaches 22 percent equity in the property, either through paying down the mortgage and/or an increase in the property’s value. While the HFA Preferred Mortgage has a lower PMI premium than loans insured by the FHA, it has more stringent underwriting requirements than an FHA-insured loan. The HFA Preferred Mortgages are assembled by U.S. Bank (with respect to reservations prior to January 2, 2015) or IHFA (with respect to reservations

on and after January 2, 2015) into pools guaranteed by FNMA for subsequent purchase by the Authority as Agency Securities.

Prior to 2001, the Authority credited all Agency Securities to the Housing Mortgage Capital Reserve Fund. In addition, effective November 15, 2000, the Authority determined to invest amounts held in the Housing Mortgage General Fund, including, but not limited to, amounts on deposit in the Principal Installment Account and Interest Account, in Agency Securities. In order to assure sufficient resources for the timely payment of Principal Installments and interest due on each Interest Payment Date notwithstanding the investment in Agency Securities, the Authority amended the Resolution to create the Investment Trust Subaccount within the Surplus Account and transferred approximately \$331,081,000 of net assets to the credit of the Housing Mortgage General Fund, which assets were previously attributable to the Investment Trust Fund maintained outside the lien of the Resolution.

As of December 31, 2018, the aggregate principal balance of the Agency Securities held under the Resolution (the "Agency Security Portfolio") was \$2,024,764,254, all of which were backed by GNMA, FNMA or FHLMC. As of December 31, 2018, the carrying value of the Agency Securities held in the Housing Mortgage Capital Reserve Fund was approximately \$465,761,113 and the carrying value of the Agency Securities held in the Housing Mortgage General Fund was approximately \$1,485,402,349. The following tables set forth certain information regarding the Agency Security Portfolio as of December 31, 2018.

**Housing Mortgage Finance Program**  
**Agency Security Portfolio**  
**Distribution by Year of Origination, with Weighted Average Coupon**  
**as of December 31, 2018**

Year of Origination	Original Balance	Outstanding Balance	Original Number of Pools	Weighted Average Coupon
Before 2005	1,033,896,933	75,424,394	717	5.34%
2005	193,437,979	33,753,033	170	4.87%
2006	218,034,538	32,764,641	178	5.26%
2007	216,813,453	21,978,836	148	5.43%
2008	145,499,859	17,835,930	212	5.49%
2009	4,505,383	608,569	23	5.40%
2010	0	0	0	0.00%
2011	30,294,871	14,570,038	18	3.88%
2012	57,521,193	33,487,618	51	3.21%
2013	54,420,646	33,441,892	63	2.87%
2014	123,426,977	92,267,885	149	3.44%
2015	313,102,299	265,967,588	298	3.35%
2016	520,831,843	464,237,865	458	3.17%
2017	440,427,922	421,176,200	372	3.35%
2018	521,970,458	517,249,766	377	3.80%
	3,874,184,353	2,024,764,254	3,234	

## **Housing Mortgage Finance Program Bonds**

*General.* As of December 31, 2018, the Authority had issued \$19.7 billion aggregate principal amount of Bonds pursuant to the Resolution, of which \$4.2 billion aggregate principal amount was Outstanding. The table on the following two pages presents certain information regarding the Authority's Outstanding Bonds at such date, including the original principal amount issued and the range of interest rates for the Outstanding Bonds.

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The following table presents certain information regarding the Authority's Outstanding Bonds as of December 31, 2018, including the original principal amount issued and the range of interest rates for the Outstanding Bonds.

**BONDS ISSUED BY THE AUTHORITY, OUTSTANDING BONDS**  
(as of December 31, 2018)  
(in 000's)

Bond Issue	Dated Date	Amount Issued	Amount Outstanding*	Outstanding Principal Amounts by Coupon							
				Variable	Call Priority Bonds	Fixed					
				Tender / Variable Rate Bonds		<2.00%	> or = 2.00% & < 3.25%	> or = 3.25% & < 3.75%	> or = 3.75% & < 4.50%	> or = 4.50% & < 4.75%	> or = 4.75% & < 5.00%
<b>Tax Exempt - Single Family Qualified Mortgage Bonds</b>											
2010G	12/1/2010	76,935	15,825	-	-	1,460	14,365	-	-	-	-
2011BC	8/4/2011	163,675	2,030	-	2,030 <sup>(5)</sup>	-	-	-	-	-	-
2012CD	6/7/2012	376,920	180,415	48,955 <sup>(1)</sup>	-	-	36,785	62,005	32,670	-	-
2012F	12/11/2012	145,270	97,690	-	12,915 <sup>(5)</sup>	8,215	45,335	31,225	-	-	-
2013B-1/2/3/5	10/30/2013	200,625	56,735	-	43,530 <sup>(5)</sup>	-	13,205	-	-	-	-
2014A	4/23/2014	100,000	24,210	-	12,580 <sup>(5)</sup>	4,950	6,680	-	-	-	-
2014C	8/21/2014	141,230	83,680	18,095 <sup>(1)</sup>	17,185 <sup>(5)</sup>	7,280	21,810	4,515	14,795	-	-
2014D	11/13/2014	179,665	137,455	20,615 <sup>(1)</sup>	16,640 <sup>(5)</sup>	7,780	58,090	34,330	-	-	-
2015A	2/25/2015	150,000	119,565	-	22,040 <sup>(5)</sup>	10,425	19,855	28,165	39,080	-	-
2015C	8/6/2015	160,800	106,665	45,000 <sup>(1)</sup>	25,960 <sup>(5)</sup>	7,455	19,040	-	-	-	-
2016A	3/3/2016	185,000	165,180	40,000 <sup>(1)</sup>	25,750 <sup>(5)</sup>	14,785	66,355	18,290	-	-	-
2016B	5/12/2016	189,000	171,145	40,000 <sup>(2)</sup>	30,260 <sup>(5)</sup>	14,070	49,440	37,375	-	-	-
2016E	8/25/2016	185,000	167,550	40,000 <sup>(1)</sup>	33,005 <sup>(5)</sup>	18,860	75,685	-	-	-	-
2016F-1/2/3/5	11/15/2016	184,945	169,975	50,000 <sup>(1)</sup>	33,380 <sup>(5)</sup>	17,245	59,515	9,835	-	-	-
2017A-1/2/3	3/2/2017	163,000	153,470	38,000 <sup>(1)</sup>	33,680 <sup>(5)</sup>	7,070	29,160	28,600	16,960	-	-
2017C	5/11/2017	175,000	166,070	50,000 <sup>(2)</sup>	36,465 <sup>(5)</sup>	19,090	27,425	22,105	10,985	-	-
2017D	8/9/2017	175,000	169,230	50,000 <sup>(1)</sup>	33,520 <sup>(5)</sup>	18,465	39,895	27,350	-	-	-
2017F-1/2/3/4/5	11/14/2017	221,735	160,860	44,810 <sup>(1)</sup>	40,820 <sup>(5)</sup>	17,255	57,975	-	-	-	-
2018A-1/2/3	3/1/2018	165,560	164,025	47,465 <sup>(1)</sup>	32,370 <sup>(5)</sup>	4,515	27,530	34,620	17,525	-	-
2018B-1/2/3	5/10/2018	164,995	164,240	46,720 <sup>(1)</sup>	32,515 <sup>(5)</sup>	-	38,475	15,750	30,780	-	-
2018C-1/2/3/4	7/25/2018	163,025	163,025	45,185 <sup>(1)</sup>	39,355 <sup>(5)</sup>	11,365	39,045	28,075	-	-	-
2018E-1/2/3/4	11/6/2018	137,620	137,620	40,000 <sup>(1)</sup>	28,700 <sup>(5)</sup>	1,780	37,755	10,735	18,650	-	-
<b>Sub-Total</b>		<b>\$ 3,805,000</b>	<b>\$ 2,776,660</b>	<b>\$ 664,845</b>	<b>\$ 552,700</b>	<b>\$ 192,065</b>	<b>\$ 783,420</b>	<b>\$ 402,185</b>	<b>\$ 181,445</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Federally Taxable - Single Family Mortgage Bonds</b>											
1998D-4	7/1/1998	25,000	25,000	25,000 <sup>(1)</sup>	-	-	-	-	-	-	-
2001D-4/5	12/20/2001	25,855	16,865	16,865 <sup>(3)</sup>	-	-	-	-	-	-	-
2015B	5/29/2015	35,000	35,000	35,000 <sup>(3)</sup>	-	-	-	-	-	-	-
2018E-5	11/6/2018	5,900	5,900	-	-	5,900	-	-	-	-	-
<b>Sub-Total</b>		<b>\$ 91,755</b>	<b>\$ 82,765</b>	<b>\$ 76,865</b>	<b>\$ -</b>	<b>\$ 5,900</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Tax-Exempt - Mixed Single Family and Multifamily Pre-Ullman Bonds</b>											
2010A-3	2/25/2010	71,810	57,300	-	-	-	26,740	14,100	16,460	-	-
2012AB-1	5/15/2012	193,000	117,015	-	-	-	82,110	34,905	-	-	-
2012G-4	12/18/2012	10,000	10,000	-	-	-	10,000	-	-	-	-
2013B-6	11/14/2013	30,080	21,670	21,670 <sup>(1)</sup>	-	-	-	-	-	-	-
2015E-2	12/16/2015	10,295	10,295	-	-	-	10,295	-	-	-	-
2016F-4	11/15/2016	8,410	8,410	-	-	1,500	5,335	1,575	-	-	-
2017A-4	3/2/2017	87,735	81,800	-	-	12,655	34,065	22,715	12,365	-	-
2017E-2	10/25/2017	8,555	7,680	-	-	6,315	1,365	-	-	-	-
<b>Sub-Total</b>		<b>\$ 419,885</b>	<b>\$ 314,170</b>	<b>\$ 21,670</b>	<b>\$ -</b>	<b>\$ 20,470</b>	<b>\$ 143,170</b>	<b>\$ 85,935</b>	<b>\$ 26,465</b>	<b>\$ 16,460</b>	<b>\$ -</b>
<b>Federally Taxable - Mixed Single Family and Multifamily Bonds</b>											
2013A	2/28/2013	310,835	275,055	275,055 <sup>(1)</sup>	-	-	-	-	-	-	-
2016F-6	11/15/2016	9,350	9,350	-	-	9,350	-	-	-	-	-
2017B	4/18/2017	125,000	100,000	100,000 <sup>(2)</sup>	-	-	-	-	-	-	-
2017F-6	11/14/2017	7,430	7,430	-	-	7,430	-	-	-	-	-
<b>Sub-Total</b>		<b>\$ 452,615</b>	<b>\$ 391,835</b>	<b>\$ 375,055</b>	<b>\$ -</b>	<b>\$ 16,780</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BONDS ISSUED BY THE AUTHORITY, OUTSTANDING BONDS**  
(as of December 31, 2018)  
(in 000's)

Bond Issue	Dated Date	Amount Issued	Amount Outstanding*	Outstanding Principal Amounts by Coupon								
				Variable Tender / Variable Rate Bonds	Call Priority Bonds	Fixed						
						<2.00%	> or = 2.00% & < 3.25%	> or = 3.25% & < 3.75%	> or = 3.75% & < 4.50%	> or = 4.50% & < 4.75%	> or = 4.75% & < 5.00%	> or = 5.00%
<b>Tax Exempt - Multifamily</b>												
1989D	12/28/1989	52,000	14,815	14,815 <sup>(1)</sup>	-	-	-	-	-	-	-	-
2009F	12/22/2009	6,990	3,640	-	-	55	-	690	2,895	-	-	-
2010E	11/9/2010	45,240	33,805	-	-	370	200	3,525	3,705	4,680	21,325	-
2011F	12/21/2011	66,980	34,490	-	-	1,205	-	6,765	8,950	-	17,570	-
2012B-2	5/15/2012	12,745	12,745	-	-	250	555	11,940	-	-	-	-
2012G-1/2/5	12/18/2012	66,154	48,260	-	-	980	9,195	23,280	14,805	-	-	-
2013B-4	10/30/2013	780	330	-	-	215	115	-	-	-	-	-
2014B	5/29/2014	62,005	48,615	-	-	820	3,490	3,110	41,195	-	-	-
2014F-1/3	12/4/2014	63,875	38,520	-	-	960	2,785	6,725	28,050	-	-	-
2015E-1/3	12/16/2015	50,040	19,560	-	-	590	1,985	1,670	15,315	-	-	-
2016C	7/14/2016	85,970	57,270	-	-	8,300	23,680	25,290	-	-	-	-
2016G	11/15/2016	36,590	33,915	15,770 <sup>(2)</sup>	-	915	2,035	6,825	8,370	-	-	-
2016D-1	11/30/2016	12,500	12,500	-	-	-	-	12,500	-	-	-	-
2016D-2	11/30/2016	50	21,165 <sup>(6)</sup>	-	-	-	-	21,165	-	-	-	-
2017A-5	3/2/2017	15,495	12,705	-	-	2,410	5,520	1,085	3,690	-	-	-
2017E-1/3	10/25/2017	41,315	38,700	26,610 <sup>(4)</sup>	-	-	2,195	4,985	4,910	-	-	-
2018D-1/2	10/24/2018	70,645	70,645	38,335 <sup>(4)</sup>	-	125	2,585	890	28,710	-	-	-
<b>Sub-Total</b>		<b>\$ 689,374</b>	<b>\$ 501,680</b>	<b>\$ 95,530</b>	<b>\$ -</b>	<b>\$ 15,100</b>	<b>\$ 55,565</b>	<b>\$ 108,395</b>	<b>\$ 167,965</b>	<b>\$ 15,550</b>	<b>\$ 4,680</b>	<b>\$ 38,895</b>
<b>Federally Taxable - Multifamily Bonds</b>												
2004A-3	5/12/2004	15,000	15,000	15,000 <sup>(3)</sup>	-	-	-	-	-	-	-	-
2007A-5	6/28/2007	25,000	24,480	24,480 <sup>(3)</sup>	-	-	-	-	-	-	-	-
2009D	12/22/2009	60,700	57,040	-	-	-	-	-	-	-	57,040	-
2012B-3	5/15/2012	15,010	3,585	-	-	3,585	-	-	-	-	-	-
2012G-3	12/18/2012	3,700	1,065	-	-	225	840	-	-	-	-	-
2013C	12/10/2013	40,000	38,530	38,530 <sup>(3)</sup>	-	-	-	-	-	-	-	-
2014E	11/13/2014	15,000	13,440	13,440 <sup>(2)</sup>	-	-	-	-	-	-	-	-
2014F-2	12/4/2014	18,650	3,290	-	-	1,415	600	1,275	-	-	-	-
<b>Sub-Total</b>		<b>\$ 193,060</b>	<b>\$ 156,430</b>	<b>\$ 91,450</b>	<b>\$ -</b>	<b>\$ 225</b>	<b>\$ 5,840</b>	<b>\$ 600</b>	<b>\$ 1,275</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,040</b>
<b>Series No Longer Outstanding</b>		<b>\$ 14,041,370</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total</b>		<b>\$ 19,693,059</b>	<b>\$ 4,223,540</b>	<b>\$ 1,325,415</b>	<b>\$ 552,700</b>	<b>\$ 250,540</b>	<b>\$ 987,995</b>	<b>\$ 597,115</b>	<b>\$ 377,150</b>	<b>\$ 32,010</b>	<b>\$ 4,680</b>	<b>\$ 95,935</b>

\* As of December 31, 2018  
(1) Variable Rate Bonds supported by Bank Liquidity Facility subject to tender  
(2) Floating Rate Index Bonds subject to tender  
(3) Floating Rate Index Bonds not subject to tender  
(4) Term Rate Bonds subject to tender  
(5) Planned Amortization Class Bonds  
(6) 2016D-2 is Draw Down Bond

**Subsequent Debt Service Payments and Redemptions.** Subsequent to December 31, 2018, the Authority had the following debt service and redemption activity with respect to Outstanding Bonds under the Resolution:

- On January 8, 2019, the Authority redeemed \$3,985,000 of the 2016 Series G, Subseries G-2 and \$3,900,000 of the 2017 Series E Subseries E-3 Bonds issued under the Resolution;
- On April 4, 2019, the Authority redeemed \$1,575,000 of the 2016 Series G, Subseries G-2 Bonds issued under the Resolution; and
- On May 15, 2019, the Authority expects to redeem \$10,090,000 of the 2018 Series E, Subseries E-3 Bonds and expects to redeem \$9,175,000 of the 2018 Series E, Subseries E-4 Bonds, issued under the Resolution.

**Variable Rate Demand Obligations and Liquidity Facilities.** The table below sets forth, as of March 31, 2019, the Authority’s Outstanding variable rate demand obligations (all of which are Tax Exempt bonds) for which liquidity support is available, along with certain information regarding such liquidity support.

**Variable Rate Bonds Outstanding and Liquidity Providers**

<b>Bond Series</b>	<b>Bonds Outstanding 03/31/19</b>	<b>Bond Maturity</b>	<b>Liquidity Provider</b>	<b>Liquidity Facility Expiration Date</b>
1989D	\$14,815,000	11/15/2024	Royal Bank of Canada	1/28/2020
2012D-3	48,955,000	5/15/2033	Bank of Tokyo Mitsubishi	6/25/2020
2013B-6	21,670,000	5/15/2034	Bank of Tokyo Mitsubishi	11/12/2020
2014C-2	18,095,000	11/15/2034	Bank of Tokyo Mitsubishi	8/20/2019
2014D-3	20,615,000	11/15/2034	Bank of Tokyo Mitsubishi	11/12/2019
2015C-3	45,000,000	11/15/2045	Royal Bank of Canada	8/5/2022
2016A-3	40,000,000	11/15/2045	Royal Bank of Canada	3/2/2021
2016B-4	40,000,000	11/15/2046	Wells Fargo Bank	4/16/2021
2016E-3	40,000,000	11/15/2046	Landesbank Hessen-Thüringen	8/24/2021
2016F-5	50,000,000	11/15/2046	Landesbank Hessen-Thüringen	11/12/2021
2017A-3	38,000,000	11/15/2047	Landesbank Hessen-Thüringen	3/1/2022
2017C-3	50,000,000	11/15/2035	TD Bank, N.A.	5/15/2022
2017D-3	50,000,000	5/15/2039	TD Bank, N.A.	8/8/2022
2017F-3	44,810,000	5/15/2040	Barclays Bank PLC	11/13/2020
2018A-3	47,465,000	5/15/2048	Bank of America, N.A.	3/1/2021
2018B-3	46,720,000	11/15/2048	Royal Bank of Canada	5/9/2023
2018C-3	23,235,000	11/15/2048	TD Bank, N.A.	7/25/2023
2018C-4	21,950,000	5/15/2039	TD Bank, N.A.	7/25/2023
2018E-2	40,000,000	11/15/2048	Bank of America, N.A.	11/6/2023
2019A-2	11,670,000	11/15/2041	U.S. Bank National Association	3/4/2022
2019A-3	23,330,000	5/15/2049	U.S. Bank National Association	3/4/2022

Pursuant to the terms of the Authority’s existing liquidity contracts, in the event of a failed remarketing of variable rate demand Bonds of the Authority, the applicable liquidity providers are required to purchase such variable rate demand Bonds. See the table entitled “Variable Rate Bonds Outstanding and Liquidity Providers” above for the identity of the Authority’s liquidity providers. Bonds so purchased by liquidity providers (“Bank Bonds”), in accordance with the related liquidity contracts, bear various special negotiated rates of interest and include various provisions for required repurchase (or redemption) thereof by the Authority or acceleration of maturities thereof over various terms of years, as set forth in each such contract. The payments of principal and interest on Bank Bonds will be entitled to the lien created by the pledge under the Resolution on a parity with the Bonds. Upon expiration of a liquidity contract, unless the Authority is able to negotiate an extension of the expiration date for such liquidity



contract or provide or cause to be provided an alternate liquidity facility, the applicable Bonds will be subject to mandatory tender and will become Bank Bonds unless they are purchased by the Authority.

During 2008 and 2009, general disruptions in the credit markets and downgrades of the credit quality of bond insurers and liquidity providers providing services to the Authority adversely affected remarketings of variable rate demand Bonds of the Authority, resulting in inflated market rates on Bonds remarketed and in failed remarketings with resultant purchase of Bonds by liquidity providers (i.e., Bank Bonds). As part of a comprehensive plan to address these and future similar situations (and subject to federal tax requirements, including interim federal tax relief pertinent to tax exempt variable rate bonds), in accordance with existing statutory authorization, on November 20, 2008 the Authority amended the General Resolution to provide that Bonds purchased by the Authority could be held as Investment Obligations, without cancellation, in anticipation of future resale into a more stable market (herein called the “Bond Purchase Program”). Thereafter, and through early 2009, the Authority exercised this power under the Bond Purchase Program to purchase approximately \$277.4 million of its Bonds, including all Bank Bonds that had not otherwise been remarketed during such period. All such Bonds purchased by the Authority during this period were refunded or remarketed on or prior to December 31, 2009, and all then troubled liquidity providers were replaced with providers the Authority deemed to be more stable. At the present time, there are no Bank Bonds held by liquidity providers.

***Interest Rate Swap Agreements.*** The Act was amended in 1993 by Public Act No. 93-33, and the Resolution supplemented in accordance therewith, to provide for agreements to moderate interest rate fluctuations (“Swaps”). See “Summary of Certain of the Provisions of the Resolution Issuance of Additional Obligations.” Pursuant to such authorization, the Authority has entered into a number of Swaps in connection with Bonds issued under the Resolution. Generally, scheduled payments made by the Authority to the Swap provider under the Swaps are on a parity with the Bonds and payments made by the Swap provider to the Authority under the Swaps constitute Pledged Receipts under the Resolution. The Authority may from time to time enter into additional Swaps in the future to the extent such action is deemed economically prudent and consistent with the Authority’s objectives.

Under certain circumstances (including certain events of default with respect to the Authority or the provider), a swap agreement executed by the Authority under the Resolution may be terminated in whole or in part prior to its stated expiration date. Following any termination of a swap agreement, either the Authority or the swap provider may owe a termination payment to the other, depending upon market conditions and the events that caused such swap agreement to terminate. Under certain circumstances, the Authority could owe a Termination Payment to the related Swap Provider which could be substantial. The obligation of the Authority to make regularly scheduled Swap Payments are on a parity with the related Bonds, while Termination Payments are required to be and are due and payable at the end of the year of termination and subsequent to the payment of debt service on Bonds and Swap Payments in that year. Such Termination Payments, to the extent not paid in such year, will become included in the calculation of “Operating Cost” in the subsequent year and paid in the priority set forth for Operating Costs.

The following table presents a summary of the Authority’s swap exposure as of March 31, 2019.

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**Connecticut Housing Finance Authority**  
**Swap Exposure**  
**As of March 31, 2019**

Counterparty	Bond Series	Notional Amount Outstanding	Effective/ Amendment Date	Termination Date	Index Rate	Fixed Rate	Optional Early Termination Date
Bank of America, N.A.	2018E-2	15,000,000	11/15/2018	11/15/2048	67% 3M LIBOR	2.4710%	11/15/38 and each 5/15 and 11/15
		<u>15,000,000</u>					
Bank of New York Mellon	2012D-3	40,000,000	12/20/2001	5/15/2033	67% 1M LIBOR	4.0900%	
	2001D-5	16,865,000	12/20/2001	11/15/2027	167% 3M LIBOR-SIFMA	5.3600%	
	2014C-2	13,915,000	9/13/2005	11/15/2034	67% 3M LIBOR	3.5460%	11/15/20 and each 5/15 and 11/15
	2017D-3 & 2017F-3	25,060,000	5/15/2018	5/15/2048	70% 3M LIBOR	2.2475%	5/15/38 and each 2/15, 5/15, 8/15 and 11/15 thereafter
	2018B-3	5,252,500	4/4/2018	11/15/2048	70% 3M LIBOR	2.5000%	5/15/38 and each 2/15, 5/15, 8/15 and 11/15 thereafter
		<u>101,092,500</u>					
Citibank, N.A.	2018C-3 & 2018C-4	18,660,000	11/30/2009	5/15/2033	67% 1M LIBOR	4.3520%	
	2013A	25,000,000	11/30/2009	5/15/2033	167% 1M LIBOR-SIFMA	5.7400%	
		<u>43,660,000</u>					
FMS Wertmanagement	2016F-5	27,550,000	8/4/2009	11/15/2033	67% 3M LIBOR	3.8450%	
	2017D-3, 2018A-3, & 2018B-3	73,890,000	8/4/2009	11/15/2038	67% 3M LIBOR	3.4300%	
	2013A	22,215,000	8/4/2009	11/15/2028	67% 3M LIBOR	3.8520%	
	2016B-4	9,855,000	8/4/2009	11/15/2038	67% 3M LIBOR	3.8490%	
	2016B-4	8,925,000	8/4/2009	11/15/2033	67% 3M LIBOR	3.8550%	
	2014D-3	20,615,000	8/4/2009	11/15/2034	67% 3M LIBOR	3.4330%	
		<u>163,050,000</u>					
Goldman Sachs Mitsui Marine Derivatives Products, L.P.	2018C-3 & 2018C-4	13,515,000	3/7/2001	5/15/2032	67% 1M LIBOR	4.1200%	
	2017C-3 & 2017F-3	41,605,000	8/1/2002	5/15/2033	67% 1M LIBOR	3.9810%	
	2013A	23,905,000	3/7/2001	5/15/2032	167% 1M LIBOR-SIFMA	5.4750%	
	2013C	38,530,000	2/26/2014	5/15/2024	100% 1M LIBOR	2.7760%	
		<u>117,555,000</u>					
Merrill Lynch Capital Services, Inc.	1998D-4	25,000,000	7/1/1998	11/15/2025	100% 3M LIBOR	6.3200%	
	2016F-5	7,800,000	5/1/2008	11/15/2028	100% 1W SIFMA	4.8700%	
	2017C-3 & 2018C-3	17,000,000	7/11/2001	5/15/2032	67% 1M LIBOR	4.3100%	
	2013A	16,865,000	7/11/2001	11/15/2027	167% 1M LIBOR-SIFMA	5.8200%	
		<u>66,665,000</u>					
Royal Bank of Canada	2013B-6 & 2016E-3	38,540,000	6/15/2015	11/15/2035	67% 3M LIBOR	2.0515%	5/15/25 and each 11/15 and 5/15 thereafter
	2016A	40,000,000	11/16/2015	11/15/2045	67% 3M LIBOR	2.1325%	11/15/25 and each 5/15 and 11/15 thereafter
	2015C	45,000,000	8/6/2015	11/15/2045	70% 1M LIBOR	2.3625%	11/15/25 and each 5/15 and 11/15 thereafter
	2016B-4	21,220,000	11/15/2018	11/15/2046	70% 1M LIBOR	2.1400%	11/15/28 and each 5/15 and 11/15 thereafter
	2016E-3	21,695,000	8/25/2016	11/15/2046	67% 3M LIBOR	1.7970%	11/15/26 and each 5/15 and 11/15 thereafter
	2017A-3	38,000,000	3/2/2017	11/15/2047	67% 3M LIBOR	2.3350%	11/15/26 and each 5/15 and 11/15
	2019A-2 & 2019A-3	5,000,000	3/5/2019	5/15/2029	67% 3M LIBOR	1.8600%	
		<u>209,455,000</u>					
Toronto-Dominion Bank	2018B-3	5,252,500	6/4/2018	5/15/2028	70% 3M LIBOR	2.0710%	
	2018E-2	15,000,000	11/15/2018	11/15/2028	67% 3M LIBOR	2.2420%	
		<u>20,252,500</u>					
U.S. Bank National Association	2019A-2 & 2019A-3	18,500,000	3/5/2019	5/15/2049	67% 3M LIBOR	2.2900%	5/15/34 and each 5/15 and 11/15 thereafter
		<u>18,500,000</u>					
Wells Fargo Bank N.A.	2013A	41,650,000	8/4/2009	5/15/2036	67% 3M LIBOR	3.4175%	
	2017F-3	23,215,000	10/4/2000	11/15/2031	100% 1W SIFMA	5.3970%	
	2016F-5	13,150,000	11/15/2016	11/15/2046	67% 3M LIBOR	1.8200%	
		<u>78,015,000</u>					
<b>TOTAL</b>		<b>833,245,000</b>					

***Application of Recoveries of Principal from Home Mortgage Loans.*** The principal payments for each additional Series of Bonds issued to finance home mortgage loans are scheduled in amounts that, together with the remaining principal and interest payments on outstanding Bonds, reflect the scheduled principal payments of the mortgage loans expected to be financed with the proceeds of such Bonds, together with the remaining scheduled principal and interest payments on previously financed mortgage loans, without taking into account expected receipt of Recoveries of Principal.

Home mortgage loans financed by the Authority permit partial or complete prepayment without penalty and may also be terminated prior to final maturity as a result of such events as default, sale, condemnation, or casualty loss. Amounts received as a result of prepayment or termination of home mortgage loans and similar amounts received with respect to multifamily project mortgage loans constitute Recoveries of Principal. Under the Resolution, such amounts are segregated and may be used to finance new mortgage loans (to the extent permitted by the Code) or redeem Bonds. Pending such use, amounts may be invested in Investment Obligations.

To the extent that Recoveries of Principal are actually received, the payment of principal of and interest on Bonds will depend, in part, upon the ability of the Authority (i) to use the resulting Recoveries of Principal to purchase or make mortgage loans on which the scheduled amortization payments will be in such amounts and available at such times that scheduled payments of principal of and sinking fund installments and interest on the Bonds can be made or (ii) to use such Recoveries of Principal to redeem or purchase Bonds. If reinvestment of Recoveries of Principal in mortgage loans is not feasible or permitted by the Code, the Authority would expect to use those Recoveries of Principal in excess of amounts necessary to make payments of principal of the applicable Series of Bonds to purchase or redeem Outstanding Bonds. Time periods for which Bonds may be called for redemption from Recoveries of Principal vary among each Series of Bonds. Since home mortgage loans financed by the Authority do not provide for a prepayment penalty upon termination, any cost of carrying such Recoveries of Principal until applied to the payment of Bonds or any such termination payment would have to be provided from Pledged Receipts.

The Authority considers numerous factors when determining which particular Bonds are to be selected for redemption from time to time. Such factors include, but are not limited to, (i) constraints imposed by federal tax law, (ii) Resolution or particular series resolution redemption provisions regarding within series bond redemptions and cross series bond redemptions, (iii) economic considerations as to interest costs on Outstanding Bonds compared to estimated interest costs on anticipated future Bond issues to refund or replace such Outstanding Bonds, (iv) annual cashflow balances between Bond debt service requirements and the scheduled Pledged Receipts or projected Recoveries of Principal on its Mortgage Loans, and (v) financing plans for issuing additional bonds to finance Mortgage Loans. These factors are reviewed regularly, together with the record of the actual Pledged Receipts and Recoveries of Principal, and, accordingly, no assumptions or representations can be made as to how or which of these or other factors will affect the determination, from time to time, of the Authority as to which particular Bonds the Authority will select for redemption.

The table attached hereto as Schedule B sets forth, as of December 31, 2018, the historical rate of prepayment (expressed as a percentage of SIFMA) in prior calendar years with respect to (i) the Home Mortgage Loan Portfolio and (ii) the Agency Security Portfolio. The table attached hereto as Schedule C sets forth, for each Series of Outstanding Bonds that are qualified mortgage bonds and for other types of Outstanding Bonds collectively, the total aggregated principal amount of the Home Mortgage Loan Portfolio and the Agency Security Portfolio that are allocated to such Series for federal tax law purposes. Also presented is the current principal balance and weighted average coupon of such combined allocated Portfolio that was originated in each calendar year.

Currently, under the Internal Revenue Code of 1986, as amended (the "Code"), subject to a \$250,000 per issue de minimis exception, repayments and prepayments of principal received more than ten years after the date of issuance of certain qualified mortgage bonds (or, to the extent bonds are treated as refunding bonds, directly or through a series of refundings, the respective dates of issuance of the original bonds) may not be used to make additional mortgage loans but must be used to retire or redeem bonds (the "Ten-Year Rule"). Portions of the loan principal payments and loan prepayments received with respect to each issue of Bonds issued under the Resolution to finance home mortgage loans will be subject to the limitations of the Ten-Year Rule. The portions of the loan

principal payments and loan prepayments subject to the Ten-Year Rule increase in percentage over time until they reach 100%. The dates as of which portions or all of the loan principal payments and loan prepayments received with respect to each series of Outstanding Bonds issued under the Resolution to finance home mortgage loans (expressed in percentages of the total of loan principal payments and loan prepayments received as of each date) become subject to the Ten-Year Rule are listed in Schedule D attached hereto. The dates are for general reference only and may be modified upon review by the Authority and to the extent permitted or required by the Code. See the description of the redemption provisions applicable to the offered Series of Bonds described in Part 1 for the effect of the Ten-Year Rule on redemption of such Series of Bonds.

### **Other Portfolios within the Investment Trust Subaccount**

**General.** The Authority has previously deposited and from time to time continues to deposit assets and monies in the Investment Trust Subaccount of the Surplus Account maintained under the Resolution in accordance with its terms. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Surplus Account” herein. Such amounts are treated as Pledged Receipts under the Resolution and such assets are reflected in the Authority’s financial statements as assets of the Housing Mortgage Finance Program. In accordance with the provisions of the Resolution, these amounts and earnings thereon may be expended for “mortgages, mortgage loans, assistance payments or otherwise as may be consistent with and pursuant to any authorized program or purpose of the Authority,” including for loans that would otherwise not qualify as Mortgage Loans under the Resolution. The following paragraphs describe the principal asset portfolios held in the Investment Trust Subaccount.

**The DECD Portfolio.** On April 9, 2003, the Authority acquired various housing assets from the State Department of Economic and Community Development (“DECD”) (including various home acquisition, rehabilitation, repair and homeowner assistance loans), which assets were previously owned and serviced by the State, known as the DECD Portfolio or State Sponsored Housing Portfolio (“SSHP”). Pursuant to the provisions of Section 506(4) of the General Resolution, in fiscal year 2003, the Authority reallocated \$45 million of its current budgeted expenditure of cash resources in the Investment Trust Subaccount of the Surplus Account in order to facilitate this authorized purpose of the Authority. Total expenditure of funds for this purpose was \$85 million. The past administration had proposed a \$300 million, 10 year capital investment in the SSHP properties. Also proposed was an incremental increase of \$1.5 million each year in appropriations for Rental Assistance Payment (RAP) program subsidies to subsidize approximately 150 units per year. In 2014, the Authority and the Department of Housing (“DOH”) released the SSHP Capital Plan, an independent physical, financial and operational assessment report of the SSHP. The Capital Plan provides the Authority and DOH with a road map for the deployment of the Governor’s investment and offers the SSHP owners insight into the potential revitalization for their properties. The unaudited par value of this portfolio as of December 31, 2018 was \$181.4 million (comprised of \$168.8 million in the DECD Development Portfolio (multifamily) and \$12.6 million in the DECD Consumer Portfolio (single family) and its unaudited carrying value was \$31.6 million). The Authority expects to hold and service these assets so that net earnings will be available for future housing programs, but the Authority can give no assurance as to the future performance of the portfolio.

**The Federal Grant Portfolio.** The Federal Grant Portfolio consists of mortgage loans made through the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). TCAP provided direct funding to the Authority through HUD. The Authority received an allocation of \$26.2 million from HUD for investment in projects awarded Low income Housing Tax Credits (LIHTCs). In 2009, the Authority was provided authorization to allocate the TCAP funds to several developments in Connecticut. TCEP provided the Authority with the ability to exchange returned or unused federal LIHTCs with the U.S. Treasury for a grant at a fixed price. All unused or returned credit allocation from 2007 and 2008 were eligible to be exchanged, as was part of the Authority’s 2009 credit allocation. The Authority has provided assistance of TCEP funds to several developments across the State. These programs were part of the American Recovery and Reinvestment Act of 2009 (ARRA). TCAP loans are all non-interest bearing notes with varying loan terms with principal due at maturity. All recovered principal from TCAP loans may be reinvested at the Authority’s discretion. TCEP loans are also non-interest bearing notes in which 6.67% of principal is forgiven each year over 15 years so long as there is no event of default. The unaudited par value of this portfolio as of December 31, 2018 was \$61.7 million and its unaudited carrying value was \$0.

**The DAP Portfolio.** Public Act No. 95 250 transferred the Home Ownership Loan Program from the Department of Housing (“DOH”) to the Authority. Pursuant to this Program, second mortgages are provided to

eligible first time home buyers to assist in the purchase of eligible one to four family dwellings. On July 23, 1999, the DECD transferred all performing loan assets and equity interests, in an approximate par amount of \$72.0 million, held by DECD in connection with the Home Ownership Loan Program to the Authority, as provided in Chapter 136 of the Connecticut General Statutes. The Authority is authorized to use such assets and the revenue therefrom to make additional loans under the Home Ownership Loan Program or in any other way the Authority deems to be prudent and effective to help meet the need for down payment assistance for low and moderate income first time home buyers in Connecticut. The unaudited par value of this portfolio as of December 31, 2018 was \$106.5 million and its unaudited carrying value was \$95.9 million.

***Reverse Annuity Mortgage (RAM) Program.*** As of December 31, 2018, three (3) loans were active under this program with a mortgage amount of \$203,563. The Authority has targeted senior citizen centers, municipal geriatric social services staff, and other service providers to promote the RAMs. Additional funding of approximately \$2,000,000 to expand the RAM program was approved by the Board of Directors in 2012 with a goal of achieving 25 RAM loans over a five year period.

### **Other Bonds Held as Investments under the Resolution and Secured by the Housing Mortgage Capital Reserve Fund**

In connection with the Federal NIBP (defined and described below under “OTHER ACTIVITIES – Federal New Issue Bond Program”), the Authority also authorized two new general obligation bond resolutions for single family (the “Single Family Other Bond Resolution”) and multifamily (the “Multifamily Other Bond Resolution,” and collectively with the Single Family Other Bond Resolution, the “Other Bond Resolutions”) to issue bonds (“Other Bonds”) secured by the Housing Mortgage Capital Reserve Fund under the Resolution. Other Bonds issued and secured in this manner are explicitly provided for and permitted under the Resolution. The Authority may use the proceeds of the Other Bonds to purchase or make, or to participate in the purchase or making of, single family and multifamily mortgage loans, as applicable, under the Authority’s Housing Mortgage Finance Program, to pay costs of issuance, and to fund reserves, including reserves for capitalized interest. None of the Accounts established and pledged to secure the Bonds under the Resolution will secure the Other Bonds, other than the Housing Mortgage Capital Reserve Fund.

As of December 31, 2018, the Authority has issued (i) \$13,000,000 of Other Bonds pursuant to the Single Family Other Bond Resolution, the proceeds of which have been or will be used to participate in the purchase or making of single family mortgage loans under the Authority’s Housing Mortgage Finance Program, to pay costs of issuance and to fund reserves, including reserves for capitalized interest; and (ii) \$26,970,000 of Other Bonds pursuant to the Multifamily Other Bonds Resolution the proceeds of which have been used to purchase or make, or to participate in the purchase or making of, multifamily loans, to pay costs of issuance and to fund reserves, including reserves for capitalized interest. The following table sets forth information on the Other Bonds issued and Outstanding as of December 31, 2018. All such Other Bonds were purchased by the Authority upon issuance, and are currently held as investments under the Resolution, both in the General Fund and the Housing Mortgage Capital Reserve Fund.

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**Housing Mortgage Finance Program Other Bonds  
Bonds Outstanding as of December 31, 2018**

	<b>Housing Mortgage Finance Program (Single Family) Other Bonds, 2010 Series A</b>	<b>Housing Mortgage Finance Program (Single Family) Other Bonds, 2011 Series A</b>	<b>Housing Mortgage Finance Program (Multifamily) Other Bonds, 2011 Series A</b>	<b>Housing Mortgage Finance Program (Multifamily) Other Bonds, 2013 Series A, Subseries A-1</b>	<b>Housing Mortgage Finance Program (Multifamily) Other Bonds, 2013 Series A, Subseries A-2</b>
<b>Issue Date</b>	October 28, 2010	November 3, 2011	December 15, 2011	July 26, 2013	July 26, 2013
<b>Original Amount</b>	\$6,000,000.00	\$7,000,000.00	\$700,000.00	\$26,000,000.00	\$270,000.00
<b>Outstanding Amount</b>	\$8,947,452.00	\$9,674,854.00	\$970,554.20	\$24,811,629.97	\$270,000.00
<b>Coupon</b>	5.000%	4.625%	4.750%	5.500%	Variable
<b>Deferred or Current Pay</b>	Deferred Pay	Deferred Pay	Deferred Pay	Current Pay	Current Pay
<b>Maturity Date</b>	December 1, 2045	December 1, 2046	December 1, 2055	May 1, 2053	June 1, 2053
<b>Secured By</b>	Residual Assets after Payment of All Bonds under the SFSOB Resolution	Residual Assets after Payment of All Bonds under the SFSOB Resolution	Residual Assets after Payment of All Bonds under the MFSOB Resolution	Payments of Principal and Interest on Two Multifamily Mortgage Loans	Receipt of Income on and Residual Balance of Other Bonds Debt Service Reserve

**Program Initiatives Under the General Resolution**

*Police Homeownership Program.* In 1997, pursuant to Public Act 96 147, the Authority established a three year pilot Police Homeownership Program which gives municipal and state police officers the opportunity to purchase a home in the community they serve. Although scheduled to sunset at the end of 1999, the Authority extended the program and has expanded it to municipalities that currently, have a community policing program. Pursuant to this program, eligible law enforcement officers residing in 23 municipalities are eligible for mortgage loans with a reduced interest rate. Since the program’s inception in 1997 through December 31, 2018, 141 officers have purchased homes with an original loan amount of approximately \$19,266,730.

**Future Plans**

The Authority expects to continue the processing of mortgage loan proposals relating to multifamily housing whether or not they will be federally subsidized or insured. Actual funding of any development will depend upon various factors, including feasibility, market conditions, and applicable legislation, including the Act. See “The Authority - Purpose and Organization” and “The Housing Mortgage Finance Program Multifamily Housing Mortgage Loans” in this Part 2.

The Authority currently expects to finance mortgage loans with monies derived from any of the following five available sources: (i) the sale of additional Bonds or of notes issued in anticipation of Bonds, as provided in the Resolution, (ii) Recoveries of Principal on mortgage loans previously financed by the Authority under the Housing Mortgage Finance Program, (iii) surplus funds derived by the Authority in any year after it has paid its operating costs, the interest, principal, sinking fund installments, and redemption premiums, if any, due in that year on the Outstanding Bonds, and any required payments into the Housing Mortgage Capital Reserve Fund, (iv) amounts on deposit in the Housing Mortgage Capital Reserve Fund and the Housing Mortgage General Fund under the Resolution which may be invested in pooled mortgages guaranteed by GNMA, FHLMC or FNMA, and (v) the issuance of bonds or notes outside of the Resolution. In general, the Authority anticipates the issuance of Bonds to fund the permanent mortgage loans for multifamily housing developments that have received construction financing from the proceeds of such construction loan notes.

The Authority is authorized to incorporate one or more subsidiaries, and to transfer to any such subsidiary any monies, real or personal property, or any housing financed by an Authority mortgage and acquired by foreclosure or otherwise. Each subsidiary will have all the privileges, immunities, tax exemptions and other exemptions of the Authority, except the privileges, immunities, tax exemptions and other exemptions provided under the Connecticut

General Statutes for Special Capital Reserve Funds. Each such subsidiary is authorized to assume or take title to such housing subject to any existing mortgage and to mortgage, convey, or dispose of its assets and pledge its revenues to secure any borrowing for the purpose of refinancing, rehabilitating, or improving its assets. Each such borrowing or mortgage will be a special obligation of the subsidiary, which obligation may be in the form of bonds, bond anticipation notes and other obligations to the extent permitted under the Act, payable solely from the assets, revenues, and other resources of the subsidiary, and no such mortgage, borrowing, or pledge of security may eliminate requirements relating to housing that preserve housing for persons and families of low and moderate income without the express written consent of the Authority. The Authority is permitted to make housing mortgage loans to each such subsidiary, following standard Authority procedures, from the proceeds of its bonds, notes, and other obligations, provided the source and security for the repayment of such mortgage loans is derived from the assets, revenues, and resources of the subsidiary and without recourse to the general funds, revenues, and resources of the Authority pledged under the Resolution. Each subsidiary will be subject to suit and liability solely from its own assets, revenues, and other resources and without recourse to the general funds, revenues, resources, or other assets of the Authority. The Authority has created and is creating subsidiaries to own, operate and manage certain multifamily projects. See “Delinquencies, Foreclosures and Multifamily Real Estate Owned” in this Part 2.

### **Declining Markets**

As a result of depressed housing markets and declines in housing values beginning in 2008, increases in delinquencies, defaults and losses on residential mortgage loans were experienced in general. Declines in market value with respect to Mortgage Loans financed under the Housing Mortgage Finance Program increase the Authority’s risk of losses on Mortgage Loans. In response to increased delinquencies and losses with respect to mortgage loans, Fannie Mae, Freddie Mac and many other mortgage loan originators implemented more conservative underwriting criteria for loans, particularly in the subprime, Alt-A and other nonprime sectors. In addition, provisions of the Dodd-Frank Act with respect to “qualified mortgages” impose stricter underwriting and origination criteria for mortgage loans. These criteria may result in reduced availability of financing alternatives for mortgagors seeking to refinance their mortgage loans. The reduced availability of refinancing options for a mortgagor may result in higher rates of delinquencies, defaults and losses on the mortgage loans, particularly mortgagors with adjustable rate mortgage loans or interest only mortgage loans that experience significant increases in their monthly payments following the adjustment date or the end of the interest only period, respectively.

### **Changes in Federal or State Law**

Legislation affecting the Bonds and the Authority’s Mortgage Loans may be considered and enacted by the United States Congress or the Connecticut General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Bonds or other risks.

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

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

## **Geographic Concentration in Connecticut**

Different geographic regions of the United States from time to time will experience weaker regional economic conditions and housing markets, and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Any concentration of the mortgage loans in a region may present risk considerations in addition to those generally present for similar securities without that concentration. If the mortgage loans are concentrated in one or more regions, a downturn in the economy in these regions of the country would more greatly affect the mortgage portfolio than if the mortgage portfolio were more diversified. All of the Authority's Mortgage Loans are secured by mortgaged properties in the State, which has been affected by the national economic downturn. Because of the geographic concentration of the mortgaged properties within the State, losses on the Mortgage Loans may be higher than would be the case if the mortgaged properties were more geographically diversified. If the residential real estate markets in an area of concentration experience an overall decline in property values after the dates of origination of the respective mortgage loans, then the rates of delinquencies, foreclosures and losses on the mortgage loans may increase and the increase may be substantial, which could have a material adverse effect on the Authority's financial condition.

## **Management Discussion of Revenues and Debt Service**

The Authority has projected an approximation of its operating results during the period the Bonds are outstanding under the General Bond Resolution on the basis of specific assumptions. Such assumptions include regularly scheduled payments of principal and interest on home mortgage loans and multifamily project mortgage loans, receipt of Recoveries of Principal on home mortgage loans based on various prepayment assumptions, earnings on various accounts and the payment of bond interest based on various rates for variable rate bonds. Mortgage and investment data reflect all material transactions, and expectations of subsequent activity concerning each particular mortgage loan and investment held by the Authority, including an analysis of delinquencies, foreclosures, and other aspects of several mortgage loans for multifamily housing. As a result of such projections, the Authority expects that Pledged Receipts, including earnings on various accounts and Recoveries of Principal under the Resolution, will be sufficient to pay, as the same become due, the reasonable and necessary Operating Costs of the Authority and the Principal Installments and interest on the Bonds.

**THE ACTUAL OPERATIONS OF THE HOUSING MORTGAGE FINANCE PROGRAM MAY VARY FROM THE PROJECTIONS AS PRESENTLY PREPARED.** Among other things, this variance may be due to the extent that (i) the Authority suffers losses as a result of defaults and assumptions on mortgage loans that are not fully covered by insurance, (ii) the Authority is not able to invest in mortgage loans in accordance with its present commitments or reservations or plans with respect to the proceeds of Bonds (see "The Housing Mortgage Finance Program"), (iii) prepayments of the home mortgage loans financed or to be financed are either greater or smaller than the amount estimated in establishing the assumptions, (iv) actual investment income varies from the estimated amount due to changes in interest rates and the length of time such investments are held, and (v) withdrawals from the Housing Mortgage Capital Reserve Fund differ from those projected.

The Code requires, in general, that any amount the Authority earns on its investments with respect to tax exempt mortgage revenue bonds issued after 1980 for the purpose of financing home mortgage loans, in excess of the amount that would have been earned on such investments, except for investments in mortgage loans, had such investments provided a return equal to the yield on their respective issues, must be paid or credited to the mortgagors or the United States. For such Bonds issued after 1988, any such amount must be paid to the United States. The Code also requires, in general, that certain amounts the Authority earns on investments with regard to tax exempt bonds issued for multifamily mortgage loans after August 15, 1986, except for investments in mortgage loans, must be paid to the United States. Investment earnings have been assumed at a rate below the yields on those issues, and therefore no such payment or credit is reflected.

Should interest rates on mortgage loans on Connecticut residential property (or on the types of other obligations in which monies in the funds and accounts under the Resolution may be invested) decline substantially from the rates now prevailing and remain at such lower rate for a significant period of time there is a possibility that the Authority might not be able to continue to make permanent and temporary investments generating a sufficient yield to pay operating costs and debt service on its Bonds without recourse to monies available for this purpose in the Housing Mortgage Capital Reserve Fund. Should this contingency occur, the Authority, to the extent practicable,



expects to purchase or redeem Bonds so as to minimize or to eliminate any possible need to resort to the Housing Mortgage Capital Reserve Fund for this purpose.

As described under “Summary of Certain of the Provisions of the Resolution,” Pledged Receipts are applied under the Resolution first for operating costs, second for debt service and third for transfer to the Investment Trust Subaccount of the Surplus Account. During 2018, operating costs (exclusive of servicing fees) were approximately \$41.6 million, and the Authority’s budget for such costs for 2019 is approximately \$42.4 million.

For purposes of the preceding discussion, the following assumptions have been made:

(a) the Authority’s estimate of annual Pledged Receipts (net of servicing fees retained by servicers) from home mortgage loans, permanent multifamily mortgage loans, and multifamily construction loans that it has financed or committed to finance, or for which it has reserved funds, assumes the unexpended proceeds of other Series of Bonds and Recoveries of Principal on hand will be disbursed in a manner consistent with their respective series resolutions. The Authority projected Recoveries of Principal on all home mortgage loans based on various prepayment assumptions for 30 year fixed rate level payment loans, incorporating a loss factor based on current experience, and otherwise assumed that all other mortgage loans, except certain mortgage loans pertaining to multifamily projects that have been or are in the process of being restructured, would be paid as scheduled and would not be prepaid or otherwise terminate prior to maturity;

(b) the Authority’s estimate of certain investment income includes (i) earnings on actual investments current in the Housing Mortgage Capital Reserve Fund and reinvestment of existing principal upon maturity and computed on the basis that the amounts in such fund would exceed the Housing Mortgage Capital Reserve Fund Maximum Requirement, so that investment earnings on such amounts would not be required to be retained in such fund, (ii) earnings on unexpended proceeds of Outstanding Bonds and unexpended Recoveries of Principal, and (iii) earnings on amounts that the Authority expects to be in the Principal Installment Account and Interest Account of the Housing Mortgage General Fund;

(c) the Authority’s estimate of the amounts of principal to be withdrawn from the Housing Mortgage Capital Reserve Fund is computed on the basis that after each withdrawal the balance remaining in the Housing Mortgage Capital Reserve Fund would at least equal the Housing Mortgage Capital Reserve Fund Maximum Requirement at the time of such withdrawal;

(d) the estimated total funds available for operating costs and debt service is the sum of the Authority’s estimates contained in paragraphs (a), (b), and (c), above;

(e) the Authority’s estimate of debt service payable in each year with respect to all Outstanding Bonds is being estimated as the amount of principal installments (including mandatory sinking fund installments) and interest payable each year with respect to such Bonds, based on various interest rate assumptions for variable rate bonds, making the further assumption that certain Bonds would be redeemed prior to maturity in a manner consistent with their respective series resolutions and in accordance with mandatory sinking fund requirements and as may be required due to restructuring of certain multifamily projects; and

(f) the Authority’s estimate of amounts that may be utilized for operating costs and other purposes, as permitted under the Resolution and the Act, is the difference between paragraphs (d) and (e).

## **OTHER ACTIVITIES**

Activities other than the Housing Mortgage Finance Program permitted by the present provisions of the Act include the following.

### **Federal New Issue Bond Program**

In October 2009, the U.S. Department of Treasury (the “Treasury”), the Federal Housing Finance Agency and Fannie Mae and Freddie Mac (the “GSEs”), announced the Federal New Issue Bond Program (the “Federal

NIBP”), under authority of the Housing Economic Recovery Act of 2008. Pursuant to the Federal NIBP, the GSEs purchase bonds from housing finance agencies created by any of the states or any possession, territory or commonwealth of the United States or any political subdivision thereof (“HFAs”) and package them into GSE guaranteed securities for delivery to and purchase by Treasury. The HFA bonds consist of bonds issued to finance single family mortgage loans or multifamily mortgage loans; provided, that if issued to finance single family mortgage loans, these HFA bonds may not consist of more than 60% of a bond issue. The GSE purchased HFA bonds were required to bear interest rates that at the time of issuance of the bonds were either fixed to maturity or were monthly reset bonds that would convert in calendar year 2010 or 2011 to rates fixed to maturity. The fixed interest rates were expected to be lower than prevailing interest rates available through a public bond offering.

The Authority received from Treasury an allocation for GSE purchase of approximately \$27 million of multifamily bonds and \$191 million of single family bonds, and accordingly, in December 2009, the Authority issued \$191,720,000 Single Family Special Obligation Bonds, Series 2009 (Program Bonds) (the “SF NIBP Bonds”) and \$27,610,000 Multifamily Special Obligation Bonds, Series 2009 (Program Bonds) (the “MF NIBP Bonds” and together with the SF NIBP Bonds, the “NIBP Escrow Bonds”), the proceeds of which were required to be held in escrow pending satisfaction of certain conditions, including the issuance by the Authority of additional taxable or tax exempt single family bonds (the “NIBP Market Bonds,” and together with the NIBP Escrow Bonds, the “NIBP Bonds”) to be sold to the general public in up to six tranches before the end of calendar year 2011.

The NIBP Bonds were issued as special obligation bonds under two new separate bond resolutions for single family (the “Single Family Special Obligation Bond Resolution”) and multifamily (the “Multifamily Special Obligation Bond Resolution”). Accordingly, the NIBP Bonds issued pursuant to such resolutions, and any additional bonds authorized to be issued thereunder (including bonds not issued under the Federal NIBP), are not and will not be secured by a pledge of Pledged Receipts or Recoveries of Principal under the Resolution and any mortgage loans or participations in mortgage loans financed by such bond issues will have been transferred to the respective special obligation resolution and will not be assets that are subject to the lien of the Resolution. In connection with the Federal NIBP, the Authority also authorized two new general obligation resolutions for single-family (the “Single-family Other Bond Resolution”) and multifamily (the “Multifamily Other Bond Resolution,” and together with the Single-family Other Bond Resolution, the “Other Bond Resolutions”) to issue bonds (“Other Bonds”) secured by the Housing Mortgage Capital Reserve Fund under the Resolution. Other Bonds issued and secured in this manner are explicitly provided for and permitted under the Resolution. To date, the Authority has used the proceeds of the Other Bonds to purchase or make, or to participate in the purchase or making of, single-family and multifamily mortgage loans, as applicable, under the NIBP Resolutions and the Authority’s Housing Mortgage Finance Program, to pay costs of issuance, and to fund reserves, including reserves for capitalized interest. None of the Accounts established and pledged to secure the Bonds under the Resolution will secure the Other Bonds other than the Housing Mortgage Capital Reserve Fund.

As of the date hereof, the Authority has issued \$128,000,000 principal amount of NIBP Market Bonds and has converted all \$191,720,000 of the SF NIBP Bonds to long term fixed rates of interest and released the proceeds thereof for purchase of home mortgage loans or participations in home mortgage loans. In addition, on November 3, 2011, the Authority issued \$45,000,000 principal amount of Single Family Special Obligation Bonds, Series 2011 3 (the “2011 3 Bonds”) under the Single Family Special Obligation Bond Resolution to finance the purchase of home mortgage loans or participations in home mortgage loans and to finance costs of issuance of the 2011 3 Bonds. The 2011 3 Bonds are secured on a parity with the SF NIBP Bonds and the NIBP Market Bonds but were not issued under the Federal NIBP. As of the date hereof, the Authority has converted all \$27,610,000 MF NIBP Bonds to a long term fixed rate of interest and released the proceeds thereof for purchase of multifamily mortgage loans. Accordingly, the Authority has issued and/or converted, as applicable, all of its NIBP Bonds as of the date hereof.

### **Special Needs Housing Projects**

The Authority has adopted an indenture of trust (the “Special Needs Housing Indenture of Trust”) (previously known as the “Group Home Indenture of Trust”) pursuant to the Act for purposes of funding special needs housing projects, which to date have consisted of (i) group homes for housing persons who are intellectually or developmentally disabled, (ii) assisted living demonstration projects which provide affordable housing for residents with special housing needs and (iii) supportive housing facilities which provide housing for one or more persons or families that are homeless or at risk of homelessness and meet the requirements of subsection (d) of Section 17a-485c

of the Connecticut General Statutes, as amended. In addition to the group homes, assisted living facilities and supportive housing projects, the Authority has issued bonds under the Special Needs Housing Indenture of Trust to provide financing for the Emergency Mortgage Assistance Program (“EMAP”), as further described below.

Bonds issued under the Special Needs Housing Indenture of Trust shall be limited obligations of the Authority, the principal of, redemption price, if any, and interest on which shall be payable solely from the revenues, receipts, funds or monies pledged therefor as provided thereunder. The revenues are derived principally from the property cost allowance of the room and board portion of payments made to group home residents by the Department of Social Services (“DSS”) from State and Federal aid and from rental subsidy payments made with respect to assisted living facilities from DECD to the Authority. The revenues do not include (i) amounts received from the State on account of debt service for bonds issued for supportive housing facilities pursuant to a contract (the “State Assistance Agreement”), among the State Treasurer, the Secretary of the Office of Policy and Management (“OPM”) and the Authority, which payments are pledged solely to the payment of the principal of, redemption price, if any, and interest on supportive housing bonds, or (ii) amounts received from the State on account of debt service for bonds issued to provide financing for EMAP pursuant to a contract (the “EMAP State Assistance Agreement”), between the Authority and the State, acting by and through the Secretary of OPM and the State Treasurer, which payments are pledged solely to the payment of the principal of, redemption price, if any, and interest on EMAP bonds. Pursuant to Section 17a-485(e) of the General Statutes, state assistance to pay debt service on supportive housing bonds is authorized in an amount up to \$105 million.

The following table presents all of the bonds issued by the Authority and outstanding under the Special Needs Housing Indenture of Trust as of December 31, 2018.

<b>Bond Issue</b>	<b>Dated Date</b>	<b>Original Principal Amount</b>	<b>Outstanding as of 12/31/18</b>	<b>Final Maturity Date</b>
Series 10	5/19/2009	36,550,000	25,075,000	June 15, 2029
Series 12	10/19/2010	30,000,000	20,280,000	June 15, 2030
Series 13	10/19/2010	12,655,000	10,655,000	June 15, 2040
Series 14	10/19/2010	15,685,000	12,510,000	June 15, 2031
Series 16	10/19/2010	15,440,000	9,525,000	June 15, 2030
Series 17	11/14/2011	20,000,000	15,135,000	June 15, 2031
Series 18	1/5/2017	9,910,000	9,680,000	June 15, 2046
Series 19	1/5/2017	10,030,000	9,400,000	June 15, 2035
Series 20	1/5/2017	3,775,000	3,680,000	June 15, 2045
Series 21	1/5/2017	12,900,000	12,525,000	June 15, 2045
Series 23	8/28/2018	3,720,000	3,720,000	June 15, 2048
Series 24	8/28/2018	6,310,000	6,310,000	June 15, 2037
Series 25	8/28/2018	15,090,000	15,090,000	June 15, 2027

In addition, except for (i) bonds issued to finance supportive housing facilities, which are supported by payments made pursuant to the State Assistance Agreement for which the State has pledged its full faith and credit, and (ii) bonds issued to fund EMAP, which are supported by payments made pursuant to the EMAP State Assistance Agreement for which the State has pledged its full faith and credit, all bonds issued to date under the Special Needs Housing Indenture of Trust are also secured by a special capital reserve fund established therefor, for which amounts are deemed appropriated from the State’s general fund under circumstances similar to those under which amounts in the Housing Mortgage Capital Reserve Fund are deemed appropriated.

### **Emergency Mortgage Assistance Program**

The rights of certain property owners are protected in Connecticut foreclosure actions by Sections 8-265cc through 8-265kk of the Connecticut General Statutes known as the Emergency Mortgage Assistance Program (EMAP). These provisions afford homeowners the opportunity to avoid foreclosure by enabling them to obtain financial assistance from the State, acting through the Authority. Under these provisions, a qualified homeowner may obtain funds from the Authority to bring a delinquent mortgage current, and may also obtain assistance with

respect to subsequent mortgage payments, to a maximum period of 60 months. During such period of assistance, the lender is precluded from continuing its foreclosure action. If the homeowner defaults at any time during the period of assistance, the lender is then permitted to continue prosecution of the foreclosure action.

The 2008 Act amended EMAP, including redefining “financial hardship” to allow a significant increase in the periodic payments of a mortgage to qualify as such, establishing a foreclosure mediation program within the Connecticut court system and extending the period for emergency loans provided by the Authority to sixty months. If approved for an EMAP loan, the Authority will make the borrower’s mortgage payment for up to sixty months provided the total monthly payment shall not be more than 28% of 140% of annual area median income divided by 12. The first payment may include arrearages and reasonable costs and attorney’s’ fees incurred by the lender in connection with foreclosure. Borrowers receiving EMAP loans shall make monthly payments to the Authority in an amount which shall cause borrower’s total housing expense to be less than or equal to 35% of the borrower’s aggregate family income. The amount by which the EMAP payments to the lender exceeds the payments made to the Authority by the borrower shall be a loan evidenced by such documents as the Authority requires. The Authority periodically reviews the borrower’s financial circumstances to determine the necessity for continuation, termination or adjustment of the EMAP payments. The Act authorizes the EMAP State Assistance Agreement to pay debt service on bonds issued by the Authority to fund EMAP in an amount up to \$50,000,000. To date, the Authority has issued the full \$50,000,000 authorized amount of bonds to fund EMAP under the Special Needs Housing Bond Resolution.

### **Federal Emergency Homeowner Loan Program (FEHLP)**

The Federal Emergency Homeowner Loan Program (“FEHLP”) was authorized through the Dodd-Frank Wall Street Reform Act of 2010 (“the Act”) and compliments EMAP. FEHLP provided \$1,000,000,000 nationwide to assist homeowners who were struggling to pay the mortgages on their principal residences due to unemployment, underemployment or a medical emergency or injury that has resulted in loss of income. Eligible homeowners must have a current yearly gross income that was at least 15 percent less than pre hardship income. The program provided a forgivable mortgage loan as long as the borrowers continued to reside in the property and make a requisite payment toward their first mortgage on time for a period of up to five years. There must be a reasonable likelihood of the homeowner being able to resume repayment of their original mortgage and other obligations within five years. Based on the Act, HUD was authorized to delegate implementation of the program to states with substantially similar programs. HUD made that determination with regard to Connecticut’s EMAP and delegated implementation of FEHLP in Connecticut to the Authority. Under agreement with HUD, \$55,716,000 was made available to the Authority for the program. Loans originated through the program are subsequently assigned to HUD. HUD assumed the substantial portion of the program’s administrative cost with some in kind and financial support from the Authority.

### **HUD Related Activities**

*Performance Based Contract Administration.* CHFA had been selected by HUD to act as a Performance-Based Contract Administrator (PBCA) effective January 2014; however, subsequent legislation requires HUD to report to Congress on a state by state contracting methodology.

*Multifamily Accelerated Processing.* CHFA has received conditional approval from HUD to become a Multifamily Accelerated Processing (MAP) lender.

### **Other State Programs**

*State Housing Authority.* Pursuant to Public Act No. 95-250, the Authority has approved and created a subsidiary known as the State Housing Authority, which subsidiary constitutes the successor to the Connecticut Housing Authority.

*Transfer of Programs from Department of Housing.* Pursuant to Public Act No. 95-250, three programs formerly administered by the Department of Housing have been transferred to, and will be administered in accordance with such Public Act by, the Authority. These programs are (i) the Home Ownership Downpayment

Assistance Program, (ii) the Private Rental Investment Mortgage and Equity Program, and (iii) the Rental Housing Assistance Trust Fund Program.

*Transfer of Authority's Investment Trust Account to the State.* Public Act No. 16-1 provided the authority to the Secretary of the Office of Policy and Management through June 30, 2016 to transfer up to \$15 million from the Authority's Investment Trust Account to the state General Fund for the fiscal year ending June 30, 2016.

*Local Housing Authority Authorization.* June 30 Special Session, 2003, Public Act No. 03-6 authorized the Authority to provide assistance, in such form and subject to such conditions as the Authority may determine, to a local housing authority or project sponsor in connection with a housing revitalization project.

*Imposition and Transfer of Additional Recording Fees.* Connecticut Statutes Section 4-66aa provides for town clerks to receive an additional fee of forty dollars for each document recorded in the land records of the municipality in addition to the fees for recording. The town clerks will remit thirty six dollars of the fees paid to the Treasurer. Upon deposit to the General Fund, such amount shall be credited to the community investment account (f/k/a land protection, affordable housing and historic preservation account) established under this Act. From July 1, 2009 to but not including July 1, 2011, twenty per cent of the funds in this account, and on and after July 1, 2011, twenty five per cent of the funds in this account shall be distributed every three months to the Authority to supplement new or existing affordable housing programs. An Implementation Act (Public Act 05-3), which was signed into law by the Governor of the State of Connecticut on July 8, 2005, provides for collections to commence on October 1, 2005. It is currently estimated that \$2.5 to \$3.0 million will be distributed from such account to the Authority each year. On April 14, 2010, Public Act 10-3, An Act Concerning Deficit Mitigation For The Fiscal Year Ending June 30, 2010 was approved, which provided for \$5,000,000 in the community investment account to be distributed to the General Fund from April 14, 2010 until June 30, 2010. On May 7, 2010, Public Act 10-179, An Act Making Adjustments to State Expenditures For The Fiscal Year Ending June 30, 2011 was approved, which provided for \$5,000,000 in the community investment account to be distributed to the General Fund for the fiscal year ending June 30, 2011. On June 13, 2011, Public Act 11-48, An Act Implementing Provisions of the Budget Concerning General Government, was approved, which provides that on and after July 1, 2011, ten dollars of each fee credited to the account shall be deposited into the agriculture sustainability account. Distributions to the Authority have been and will be reduced as a result of these Acts. As of July 1, 2014, the Authority no longer receives these distributions.

## **SUMMARY OF CERTAIN OF THE PROVISIONS OF THE RESOLUTION**

The Resolution contains various covenants and security provisions, certain of which are summarized below. Various words or terms used in the following summary are defined in the Resolution and reference thereto is made for full understanding of their import. See also Appendix D – “Definitions of Certain Terms” in this Part 2. The Resolution defines “Housing Mortgage Finance Program” to mean and include any act or thing done by the Authority for the purpose of alleviating the shortage of Housing through providing additional construction and permanent financing for Housing, by the making of commitments to purchase, and the purchase, servicing, and selling of Mortgage Loans, or the making of Mortgage Loans directly upon the security of any Mortgage, provided the underlying Mortgage Loans shall have been made and shall be continued to be used solely to finance or refinance the construction, rehabilitation, purchase, or leasing of Housing under the Act.

### **Resolution Constitutes Contract (Section 202)**

The provisions of the Resolution shall constitute a contract between the Authority, the Trustee and the Holders from time to time of the Bonds and coupons, and the provisions, covenants and agreements to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and coupons.

### **Pledge Effected by the Resolution (Section 501)**

For the payment of principal and Redemption Price of, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, there are pledged, subject to the provisions of the Resolution permitting the

application thereof, for or to the purposes and on the terms and conditions set forth in the Resolution, the proceeds of sale of the Bonds, the Pledged Receipts and Recoveries of Principal, and all Funds established or confirmed by the Resolution, including Accounts thereof and monies and securities therein. See also information under the caption "Issuance of Additional Obligations" below.

**Establishment of Funds and Accounts Therein (Section 502)**

The Authority by the Resolution has established the following Funds and Accounts which are to be held as follows:

<u>Fund</u>	<u>Held by</u>
Housing Mortgage Capital Reserve Fund	Trustee
Housing Mortgage General Fund	
(1) Cost of Issuance Account .....	Trustee
(2) Bond Proceeds Account.....	Trustee
(3) Pledged Account.....	Trustee
(4) Recoveries of Principal Account .....	Trustee
(5) Operating Account.....	Authority
(6) Interest Account.....	Trustee
(7) Principal Installment Account.....	Trustee
(8) Surplus Account.....	Trustee
(9) Redemption Account .....	Trustee

**Cost of Issuance Account (Section 503)**

There shall be deposited in the applicable Series sub account of the Cost of Issuance Account the amount of monies necessary to pay the Cost of Issuance of each Series of Bonds from the proceeds of the Bonds of such Series, other monies received from time to time by the Authority or monies deposited therein from the Operating Account. The Trustee shall pay the Cost of Issuance of such Series of Bonds therefrom, and any excess in said sub account after the payment of the Cost of Issuance shall be transferred to the applicable Series sub account of the Bond Proceeds Account.

**Bond Proceeds Account (Section 504)**

There shall be deposited into the applicable Series sub account of the Bond Proceeds Account, the amount of proceeds of Bonds of any Series required to be deposited therein by the Series Resolution with respect to such Series. Monies in the Bond Proceeds Account may be expended only for the Financing of Mortgages under the Housing Mortgage Finance Program, payments of Notes of the Authority, repayment of monies advanced by the State to the Authority other than through operation of the Housing Mortgage Capital Reserve Fund, and to the extent other monies are not available, payment of Principal Installments of and interest on Bonds when due. A separate sub account has been established within the Bond Proceeds Account and additional temporary sub accounts may be established therein for deposits of proceeds of Notes.

Unless the Authority in any year shall Finance Mortgages from monies in each Series sub account of the Bond Proceeds Account, which require all Pledged Receipts to be paid prior to the final Principal Installment on the Outstanding Bonds of such Series and which Pledged Receipts are so scheduled as to approximate the Principal Installments and interest due in such year and all subsequent years on such Outstanding Bonds, to be determined by the Authority by considering the Pledged Receipts of other Mortgages Financed or to be Financed with monies in such Series sub account and reasonable factors that may result in a Recovery of Principal on such Mortgage and Recoveries of Principal on such other Mortgages, the Authority shall file with the Trustee a certificate, which is to be made available to any Bondholder upon request stating either that a Mortgage and the amount thereof has been Financed which calls for Pledged Receipts to be received after the final Principal Installment on the Outstanding

Bonds of such Series, or that such a Mortgage and amount has been Financed without regard to the scheduling as permitted above, or, if applicable, making both such statements. At the direction of the Authority, monies unexpended in a Series sub account of the Bond Proceeds Account shall be transferred to the applicable Series sub account of the Redemption Account.

### **Pledged Account (Section 505)**

The Authority shall cause all monies (a) received by the Servicer, if there be one, or by the Authority, as Pledged Receipts and Recoveries of Principal, to be deposited promptly or at least once every two weeks with a Depository to be designated for each Acquired Program Mortgage by the Authority with the approval of the Trustee and subject to the control and direction of the Trustee, to the credit of the Pledged Account, (b) received as Swap Receipts to be deposited promptly in the Interest Account and (c) received as Termination Receipts to be deposited promptly in the Operating Account.

Upon receipt each month of a statement of account from the Authority, the Trustee from the Pledged Account shall deposit the amount of monies received as Pledged Receipts as set forth in the statement of account into the following Accounts and Fund, but as to each such Account and Fund only within the limitations herein below indicated with respect thereto and only after maximum payment within such limitation has been made into each such Account or Fund previously mentioned in the following tabulation:

FIRST: Into the Operating Account, the Monthly Requirement, to pay the reasonable and necessary monthly Operating Costs in accordance with the Annual Budget.

SECOND: Into the Interest Account, the amount necessary to increase the amount in such Account so that it equals the Interest Account Requirement on the Outstanding Bonds accrued and unpaid and to accrue to the fifteenth day of the then current month.

THIRD: Into the Principal Installment Account, assuming the accrual of Principal Installments on the same basis as interest accrues commencing one year prior to the next Principal Installment Date, and with respect only to the Principal Installments on Outstanding Bonds due and payable on the next succeeding November 15th or at any time within one year prior to such date, the amount necessary to increase the amount in such Account so that it equals such Principal Installments accrued and to accrue to the fifteenth day of the then current month.

FOURTH: Into the Housing Mortgage Capital Reserve Fund, the amount, if any, necessary to increase the amount in such Fund so that it equals the Housing Mortgage Capital Reserve Fund Maximum Requirement.

FIFTH: Into the Surplus Account, the amount remaining.

The Trustee shall deposit Recoveries of Principal into the sub account of the Recoveries of Principal Account of the Series of Bonds, the proceeds of which were used to Finance the Mortgage for which the Recovery of Principal has been received, as set forth on the statement of account; except that the Authority may direct the Trustee to deposit from any Recoveries of Principal in the Pledged Account into the Operating Account the amount, if any, necessary to increase the amount in the Operating Account so that it equals the Monthly Requirement.

### **Surplus Account (Section 506)**

Monies in the Surplus Account are required, if needed, to be timely transferred to the Interest Account, the Principal Installment Account and the Housing Mortgage Capital Reserve Fund, and, if not so needed, such monies may be paid upon the direction of the Authority, on any date after November 11 and before December 2 of each year, first to the payment of any Termination Payment, any Subordinated Swap Payments or any termination payment on Swaps (other than Termination Payments) and then to the Redemption Account, to the surplus sub account of the Bond Proceeds Account or to the Investment Trust Subaccount in such amounts as the Authority shall determine, or to the Authority, free and clear of the lien and pledge of the Resolution, for any corporate purpose of the Authority,

including the payment of Notes and the interest thereon, and, in the event the Authority determines it does not need such amounts to keep it self-supporting, to repay the State such amounts paid to the Authority by operation of the Housing Mortgage Capital Reserve Fund. Failing exercise of such direction by the Authority, such monies shall be transferred by the Trustee to the Redemption Account.

There is established a separate sub account within the Surplus Account designated "Investment Trust Subaccount." There shall be transferred to the Housing Mortgage General Fund (i) any mortgages, mortgages loans or other assets previously made, financed or otherwise attributed to or accounted for by the Authority under its Investment Trust Fund, as approved by resolution on November 11, 1999 and (ii) any other mortgage, loan or other asset of the Authority which, from time to time, by resolution of the Authority is approved for deposit or transfer from the Investment Trust Fund to the Housing Mortgage General Fund. Upon such deposit or transfer, the related mortgage, mortgage loan or other asset will be deemed to have been credited to or shall be deposited in the Investment Trust Subaccount.

Monies in the Investment Trust Subaccount of the Surplus Account may be expended for either the Financing of Mortgages or, notwithstanding other provisions of the Resolution but under the Resolution, the making of mortgages, mortgage loans, assistance payments or otherwise as may be consistent with and pursuant to any authorized program or purpose of the Authority. Any money received on account of any Investment Trust Subaccount asset shall be treated as and deemed a Pledged Receipt under the Resolution unless there is a legal restriction on the use of such money by the Authority, provided, however, that, pending disbursement as an expenditure as set forth in the immediately preceding sentence hereof, and upon instruction from an Authorized Officer, the Trustee shall invest monies earned on such assets in such Subaccount in Investment Obligations so as to have monies, not otherwise restricted, available therefrom on each Interest Payment Date to pay any interest, Principal Installment or Swap Payment not then paid from the other amounts in the Interest Account or Principal Installment Account, as applicable.

#### **Operating Account (Section 507)**

There shall be paid into the Operating Account the Monthly Requirement, and there may be paid into the Operating Account any monies received by the Authority from any source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Operating Account shall be paid out from time to time by the Authority for reasonable or necessary Operating Costs provided, however, the Authority may at any time deposit monies in the Operating Account into any other accounts of the Housing Mortgage General Fund or into the Housing Mortgage Capital Reserve Fund. To the extent that other monies are not available therefor, amounts in the Operating Account shall be applied to the payments of Principal Installments of and interest on Bonds or Swap Payments when due.

#### **Interest Account (Section 508)**

The Trustee shall pay out of the Interest Account to the respective Paying Agents for any of the Bonds, on the day preceding each interest payment date, the amount required for the payment of interest on the Bonds and Swap Payments due on such date and on the day preceding the Redemption Date or date of purchase, the amount required for the payment of accrued interest on Bonds redeemed or purchased for retirement unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment.

#### **Principal Installment Account (Section 509)**

The Trustee shall pay out of the Principal Installment Account to the respective Paying Agents, on the day preceding each Principal Installment date for any of the Bonds, the amounts required for the payment of principal due on such date and such amounts shall be applied by the Paying Agents to such payments.

The amount accumulated in the Principal Installment Account for each Sinking Fund Installment may and, if so directed by the Authority, shall be applied (together with amounts accumulated in the Interest Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty fifth day preceding the due date of such Sinking Fund Installment to:



(a) The purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(b) The redemption of such Bonds, pursuant to the Resolution, if then redeemable by their terms. As soon as practicable after the forty fifth day preceding the due date of any such Sinking Fund Installment, the Trustee, whether or not it then has monies in the Principal Installment and Interest Accounts sufficient to pay the applicable Redemption Price and interest thereon, shall proceed to call for redemption, pursuant to the Resolution, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount, specified for such Sinking Fund Installment, of the Bonds of such Series and maturity.

### **Recoveries of Principal Account (Section 510)**

Recoveries of Principal include monies received from any prepayment of principal on Acquired Program Mortgages, condemnation or foreclosure payments received by the Authority with respect to mortgaged premises, mortgage insurance proceeds, and amounts received from the sale of or other disposition by the Authority of any such Mortgage.

Amounts in the Recoveries of Principal Account shall be expended and applied by the Authority from time to time only to payments:

- (a) For the Financing of Mortgages under the Housing Finance Program; and
- (b) To the extent that other monies are not available, of Principal Installments of and interest on Bonds when due.

The Authority shall Finance Mortgages, from monies in each Series sub account of the Recoveries of Principal Account, which Pledged Receipts shall be so scheduled as to approximate the aggregate debt service requirement on the Outstanding Bonds of said Series, to be determined by the Authority by considering only the Pledged Receipts of other Acquired Program Mortgages applicable to such Series, provided, however, that the Authority shall not Finance at any one time Mortgages as aforesaid if the yield thereon would be less than the remaining interest cost of the Authority on the then Outstanding Bonds of such Series.

At any time, the Authority, by delivery to the Trustee of an Authorized Officer's certificate, is permitted and may direct the Trustee to transfer any monies in a Series sub account of the Recoveries of Principal Account to the sub account of such Series in the Redemption Account.

In addition, in lieu of transferring any monies in the Series sub account of the Recoveries of Principal Account to the sub account of such Series in the Redemption Account for the redemption of Bonds of such Series, the Authority, by delivery to the Trustee of an Authorized Officer's Certificate, is permitted and may direct the Trustee to transfer any monies in such Series sub account of the Recoveries of Principal Account to (a) any Series sub account of the Redemption Account for any other Series of Bonds or (b) the General Redemption sub account in the Redemption Account, for, in each case, the redemption of Bonds of any other Series at the Redemption Price and subject to the redemption provisions applicable in accordance with the Series Resolution authorizing the issuance of such other Series of Bonds; as a condition precedent to any such transfer, the Authorized Officer's Certificate shall identify the other Bonds to be redeemed and the applicable Redemption Price thereof, and shall demonstrate that the redemption of such other Bonds upon such transfer shall produce a cash flow, net present value, or other economic savings to the Authority, consistent with Section 707 and Section 713 of the Resolution, greater than would otherwise obtain from the redemption of Bonds of such Series.

### **Redemption Account (Section 512)**

The Trustee shall establish in the Redemption Account a separate sub account for the Bonds of each Series, and has established a single separate sub account designated the General Redemption sub account. Any monies which are required or authorized to be transferred into a Series sub account of the Redemption Account from the Bond Proceeds Account or Recoveries of Principal Account shall be set aside in such Series sub account. Upon deposit of such monies in any such Series sub account, or within thirty days thereafter, the Authority may give written direction, signed by an Authorized Officer, of the Redemption Date, the maturity or maturities of the Bonds of such Series and the amounts thereof to be purchased or redeemed, subject to any limitations with respect thereto contained in the Resolution and the Series Resolution of such Series.

Amounts otherwise in the Redemption Account shall be applied by the Trustee to the purchase or redemption of Bonds (accrued interest on such Bonds to be provided out of the Interest Account), provided, however, subject to the provisions of any Series Resolution directing or permitting the application of any part of the monies in the Redemption Account to the purchase or redemption of Bonds of any particular Series, and subject to the redemption provisions of the Bonds, the Authority shall direct the selection of the Bonds to be purchased so as to apply amounts in said Account to such purposes as rapidly as in its judgment is reasonably practicable.

The Authority may, from time to time, by written instruction direct the Trustee to make purchases only after receipt of tenders after published notice.

Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by the Authority, or, failing such direction by the fifteenth day of the second month preceding the date of the applicable Sinking Fund Installment, toward such Sinking Fund Installments in inverse order of their due dates. Such applicable Redemption Prices shall be the respective Redemption Prices which would be applicable upon the redemption of such Bonds from the respective Sinking Fund Installments on the due dates thereof. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of Principal Installments due on a future date.

### **Housing Mortgage Capital Reserve Fund (Section 513 and Section 713)**

Upon the delivery of any Bonds pursuant to the Resolution, the Authority shall pay to the Trustee from the proceeds of such Bonds or otherwise, the sum of money, if any, necessary to increase the amount in the Housing Mortgage Capital Reserve Fund to the Housing Mortgage Capital Reserve Fund Maximum Requirement, which shall be an amount equal to the greatest amount of Principal Installments and Interest Account Requirement maturing and becoming due in the year in which such computation is made or in any succeeding calendar year on Outstanding Bonds. In addition to the amounts required to be deposited in the Housing Mortgage Capital Reserve Fund by the Resolution, in each year prior to the making and delivery of the certificate referred to below, and in any event before December 1 of such year, the Authority shall pay to the Trustee the sum of money, if any, necessary to increase the amount in the Housing Mortgage Capital Reserve Fund to the Housing Mortgage Capital Reserve Fund Maximum Requirement, from any monies available to the Authority and determined by the Authority to be utilized therefor.

The Authority covenants that it shall at all times maintain the Housing Mortgage Capital Reserve Fund and do and perform or cause to be done and performed each and every act and thing with respect to the Housing Mortgage Capital Reserve Fund provided to be done or performed by or on behalf of the Authority or the Trustee or the Paying Agents under the present terms and provisions of the Act and under the Resolution.

In order better to secure the Bonds and to make such Bonds marketable and to maintain in the Housing Mortgage Capital Reserve Fund an amount equal to the Housing Mortgage Capital Reserve Fund Minimum Requirement, which shall be an amount equal to the amount of Principal Installments and Interest Account Requirement maturing and becoming due in the next succeeding calendar year on Outstanding Bonds, the Authority shall cause the Chairman annually, on or before December 1 of each year, to make and deliver to the Secretary of the

Office of Policy and Management of the State his certificate stating the amount, if any, required to restore the Housing Mortgage Capital Reserve Fund to an amount equal to the amount of the Housing Mortgage Capital Reserve Fund Minimum Requirement. The Authority shall cause all monies due the Authority from the State in accordance with the provisions of the Act pursuant to any such certification to be paid by the State directly to the Trustee for deposit and credit to the Housing Mortgage Capital Reserve Fund in accordance with the Resolution.

If at any time any interest on Bonds or principal or Redemption Price of Bonds or any Sinking Fund Installment or any Swap Payment has become due and payment thereof in full has not been made or provided for, the Trustee shall forthwith withdraw from the Housing Mortgage Capital Reserve Fund an amount not exceeding the amount required to provide for such payment in full and subject to the terms and provisions of the Resolution apply the amount so withdrawn to such payment.

See also the information under the caption "Issuance of Additional Obligations."

#### **Notes and State Monies (Section 514)**

The Authority may, at any time or from time to time, issue Notes payable out of and which may be secured by a pledge of, such amounts as may be payable from time to time to the Pledged Account; provided, however, that the Notes shall be issued only for a purpose for which amounts in the Bond Proceeds Account could be applied and such pledge shall be, and shall be expressed to be, subordinate (except as to certain Bond proceeds pledged to pay Notes) to the pledge of the Pledged Receipts and Recoveries of Principal, monies, securities and Funds and Accounts thereof created by the Resolution. The proceeds of any Notes, except for amounts reasonable and necessary to pay expenses of the Authority in connection with the sale and issuance thereof, and any monies received from the State for the Financing of Mortgages under the Housing Mortgage Finance Program, except those received as a result of the operation of the Housing Mortgage Capital Reserve Fund, shall be deposited into a temporary sub account of the Bond Proceeds Account and shall be transferred or deemed transferred (i) to the Series sub account of the Series of Bonds, in the event the proceeds of such Series are applied for payments of such Notes or for payments to the State, or (ii) to the Surplus sub account of the Bond Proceeds Account in the event that the Authority applies monies in such Surplus sub account for the payments of such Notes or for payments to the State. Any Recoveries of Principal on a Mortgage Financed with proceeds of Notes may be used to pay outstanding Notes. The Authority is permitted to issue Notes in anticipation of Bonds and pledge the proceeds of such Bonds in priority to any other pledge, to the repayment of the Notes.

#### **Payment of Bonds (Section 702)**

The Authority covenants that it shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds and in the coupons thereto appertaining, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

#### **Powers as to Bonds and Pledge (Section 705)**

The Authority covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the Resolution and to pledge the Pledged Receipts, Recoveries of Principal and other monies, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Authority further covenants to preserve the pledge of the Pledged Receipts, Recoveries of Principal and other funds, and all the rights of Bondholders under the Resolution, against all claims and demands by all persons.

#### **Agreement of the State (Section 706)**

In accordance with the provisions of the Act, the Authority as agent for the State does pledge to and agree with the Bondholders that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bondholders or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs

and expenses in connection with any action or proceeding by or on behalf of the Bondholders, are fully met and discharged, provided nothing contained in the Resolution shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Bondholders.

### **Tax Covenant (Section 707)**

The Authority covenants to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Bonds shall, for the purposes of the Federal income tax, be exempt from all income taxation under any valid provision of law, except for any period that any Bond is held by a person referred to in Section 103(b)(13) [now Section 147(a) of the Internal Revenue Code of 1986, as amended] (a substantial user of the facilities or a related person) of the Internal Revenue Code of 1954, as amended.

The Authority covenants not to permit at any time or times any of the proceeds of the Bonds or other funds of the Authority to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in subsection (c)(2) of Section 103 [now Section 143(g) and Section 148 of the Internal Revenue Code of 1986, as amended] of the Code unless the interest on the Bonds shall be excludable from the gross income of a recipient thereof for Federal income tax purposes without regard to compliance with the provisions of subsection (c) of Section 103 [now Section 143(g) and Section 148 of the Internal Revenue Code of 1986, as amended] of the Code.

In order to assure compliance with such covenants, thereby better securing and protecting the Bonds and making the Bonds more marketable, the Authority from the date of adoption of the Resolution covenants not to:

(a) Finance any Mortgage from the proceeds or Recoveries of Principal of each such Series of Bonds or from monies in the Surplus sub account in the Bond Proceeds Account that produces a yield in excess of the applicable maximum yield permitted by the Code.

(b) Invest or direct the Trustee to, and the Trustee shall not, invest any monies in any such Fund or Account or sub account in Investment Obligations that produce a yield in excess of such maximum applicable yield.

The tax covenant set forth herein shall only be applicable to Bonds of the Authority which are issued with the express provision to exclude the interest paid thereon by the Authority from all income taxation under any statutory provision of Federal law. The Authority may issue Bonds the interest on which may be includible under the Code, in accordance with the Act, and in such event, any Resolution provision designed to ensure such exemption from Federal income taxation shall be inapplicable to such taxable Bonds of the Authority.

### **Accounts and Reports (Section 708)**

The Authority covenants that it shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Housing Mortgage Finance Program and all funds and accounts established by the Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Authority shall annually, within ninety days after the close of each Calendar Year, file with the Trustee a copy of an annual report for such Calendar Year, accompanied by an Accountant's Certificate setting forth in reasonable detail:

(a) Its operations and accomplishments;

(b) Its receipts and expenditures in accordance with the categories or classifications established by the Authority for its operating and Housing Mortgage Finance Program purposes; and

(c) Its assets and liabilities at the end of such Year, including all funds and accounts established by the Resolution, and a schedule of its Bonds Outstanding and Notes and other obligations outstanding at the end of such Calendar Year.

A copy of each such annual report and Accountant's Certificate shall be mailed promptly thereafter by the Authority to each Bondholder who shall have filed his name and address with the Authority for such purpose.

#### **Budgets (Section 709)**

The Authority shall prepare a preliminary budget covering its fiscal operations for the succeeding year at least sixty days prior to December 1 of each year and shall prepare a summary of such budget which summary shall be mailed to each Bondholder who shall have filed his name and address with the Authority for such purpose. In the event requested by the Holders of 10% or more in principal amount of Outstanding Bonds, the Authority shall hold a public hearing on the budget in the manner provided by the terms of the Resolution.

The Authority shall adopt an annual budget covering its fiscal operations for the succeeding calendar year not later than December 1 of each year, and file the same with the Trustee and with such officials of the State as may be required by the Act, as then amended. The annual budget shall at least set forth for such calendar year the estimated Pledged Receipts, Principal Installments and interest due and payable or estimated to become due and payable during such calendar year and estimated Operating Costs. The Authority may at any time adopt and file with the Trustee an amended annual budget for the remainder of the then current calendar year in the manner provided in the Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget shall be made available by the Trustee for inspection by any Bondholder.

#### **Covenant with Respect to Housing Mortgage Finance Program (Section 714)**

Except as otherwise authorized by the State Bond Commission, in order to provide sufficient monies with which to pay its Operating Costs and the principal, Sinking Fund Installments and interest when due and payable on its Bonds and Notes, the Authority shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Resolution, use and apply the proceeds of the Bonds and Notes, to the extent not reasonably or otherwise required for other Housing Mortgage Finance Program purposes of the Authority, to Finance Mortgages pursuant to such Act as so amended and the Resolution, and shall do all such acts and things necessary to receive and collect Pledged Receipts and, when applicable, Recoveries of Principal, and shall diligently enforce, and take all steps, actions and proceedings for the enforcement of all terms, covenants and conditions of Acquired Program Mortgages.

#### **Issuance of Additional Obligations (Section 717 and Section 207)**

The Authority shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Housing Mortgage General Fund or Housing Mortgage Capital Reserve Fund, except that (a) additional Series of Bonds may be issued from time to time on a parity with the Bonds of the initial Series of Bonds and secured by an equal charge and lien on the Pledged Receipts or Recoveries of Principal and payable equally from the Housing Mortgage General Fund and Housing Mortgage Capital Reserve Fund, (b) the Authority expressly reserves the right to adopt one or more general bond resolutions for the purposes of the Housing Mortgage Finance Program and to issue bonds thereunder secured by an equal pledge or lien on the Housing Mortgage General Fund or the Housing Mortgage Capital Reserve Fund, provided the same does not create a charge or lien on the Acquired Program Mortgages, Pledged Receipts or Recoveries of Principal or any account or sub account of the Housing Mortgage General Fund established and maintained pursuant to and under the Resolution and (1) the authorization or issuance of such Bonds, if the same had been issued under the Resolution, would meet the requirements under the Resolution for the issuance of additional Series of Bonds as set forth in (a), (b), (c) and (d) below, and (2) unless the authorization of such bonds has been approved by the State Bond Commission, a certificate of the Chairman of the Authority is filed with the Trustee under the Resolution dated as of the date of the resolution authorizing such Bonds, stating that the monies and revenues expected to be available as a result of the issuance of such Bonds and the use of the proceeds thereof will be sufficient to pay the applicable operating expenses of the Authority and to pay as the same become due all installments of principal (whether upon maturity or by operation or Sinking Fund Installments) of and interest on

such Bonds, and (c) the Authority expressly reserves the right to refund one or more Series or part of one or more Series of Outstanding Bonds, which Refunding Bonds shall be issued in a principal amount sufficient, together with other monies therefor, to accomplish said refunding and to make all required deposits pursuant thereto.

No additional Series of Bonds may be authorized and issued under the Resolution and no Swap shall be entered into by the Authority unless:

(a) The principal amount thereof, together with the principal amount of the bonds, notes and other obligations of the Authority theretofore authorized and unissued and theretofore authorized, issued and outstanding, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(b) There is at the time of authorization thereof, no deficiency in the Housing Mortgage Capital Reserve Fund;

(c) The amount of the Housing Mortgage Capital Reserve Fund, upon the issuance and delivery of such additional Bonds and the placing in the Housing Mortgage Capital Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds shall not be less than the Housing Mortgage Capital Reserve Fund Maximum Requirement;

(d) At the time of authorization and issuance thereof, the provisions of the Act providing for the restoration of the Housing Mortgage Capital Reserve Fund to an amount equal to the Housing Mortgage Capital Reserve Fund Minimum Requirement shall not have been validly repealed or amended to the detriment of Bondholders;

(e) A certificate signed by an Authorized Officer dated as of the date of authorization of the Series of Bonds or the Swap shall have been delivered to the Trustee stating that (i) the Pledged Receipts and Recoveries of Principal estimated to be received from Mortgages Financed or to be Financed with the proceeds of the additional Series of Bonds, and amounts in Funds or Accounts or payable thereto as a result of the issuance of such additional Series of Bonds during the period such additional Series of Bonds are Outstanding including Swap Receipts, shall be sufficient to pay as the same become due the reasonable and necessary Operating Costs of the Authority which are estimated will be incurred as a result of the issuance of such additional Series of Bonds and the use of the proceeds thereof and the estimated Principal Installments of, Swap Payments, if any, and interest on such additional Bonds; (ii) the Pledged Receipts and Recoveries of Principal estimated to be received from Mortgages including Mortgages Financed or to be Financed with the proceeds of Bonds and the additional Series of Bonds, and amounts in Funds or Accounts or payable thereto including Swap Receipts:

(A) Shall be sufficient to pay the reasonable and necessary Operating Costs which are estimated will be incurred during the period such Bonds and such additional Series of Bonds are Outstanding and all estimated Principal Installments of and the Interest Account Requirement on such Bonds and such additional Series of Bonds; or

(B) Together with other monies received or estimated to be received by the Authority from, and available or to be made available to the Authority for the Housing Mortgage Program by the State, the United States or some other source, shall be sufficient to pay the reasonable and necessary Operating Costs which are estimated will be incurred during the period such Bonds and such additional Series of Bonds are Outstanding and all estimated Principal Installments of and the Interest Account Requirement on such Bonds and such additional Series of Bonds; in the event that a certificate is filed with the Trustee in accordance with sub paragraph (ii)(B), it shall be accompanied by a certificate to evidence that such other monies are or will be made available to the Authority for Housing Mortgage Finance Program; or (iii) the authorization of the additional Series of Bonds has been approved by the State Bond Commission; and

(f) With respect to any Swap, written confirmation filed with the Trustee affirming any existing rating of the Authority's long term debt.

The Authority expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue other obligations so long as same are not a charge or lien on the Acquired Program Mortgages, Pledged Receipts and Recoveries of Principal or payable from the Accounts of the Housing Mortgage General Fund or Housing Mortgage Capital Reserve Fund.

### **Events of Default (Section 1002)**

Each of the following events is declared an “event of default”:

(a) If the Authority shall default in the payment of the principal or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(b) If payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due;

(c) If the Authority shall fail or refuse to comply with the provisions of subdivision (a) Section 8-258 of the Act, or such amounts as shall be certified by the Chairman of the Authority to the Secretary of the Office of Policy and Management of the State pursuant to such provisions of the Act shall not be allotted and paid, from the state general fund, to the Authority and such allotment and payment is not made prior to the second day succeeding the final adjournment of (a) the session of the General Assembly of the State convening when such certification shall have been made, or (b) if the General Assembly is not then in session, the first session of the General Assembly of the State convening after such certification shall have been made; or

(d) If the Authority shall fail or refuse to comply with the provisions of the Act, other than as provided in (c) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Series Resolution, a Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty five days after written notice thereof by the Holders of not less than 5% in principal amount of the Outstanding Bonds.

### **Remedies (Section 1003 and Section 1007)**

Upon the happening and continuance of any event of default specified in paragraphs (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (c) and (d) above, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) By mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Authority to receive and collect Pledged Receipts and Recoveries of Principal adequate to carry out the covenants and agreements as to, and pledge of, such Pledged Receipts and Recoveries of Principal, and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) By bringing suit upon the Bonds;

(c) By action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds;

(e) In accordance with the provisions of the Act, by declaring all Bonds due and payable, and if all defaults shall be made good, then, with written consent of the Holders of not less than 25% in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

All remedies conferred upon or reserved to the Holders of Bonds may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by a Series Resolution. Nothing in the Resolution shall preclude the Authority from providing in an applicable Series Resolution or in any Bond Facility, any Swap or any related Swap Facility authorized thereby, that the exercise of any remedy under the Resolution or the waiver of any event of default under the Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility, any Swap Provider or the provider of a related Swap Facility.

No Holder of any Bond shall have any right to institute any suit unless the Holders of 25% in principal amount of the Bonds then Outstanding shall have made written request to, and offered to indemnify the Trustee and the Trustee shall not have complied with such request within a reasonable time.

#### **Compensation of Trustee (Section 1105)**

The Authority shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorney, agents and employees, incurred in and about the performance of their powers and duties under the Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution.

#### **Defeasance (Section 1201)**

If the Authority shall pay or cause to be paid to the Holders of the Bonds and coupons, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Pledged Receipts and Recoveries of Principal or other monies and securities thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or coupons or interest installments for the payment or redemption of which monies shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Outstanding Bonds and all coupons appertaining to such Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or Investment Obligations the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Investment Obligations or monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.



Investment obligations deposited with the Trustee pursuant to Section 1201 of the Resolution shall only include: direct obligations of or obligations guaranteed by the United States of America; Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America, or Project Notes issued by Local Public Agencies and Public Housing Authorities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of and interest on which the full faith and credit of the State is pledged; or deposits in interest bearing time or demand deposits or certificates of deposit secured by any of the foregoing obligations.

### **FINANCIAL STATEMENTS**

The financial statements of Connecticut Housing Finance Authority appearing in Appendix B to this Part 2 as of and for the years ended December 31, 2018 and 2017, have been audited by Blum, Shapiro & Company, P.C., independent auditors, as set forth in their report included therein.

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## **SCHEDULES**

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## SCHEDULE A

### Statistics Summary (Multifamily Mortgage Loan Portfolio and DECD Development Portfolio) (for live loans as of 12/31/18)

No. of Projects	No. of Mortgages	Gross Mortgage Balance at 12/31/17	Net Funding Activity to 12/31/18	Net Repayments to 12/31/18	Gross Mortgage Balance at 12/31/18
<b>142 Bond Criteria Projects</b>					
	177	744,046,296	6,051,578	(28,858,249)	721,239,624
	2	25,029,769	-	(238,519)	24,791,250
	52	68,017,374	8,596,504	(8,663,096)	67,950,782
	24	39,575,076	-	(271,008)	39,304,067
	14	46,937,114	-	(42,548)	46,894,566
	269	923,605,628	14,648,082	(38,073,420)	900,180,290
<b>102 ITA Criteria Projects</b>					
	171	208,779,340	9,517,390	(1,742,680)	216,554,049
	1	542,076	-	(9,603)	532,473
	5	4,642,595	-	(144,591)	4,498,004
	25	28,146,398	-	(120,436)	28,025,962
	202	242,110,408	9,517,390	(2,017,310)	249,610,488
<b>43 ITF Criteria Projects</b>					
	46	63,232,715	-	(1,327,482)	61,905,233
	12	29,037,373	-	(18,129)	29,019,244
	58	92,270,088	-	(1,345,611)	90,924,477
<b>76 DECD Criteria Projects</b>					
	80	65,477,650	-	(3,358,696)	62,118,954
<b>363</b>	609	1,323,463,774	24,165,472	(44,795,038)	1,302,834,208
<b>All Projects</b>					
	177	744,046,296	6,051,578	(28,858,249)	721,239,624
	3	25,571,844	-	(248,122)	25,323,722
	223	276,796,713	18,113,894	(10,405,776)	284,504,831
	75	107,450,386	-	(1,743,081)	105,707,305
	478	1,153,865,239	24,165,472	(41,255,229)	1,136,775,482
	131	169,598,535	-	(3,539,809)	166,058,726
	609	1,323,463,774	24,165,472	(44,795,038)	1,302,834,208





















Project Name	Location	Rental Subsidy	Occupancy Type (1)	Number of Units	Operations and Reporting Status (2)	CHFA Permanent Financing per Unit	Occupancy Level (3)	2018 Debt Service Coverage Ratio (4)			Primary Financing Series	Loan Type (5)	Loan Amortization Structure	Mortgage Loan Insurance Program (6)		Reported 12/31/2018 Balance	Maximum Amount of Construction Loan	Maximum Amount of Permanent Mortgage
								CHFA Loan ID	CHFA Loan ID	CHFA Loan ID				Permanent Interest Rate	Permanent Loan Maturity			
Willow Arms	East Hartford	Section 8	E	96		49,887	99%	192%	79007C	ITA	Permanent	Level	6.41%	2050	45,045.07	-	45,045.07	
									79007M	2017A-4	Permanent	Level	5.73%	2050	330,129.20	-	330,129.20	
									79007V	ITA	Permanent	Interest Only	4.50%	2050	345,361.67	-	345,361.67	
									09911M	2009D	Permanent	Level to Balloon	7.20%	2040	4,068,597.68	-	4,068,597.68	
Willowcrest Apartments	Middletown	F	151		37,082	90%	133%	99008M	2010E-2	Permanent	Level	6.50%	2042	3,534,206.96	-	3,534,206.96		
								99008N	ITA	Permanent	Level	4.00%	2042	2,065,239.65	-	2,065,239.65		
Wilton Commons	Wilton	E	51		39,447	94%	117%											
Windy Lane	Waterbury	F	18		5,986	N.A.			09039M	2011F-1/3	Permanent	Level	4.75%	2054	2,011,787.57	-	2,011,787.57	
Wolcott Place	Hartford	F	18		15,569	100%			92091D	DECD	Permanent		0.00%	2032	107,754.30	-	107,754.30	
Woodland Hills Apartments	Torrington	F	176		32,539	98%	178%		85078D	DECD	Permanent		7.50%	2031	280,234.77	-	280,234.77	
Woodside Village	Bloomfield	Section 8	E	177		58,705	98%	201%	99012M	2012B-2	Permanent	Level	6.88%	2045	5,726,842.82	-	5,726,842.82	
									76028C	ITA	Permanent	Level	7.80%	2050	1,785,787.91	-	1,785,787.91	
									76028M	2012B-1	Permanent	Level	6.41%	2050	2,406,726.76	-	2,406,726.76	
									76028V	ITA	Permanent	Interest Only	4.50%	2050	2,806,222.99	-	2,806,222.99	
Woodview Apartments	Oakville	Section 8	E	80	47,224	100%	131%	09912M	2009D	Permanent	Level to Balloon	7.20%	2040	3,392,075.33	-	3,392,075.33		
								80008M	2017A-5	Permanent	Level	6.11%	2050	560,882.03	-	560,882.03		
								09913M	2009D	Permanent	Level to Balloon	7.20%	2040	3,217,030.94	-	3,217,030.94		
Woodward Cliffs	Norwalk	F	6		20,580	83%	-69%											
Wooster Street Apartments	Hartford	F	9		34,292	N.A.	367%	88503M	ITA	Permanent	Level	3.00%	2026	123,479.21	-	123,479.21		
								94021E	ITA	Permanent	Level	4.00%	2047	118,754.50	-	118,754.50		
									94021D	DECD	Permanent		0.00%	2047	189,875.24	-	189,875.24	
Wright S Village	Mansfield	E	10	No Payment	4,800	100%												
Yale Street Commons	Bridgeport	F	44		25,309	98%	64%		99025D	DECD	Permanent		0.00%	2020	48,000.00	-	48,000.00	
Yorkshire Village	Farmington	E	91		60,766	99%	127%	99002M	ITA	Permanent	Level	4.00%	2040	1,113,591.28	-	1,113,591.28		
									06059M	ITA	Permanent	Level	4.00%	2040	5,529,712.92	-	5,529,712.92	
						14,286,051.23			06059M	ITA	Permanent	Level	4.00%	2040	1,302,834,208.43	168,851,612.80	1,222,142,667.94	

- (1) E for Elderly; F for Family; S for Supportive
- (2) Const. Loan for Mortgages carried as Construction Loan by the Authority; No Payment for Projects with Mortgage Loans that do not require fixed payments; Commercial for Commercial Property; Loan Program for Development or Revolving Financing Facility;
- (3) N.A. for Not Applicable based on Operations and Reporting Status
- (4) Ratio of (i) Net Operating Income from Project Audit for most recent period ending no later than December 31, 2018, to (ii) fixed regular payments on Mortgage Loans (excluding balloon payments). Only computed for Projects with at least one Mortgage Loan funded from the proceeds of Housing Mortgage Finance Bonds.
- (5) Interim to Takeout for Construction Loan expected to be repaid from permanent financing or equity contribution by third party
- (6) Section of National Housing Act, or FHA Risk Share

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## SCHEDULE B

The following table sets forth, as of December 31, 2018, the historical rate of prepayment (express as a percentage of SIFMA) in prior calendar years with respect to  
(i) the Home Mortgage Loan Portfolio and (ii) the Agency Security Portfolio

### Connecticut Housing Finance Authority Historical Mortgage Prepayment Report - As of December 31, 2018 Single Family Home Mortgage Loans

Year of Origin	Original Balance	Current Balance	Current WAC	No. of Loan	1 Year SIFMA																											
					1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Lifetime			
Before 1995	1,713,244,929	6,934,784	7.00%	24,864	150	191	134	211	221	182	246	368	546	441	404	277	207	131	171	153	116	159	128	130	116	93	167	151	164			
1995	395,584,300	5,743,756	7.02%	4,424		34	49	109	160	178	260	393	756	522	455	263	225	158	172	135	141	173	164	140	196	81	119	92	266			
1996	385,144,200	7,393,209	6.84%	4,390			28	62	109	114	209	382	702	546	435	322	248	159	153	131	140	155	242	121	104	134	124	92	260			
1997	344,688,100	8,611,516	6.86%	4,011			49	79	100	178	343	691	537	476	327	185	162	146	126	151	153	169	116	126	105	132	98	254				
1998	252,536,075	9,412,422	6.47%	2,963					56	74	124	241	555	530	433	308	227	152	208	120	141	144	138	100	111	96	139	149	238			
1999	293,574,462	10,609,863	6.34%	3,328						63	153	201	524	496	453	327	225	144	176	159	155	184	222	173	159	112	158	127	253			
2000	309,687,354	8,608,954	6.78%	3,415							190	281	716	595	486	312	276	152	215	119	165	163	209	154	167	62	225	178	287			
2001	293,687,422	20,800,397	5.91%	3,035								102	285	390	377	266	196	137	186	171	158	190	245	113	169	141	168	130	224			
2002	284,105,743	23,914,169	5.67%	2,673									224	292	397	283	223	180	197	220	169	182	204	131	110	139	162	140	219			
2003	273,782,472	38,030,051	4.99%	2,232										178	254	224	174	152	151	159	149	194	189	150	153	146	182	115	183			
2004	333,708,902	70,113,637	5.00%	2,388											141	146	122	100	109	112	118	187	209	164	143	149	146	152	150			
2005	377,801,938	97,911,603	4.90%	2,369												69	74	63	86	79	92	217	229	179	162	171	136	125	136			
2006	477,607,335	101,058,946	5.39%	2,776													61	55	84	130	112	285	315	193	211	239	201	156	175			
2007	489,949,258	114,942,605	5.52%	2,815														35	83	130	109	295	334	180	209	216	193	148	180			
2008	333,553,302	87,930,837	5.59%	1,968															59	103	83	289	352	213	187	193	172	157	182			
2009	300,815,102	142,608,319	4.92%	1,925																21	12	84	149	90	111	175	145	125	102			
2010	114,347,597	65,704,116	4.31%	723																		6	73	58	67	112	104	136	98	74		
2011	153,716,647	93,137,859	3.80%	976																			19	35	41	79	110	125	144	76		
2012	102,012,292	68,796,312	3.03%	688																				20	15	36	83	92	152	63		
2013	180,948,915	136,586,178	2.92%	1,144																				9	29	44	76	93	47			
2014	186,375,298	151,158,551	3.39%	1,207																						31	39	64	64	43		
2015	147,502,145	127,424,178	3.12%	939																								32	72	32		
2016	89,633,075	82,382,602	2.89%	557																									19	31	20	
2017	70,976,444	68,201,863	3.17%	426																										17	21	
2018	52,034,060	51,387,410	3.65%	301																											*	
Sub-Total	7,952,112,368	1,598,904,138	4.27%	76,537																												
<b>Grand Total</b>	<b>7,952,112,368</b>	<b>1,598,904,138</b>	<b>4.27%</b>	<b>76,537</b>	<b>150</b>	<b>151</b>	<b>92</b>	<b>134</b>	<b>145</b>	<b>118</b>	<b>190</b>	<b>285</b>	<b>518</b>	<b>397</b>	<b>322</b>	<b>195</b>	<b>125</b>	<b>82</b>	<b>101</b>	<b>110</b>	<b>95</b>	<b>201</b>	<b>219</b>	<b>126</b>	<b>125</b>	<b>129</b>	<b>123</b>	<b>111</b>				

**Notes:**

The figures above are based on information currently available and are not guaranteed.

Values in the "Before 1995" cohort are based on loans that were outstanding on 12/31/1994.

\* indicates that the prepayment speed is not meaningful since the size of the cohort is less than 30 loans or the origination period is incomplete.

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**Connecticut Housing Finance Authority**  
**Historical Mortgage Prepayment Report - As of December 31, 2018**  
**Agency Security Portfolio**

1 Year SIFMA

Year of Origin	Original Balance	Current Balance	Current WAC	Orig No. of Pools	1 Year SIFMA																									
					1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Lifetime					
1999	195,025,172	4,864,111	6.53%	60		135	117	268	570	498	477	279	319	125	156	153	287	198	180	197	269	112	103	151	284					
2000	118,245,174	3,133,733	6.55%	54			119	229	621	623	536	328	187	116	126	80	410	219	135	215	220	159	138	166	288					
2001	136,854,631	5,856,793	6.13%	70				179	433	474	423	356	253	152	151	197	374	242	238	147	187	173	148	81	268					
2002	163,972,350	7,891,086	5.67%	115					244	357	456	306	272	164	223	148	304	380	364	201	155	186	190	144	270					
2003	192,317,031	20,775,257	4.97%	149						191	288	232	210	157	159	149	154	290	236	189	164	185	190	161	209					
2004	227,482,575	32,903,414	5.06%	269							243	168	179	122	139	144	153	318	278	185	160	143	188	160	191					
2005	193,437,979	33,753,033	4.87%	170								147	127	136	148	172	126	355	289	160	195	144	140	143	184					
2006	218,034,538	32,764,641	5.26%	178									99	102	208	186	154	401	485	172	253	163	185	114	219					
2007	216,813,453	21,978,836	5.43%	148										84	222	224	209	481	599	287	323	214	277	168	288					
2008	145,499,859	17,835,930	5.49%	212											276	222	197	470	538	323	288	228	196	217	289					
2009	4,505,383	608,569	5.40%	23													123	289	445	300	370	141	517	493	9	294				
2011	30,294,871	14,570,038	3.88%	18														50	181	79	130	230	168	122	133					
2012	57,521,193	33,487,618	3.21%	51															218	128	57	105	120	94	102					
2013	54,420,646	33,441,892	2.87%	63																151	109	126	96	181	114					
2014	123,426,977	92,267,885	3.44%	149																	70	60	97	132	75					
2015	313,102,299	265,967,588	3.35%	298																		61	59	60	44					
2016	520,831,843	464,237,865	3.17%	458																			55	68	43					
2017	440,427,922	421,176,200	3.35%	372																				42	30					
2018	521,970,458	517,249,766	3.80%	377																					*					
Sub-Total	3,874,184,353	2,024,764,254	3.59%	3,234																										
<b>Grand Total</b>	<b>3,874,184,353</b>	<b>2,024,764,254</b>	<b>3.59%</b>	<b>3,234</b>	<b>0</b>	<b>135</b>	<b>118</b>	<b>206</b>	<b>403</b>	<b>339</b>	<b>306</b>	<b>196</b>	<b>156</b>	<b>110</b>	<b>177</b>	<b>182</b>	<b>187</b>	<b>370</b>	<b>364</b>	<b>181</b>	<b>155</b>	<b>99</b>	<b>79</b>	<b>73</b>						

**Notes:**

The figures above are based on information currently available and are not guaranteed.

Values in the "Before 1995" cohort are based on loans that were outstanding on 12/31/1994.

\* indicates that the prepayment speed is not meaningful since the size of the cohort is less than 1 loans or the origination period is incomplete.

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## SCHEDULE D

The following table sets forth the dates on which portions or all of the loan principal payments and loan prepayments received by the Authority with respect to each series of Outstanding Bonds as of December 31, 2018 issued under the Resolution to finance home mortgage loans (expressed in percentages of the total of loan principal payments and loan prepayments received as of each date) become subject to the Ten-Year Rule. See "THE HOUSING MORTGAGE FINANCE PROGRAM - Housing Mortgage Finance Program Bonds - Application of Recoveries of Principal from Home Mortgage Loans."

### Single Family Qualified Mortgage Bond Issue Ten Year Rule Restriction Percentages as of Selected Dates

<u>Issue</u>	<u>As of:</u>										
	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>	<u>12/31/2026</u>	<u>12/31/2027</u>	<u>12/31/2028</u>
2010G	100	→	→	→	→	→	→	→	→	→	→
2011BC	82	82	100	→	→	→	→	→	→	→	→
2011BC	82	82	100	→	→	→	→	→	→	→	→
2012CD	79	90	93	93	100	→	→	→	→	→	→
2012F	30	46	46	46	100	→	→	→	→	→	→
2013B-1/2/3/5	39	41	41	41	41	100	→	→	→	→	→
2014A	0	0	0	0	0	0	100	→	→	→	→
2014C	26	26	26	26	26	26	100	→	→	→	→
2014D	45	45	45	45	45	45	100	→	→	→	→
2015A	0	0	0	0	0	0	0	100	→	→	→
2015C	7	7	10	13	13	15	19	100	→	→	→
2016A	24	24	24	36	40	40	45	45	100	→	→
2016B	45	45	45	46	52	54	56	57	100	→	→
2016E	35	35	35	37	37	37	44	50	100	→	→
2016F-1/2/3/5	55	55	55	55	58	58	60	62	100	→	→
2017A-1/2/3	25	25	25	26	26	30	48	51	52	100	→
2017C	42	43	43	43	44	46	49	51	52	100	→
2017D	30	33	33	33	33	34	41	44	45	100	→
2017F-1/2/3	17	17	17	32	32	32	32	32	32	100	→
2018A-1/2/3	37	43	43	46	46	49	59	70	72	74	100
2018B-1/2/3	40	40	40	42	43	44	47	49	50	51	100
2018C-1/2/3/4	30	30	30	30	30	32	36	38	39	42	100
2018E-1/2	8	8	8	10	10	12	12	12	12	13	100

Note: The above percentages are based upon information currently available and are not guaranteed.

There can be no assurance that federal tax law, rules or regulations enacted or proposed and the interpretation thereof will not alter the above percentages.

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## APPENDIX A

### CERTAIN PRESENT PROVISIONS OF THE ACT RELATING TO MORTGAGE LOANS OF THE AUTHORITY

The Authority may make or insure mortgage loans for housing upon such terms and conditions as the Authority may prescribe. Mortgage loans made may be for construction financing as well as permanent financing, and shall be secured by a first or (unless financed from proceeds of Bonds) second mortgage.

Permanent mortgage loans made or insured by the Authority under the provisions of the Act shall:

- (1) Not exceed (i) ninety percent of the estimated cost of the proposed housing if owned or to be owned by a profit making mortgagor or (ii) one hundred percent of the estimated cost of the proposed housing if owned or to be owned by a housing authority, a municipal developer, a non-profit corporation, or cooperative or by a resident owner of a structure containing not more than three dwelling units, or of a condominium;
- (2) Have a maturity satisfactory to the Authority but in no case longer than fifty years from the date of the issuance of the loan or insurance;
- (3) Contain amortization provisions satisfactory to the Authority requiring periodic payments by the mortgagor not in excess of the mortgagor's reasonable ability to pay as determined by the Authority; and
- (4) Be in such form and contain such terms and provisions with respect to maturity, property insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, anticipation of maturity, additional and secondary liens, equitable and legal redemption rights, and other matters as the Authority may prescribe.

Construction mortgage loans made by the Authority under the provisions of the Act may be advanced at the discretion of the Authority in installments as the work progresses, provided that the total of all advances equals but does not exceed ninety percent of the project cost if owned or to be owned by a profit making mortgagor, or one hundred percent of the project cost if owned by a housing authority, a municipal developer, a non-profit corporation, or a cooperative. The final advance shall not be made until the completed construction or rehabilitation has been inspected and approved by the Authority.

Construction loans made by the Authority shall also be subject to the following terms and conditions:

- (1) A loan may be prepaid after a period of twenty years or sooner with the permission of the Authority, provided that non-profit mortgagors may prepay their loans prior to maturity only with the consent of the Authority. The Authority shall grant such consent if it finds (A) that it may reasonably be expected that the prepayment of the loan will not result in a material escalation of rents charged to occupants of the project and (B) that the need for low and moderate income housing in the area concerned is no longer acute.
- (2) The interest rate on the loan shall be established by the Authority at the lowest level consistent with the Authority's cost of operation and its responsibilities to the holders of its bonds, bond anticipation notes, and other obligations.
- (3) The Authority shall require the mortgagor or its contractor to post labor and materials and construction performance surety bonds or enter into an escrow arrangement acceptable to the Authority, in amounts related to the project cost as established by regulation, and to execute such other assurances and guarantees as the Authority may deem necessary.
- (4) The loan shall be subject to an agreement between the Authority and the mortgagor that will subject said mortgagor and its principals or stockholders to limitations established by the Authority as to rentals,

carrying charges, and other charges, profits, and fees, and the disposition of its property and franchises to the extent more restrictive limitations are not provided in the law under which the mortgagor is incorporated or organized.

(5) A loan to a mortgagor, other than a municipal developer, a non-profit corporation having as one of its purposes the construction or rehabilitation of housing, shall be subject to an agreement between the Authority and the mortgagor limiting the mortgagor, and its principals or stockholders, to such a return on the mortgagor's equity in any project assisted with a loan from the Authority as may be established or permitted by the Authority. The mortgagor's equity in a project shall consist of the difference between the amount of the loan and the total project cost, whether or not such costs have been paid in cash or in a form other than cash. With respect to every project, the Authority shall, pursuant to rules and regulations adopted by it, establish the mortgagor's equity, based upon certification or other assurances of project cost by the mortgagor.

(6) No loan shall be executed, except a loan made to a non-profit corporation having as one of its purposes the construction or rehabilitation of housing, unless the mortgagor agrees (A) to certify upon completion of project construction or rehabilitation, subject to audit by the Authority, either that the actual project cost as defined in the Act exceeded the amount of the loan proceeds by ten percent or more, or the amount by which the loan proceeds exceed ninety percent of total project cost, and (B) to pay forthwith to the Authority, for application to reduction of principal of the loan, the amount, if any, of such excess loan proceeds, subject to audit and determination by the Authority. No loan shall be made to a municipal developer, a non-profit corporation unless such mortgagor agrees to certify the actual project cost upon completion of the project, and further agrees to pay forthwith to the Authority, for application to reduction of the principal of the loan, the amount, if any, by which the proceeds of the loan exceed the certified project cost, subject to audit and determination by the Authority. Notwithstanding the provisions of this subsection of the Act, the Authority may accept, in lieu of any certification of project cost as provided in the Act, such other assurance of the said project cost, in any form or manner whatsoever, as will enable the Authority to determine with reasonable accuracy the amount of said project cost.

(7) As a condition of the loan, the Authority shall have the power at all times during the construction and rehabilitation of a housing project and the operation thereof (A) to enter upon and inspect without prior notice any project, including all parts thereof, for the purpose of investigating the physical and financial condition thereof, and its construction, rehabilitation, operation, management, and maintenance, and to examine all books and records with respect to capitalization, income, and other matters relating thereto and to make such charges as may be required to cover the cost of such inspections and examinations; (B) to order such alterations, changes, or repairs as may be necessary to protect the security of its investment in a housing project or for the health, safety, and welfare of the occupants thereof; (C) to order any managing agent, project manager, or owner of a housing project to do such acts as may be necessary to comply with the provisions of all applicable laws and ordinances or any rule or regulation of the Authority or the terms of any agreement concerning the said project or to refrain from doing any act in violation thereof and in this regard the Authority shall be a proper party to file a complaint and to prosecute thereon for any violation of laws or ordinances as set forth herein; (D) to require the adoption and continuous use of uniform systems of accounts and records for a project and to require all owners or managers of same to file annual reports containing such information and verified in such manner as the Authority shall require and to file at such times and on such forms as the Authority may prescribe reports and answers to specific inquiries of the Authority to determine the extent of compliance with any agreement, the terms of the loan, the provisions of the Act and any other applicable law; and (E) to enforce, by court action if necessary, the terms and provisions of any agreement between the Authority and the mortgagor as to schedules of rentals or carrying charges, aggregate family income limits as applied to applicants for housing or the occupants thereof, or any other limitation imposed upon the mortgagor as to financial structure, construction, operation, or disposition of the housing.

(8) If (A) the Authority determines that the loan or advance made is in jeopardy of not being repaid; (B) the Authority determines that the proposed housing project for which the loan or advance made is in jeopardy of not being constructed; (C) the recipient is a non-profit corporation, and the Authority determines that some part of the net income or earnings of the corporation is inuring to the benefit of any private individual, firm, partnership, corporation, or association, or that the corporation is in some manner controlled by or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership, or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in any dealings or transactions therewith; (D) the recipient is a for profit corporation or unincorporated association, and the Authority determines that some part of the net income or earnings of the recipient, in excess of that permitted by other



provisions of the Act, shall inure to the benefit of any private individual, firm, corporation, partnership, or association; (E) the Authority determines that the recipient is in violation of any rules or regulations promulgated by the Authority under the provisions of the Act; or (F) the Authority determines that the recipient is in violation of any agreements entered into with the Authority providing for regulation by the Authority of the planning, development, and management of any housing undertaken by the recipient or the disposition of the property and franchises of such recipient; then the Authority may appoint a majority of new directors to the board of directors of a mortgagor corporation, or appoint a new managing agent for an unincorporated association. The persons so appointed need not be stockholders or partners or meet other qualifications which may be prescribed by the articles of incorporation or other basic documents of organization or the bylaws of such mortgagor. In the absence of fraud or bad faith, the persons so appointed shall not be personally liable for the debts, obligations, or liabilities of such mortgagor; and shall serve only for a period co existent with the duration of the reasons for their appointment or until the Authority is assured, in a manner satisfactory to it, that the need for such services no longer exists; and they shall serve as directors or managing agents for such compensation as the Authority may determine and shall be entitled to be reimbursed for all necessary expenses incurred in the discharge of their duties as directors or managing agents of such mortgagor.

All land and improvements owned by the Authority or in which the Authority has an interest through a mortgage held or insured by it shall be subject to the planning, zoning, health and building laws, ordinances, and regulations applicable to the town in which such land and improvements are situated, provided, as to land owned by the Authority, the Authority shall have the same rights of appeal and review from an adverse decision or order based on such laws, ordinances, and regulations as are granted by such laws, ordinances, and regulations to other owners.

If a loan made by the Authority is insured or if the project or any units therein are assisted by any department, agency, or instrumentality of the United States Government or the State, and the terms of the mortgage insurance commitment or regulatory agreement covering such insurance or other assistance are inconsistent with the terms and conditions required by or established by the Authority under the Act, the terms of such mortgage insurance commitment or regulatory agreement shall prevail, to the extent of such inconsistency.

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**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

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**CONNECTICUT  
HOUSING FINANCE  
AUTHORITY**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**blumshapiro**  
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# CONNECTICUT HOUSING FINANCE AUTHORITY

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## **Independent Auditors' Report**

To the Board of Directors  
Connecticut Housing Finance Authority  
Rocky Hill, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Connecticut Housing Finance Authority, a component unit of the State of Connecticut, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Connecticut Housing Finance Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Connecticut Housing Finance Authority as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principal**

As discussed in Note 2 to the financial statements, during the fiscal year ended December 31, 2018, Connecticut Housing Finance Authority adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of Connecticut Housing Finance Authority has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Connecticut Housing Finance Authority's basic financial statements. The supplementary information listed on the table of contents (combining schedules of net position and revenues, expenses and changes in net position) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019 on our consideration of Connecticut Housing Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Connecticut Housing Finance Authority'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 Connecticut Housing Finance Authority's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
April 12, 2019

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017**

This section of the Connecticut Housing Finance Authority's (the "Authority") financial statements, Management's Discussion and Analysis, presents an overview of the Authority's financial performance for the years ended December 31, 2018 and 2017. It provides an assessment of the Authority's financial position and identifies the factors that in management's view, significantly affected the Authority's overall financial position. It may contain assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements described below.

*Overview of the Financial Statements*

This annual financial report consists of four parts: *Management's Discussion and Analysis*, the *Basic Financial Statements*, *Required Supplementary Information* and *Supplementary Information*. The Authority is a self-supporting quasi-public agency established for the purpose of alleviating the shortage of affordable housing for low and moderate income households in the State of Connecticut and, when appropriate, to promote or maintain the economic development of Connecticut through employer-assisted housing efforts. The financial statements are presented using the accrual basis of accounting. The Authority operates in a manner similar to a private business that includes activities such as the financing of home mortgage loans and multifamily and special needs housing real estate development.

**The Basic Financial Statements**

The Statement of Net Position provides information about the Authority's financial condition at the end of the year by indicating the nature and amounts of its investments in resources (assets), its deferred outflows of resources, its obligations (liabilities), its deferred inflows of resources and its resulting net position. Net position represents total assets, plus total deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement of net position separates assets and liabilities into their current and non-current components.

The Statement of Revenues, Expenses and Changes in Net Position accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, financing, capital and investing activities.

**The Notes to the Financial Statements**

The Notes to Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Authority.
- Other events or developing situations that could materially affect the Authority's financial position.

**Required Supplementary Information and Supplementary Information**

Required Supplementary Information represents information required by GASB, which supplements the basic financials statements and notes. These schedules provide additional information about the Authority's proportionate share of the Net OPEB Liability, Net Pension Liability and schedules of the Authority's contributions to the State Employees' Retirement System (SERS).

The Supplementary Information includes individual program schedules that present the Authority's financial statements in more detail.

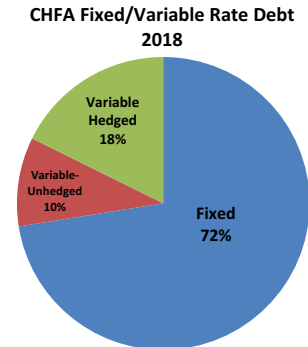
**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

**Financial Highlights – Year Ended December 31, 2018**

During 2018, the Authority closed \$573.8 million in single family loans bringing homeownership to 3,206 homebuyers. Through new construction and/or rehabilitation, the Authority financed 790 affordable multifamily units for a total investment commitment of \$84.6 million.

The Authority was able to restructure and refund approximately \$216 million of its outstanding bonds to reduce interest rates. By combining these issues with new debt using a strategic mix of fixed rates, variable rates and the use of derivatives, the Authority was able to establish below market interest rates on new mortgages for its borrowers, and strengthen the underlying structure of its cash flows.

The Authority continued to recognize an increase in short term investment earnings as the rising interest rate environment continued during 2018. Conversely, the increase in rates resulted in a \$49.5 million decrease in fair value of investments, substantially all of which is attributable to the reduction in fair value of its GNMA, FNMA and FHLMC Program Assets (see Note 4 of the financial statements). Such investments are pledged as security for the bonds issued under the Authority's various bond programs and are not expected to be sold prior to maturity.



During 2018, the Authority issued five series of Housing Mortgage Finance Program Bonds totaling \$707.7 million to provide financing for its home mortgage and multifamily mortgage housing programs. Under the Special Needs Housing Mortgage Finance Program, the Authority issued four series of bonds totaling \$25.8 million, \$15.1 million of which are considered obligations of the State of Connecticut and are not reflected on the Authority's Statements of Net Position, however are disclosed in the Conduit Debt section of Note 8. The proceeds of these funds were used to refund \$21.5 million in outstanding bonds with the remainder being used to fund the financing of six group homes. The group homes provide housing and support services for individuals with special needs. Under various programs, the Authority has also made funds available from net position.

With the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, the corresponding restatement of the Authority's 2017 financial statements resulted in the establishment of a net OPEB liability of \$67.7 million, in addition to a corresponding Deferred Outflows of Resources of \$2.7 million, Deferred Inflows of Resources of \$1.7 million and a \$66.8 million reduction in net position. The 2018 adjustments related to this new statement resulted in an ending Net OPEB Liability of \$63.1 million, along with the related changes to Deferred Outflows and Inflows of Resources. Note 2 and Note 14 provide further detail regarding the implementation of GASB 75 and the OPEB plan.

The Authority manages a Down Payment Assistance Program (DAP) that helps single family borrowers purchase their first home. The DAP is a revolving program and was initially funded by the State of Connecticut. Due to the importance of homeownership and down payment assistance for first time homebuyers, in 2018 the Authority secured \$12 million in additional funding from the State to further capitalize the program.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

**Financial Highlights – Year Ended December 31, 2017**

During 2017, the Authority closed \$511.2 million in single family loans bringing homeownership to 2,967 homebuyers. Through new construction and/or rehabilitation, the Authority financed 1,744 affordable multifamily units for a total investment commitment of \$84.7 million.

The Authority was able to restructure and refund over \$305 million of its outstanding bonds to reduce interest rates. By combining these issues with new debt using a strategic mix of fixed rates, variable rates and the use of derivatives, the Authority was able to establish below market interest rates on new mortgages for its borrowers, and strengthen the underlying structure of its cash flows.

As interest rates continued to increase during 2017, the Authority enjoyed an increase in short term investment interest earnings. Conversely, the increase in rates resulted in a \$5.9 million decrease in fair value of investments, substantially all of which is attributable to the reduction in fair value of its GNMA, FNMA and FHLMC Program Assets (see Note 4 of the financial statements). Such investments are pledged as security for the bonds issued under the Authority's various bond programs and are not expected to be sold prior to maturity.

During 2017, the Authority issued six series of Housing Mortgage Finance Program Bonds totaling \$1.02 billion to provide financing for its home mortgage and multifamily mortgage housing programs. Under the Special Needs Housing Mortgage Finance Program, the Authority issued five series of bonds totaling \$37.4 million, the proceeds of which were to be used to refund \$26.9 million in outstanding bonds with the remainder being used to fund the financing of 19 group homes. The group homes provide housing and support services for individuals with special needs. Under various programs, the Authority has also made funds available from net position.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

**Financial Analysis of the Authority**

The following table summarizes the changes in Net Position between December 31, 2018, 2017 and 2016:

	(in millions)			% Change	
	2018	2017*	2016*	2018/2017	2017/2016
<b><u>Assets</u></b>					
Current assets	\$ 798.8	\$ 858.3	\$ 717.0	(6.9) %	19.7 %
Capital assets	3.0	3.5	3.6	(14.3)	(2.8)
Noncurrent assets	4,962.8	4,743.5	4,525.0	4.6	4.8
<b>Total assets</b>	<b>5,764.6</b>	<b>5,605.3</b>	<b>5,245.6</b>	<b>2.8</b>	<b>6.9</b>
<b><u>Deferred outflows of resources</u></b>					
Unamortized deferred bonds refunding costs	96.0	91.8	77.8	4.6	18.0
Derivative Financial Instruments	-	-	28.3		(100.0)
Deferred amounts for OPEB	2.6	2.7	2.9	(3.7)	(6.9)
Deferred amounts for pensions	16.8	22.0	25.2	(23.6)	(12.7)
<b>Total deferred outflows of resources</b>	<b>115.4</b>	<b>116.5</b>	<b>134.2</b>	<b>(0.9)</b>	<b>(13.2)</b>
<b><u>Liabilities</u></b>					
Long-term bonds payable	4,378.4	4,199.9	3,978.2	4.3	5.6
Net OPEB liability	63.1	67.7	65.7	(6.8)	3.0
Net pension liability	67.9	67.1	69.6	1.2	(3.6)
Other liabilities	537.1	550.3	449.6	(2.4)	22.4
<b>Total liabilities</b>	<b>5,046.5</b>	<b>4,885.0</b>	<b>4,563.1</b>	<b>3.3</b>	<b>7.1</b>
<b><u>Deferred inflow of resources</u></b>					
Deferred amount for OPEB	6.9	1.7	-	306.3	100.0
Deferred amount for pensions	8.4	10.2	12.8	(17.7)	(20.3)
Derivative Financial Instruments	49.5	10.7	-	362.6	100.0
<b>Total deferred inflows of resources</b>	<b>64.8</b>	<b>22.6</b>	<b>12.8</b>	<b>186.7</b>	<b>76.6</b>
<b><u>Net position</u></b>					
Net investment in capital assets	3.0	3.5	3.6	(14.3)	(2.8)
Restricted	765.7	810.7	800.3	(5.6)	1.3
<b>Total Net Position</b>	<b>\$ 768.7</b>	<b>\$ 814.2</b>	<b>\$ 803.9</b>	<b>(5.6) %</b>	<b>1.3 %</b>

\* Restated for GASB No. 75 implementation (see Note 2)

**Change 2018/2017**

- Mortgage loans receivable decreased \$135.4 million or 4.2%.
- During 2018, the Authority's multifamily and single family loan portfolios experienced overall net reductions. The home mortgage loan program, however, which includes both whole loans and mortgage loans securitized into mortgage backed securities (MBS's), experienced a year-over-year increase of 7.4%.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

- Cash and investments in securities increased \$297.6 million or 12.9% primarily resulting from:
  - A net decrease of \$94.3 million in bond proceeds and other funds held to be used for the financing of mortgage loans, the retirement of bond debt and the payment of administrative costs.
  - The Authority continued to see growth in the home mortgage loan program. In 2018, 91% of new qualified home mortgage loans were securitized into mortgage backed securities. \$429.4 million in bond proceeds were used to directly purchase investments as opposed to whole loans.
  - A \$49.5 million decrease attributable to the reduction in investment fair values specifically related to GNMA, FNMA and FHLMC Program Assets (see Note 4 of the financial statements).
  - A \$12 million increase in Down Payment Assistance Program funds (see note 16 of the financial statements).
- Deferred outflows of resources decreased \$1.0 million or 0.9%. This decrease is substantially attributed to:
  - A \$5.3 million decrease in deferred amount for pensions. The deferred amounts are comprised of the difference between expected and actual experience, changes in actuarial assumptions, changes in proportion and differences between employer contributions and proportionate share of employer contributions and lastly, the employer contributions made between the measurement date of June 30, 2018 and the Authority's year-end of December 31, 2018.
  - A \$4.3 million increase in unamortized deferral on bond refundings. During 2018, the Authority refunded certain variable rate bonds that were being hedged by interest rate swaps. \$15.0 million in fair value of these swaps at the time of the refunding was reclassified from derivative financial instruments-deferred outflows to unamortized deferral on bond refundings. The amounts reclassified are then amortized over the shorter of the life of the refunded or new debt. The \$15.0 million increase to unamortized deferral on bond refundings was offset by \$10.7 million of such amortizations.
- Bonds payable increased by \$183.2 million or 4.1%. The increase is attributed to:
  - An increase of \$740.6 million as a result of new bonds issued including original issue premium.
  - An increase of \$0.9 million due to capital appreciation bond accretions.
  - A decrease of \$551.5 million as a result of redemptions.
  - A decrease of \$6.8 million due to amortization of original issue premiums.
- Net OPEB liability decreased by \$4.6 million or 6.8%. Net pension liability increased by \$0.8 million or 1.2%. The Authority is a component unit of the State of Connecticut and participates in the State's OPEB and pension plan and recorded these liabilities based on its proportionate share of the State of Connecticut's net OPEB and pension liability. Both liabilities are adjusted annually based on an actuarial valuation prepared by the State (see Note 13 and Note 14 of the financial statements).
- Deferred inflows of resources increased \$42.2 million or 186.5%. This includes:
  - A \$5.2 million increase in deferred amount for OPEB and \$1.9 million decrease in deferred amounts for pensions. The deferral changes are explained in further detail in Note 13 and Note 14 of the financial statements.
  - A \$38.9 million increase in derivative financial instruments deferred inflows. During 2018, the Authority refunded certain variable rate bonds that were being hedged by interest rate swaps. The \$15 million fair value of the swaps at the time of the refundings resulted in an increase in derivative financial instruments-deferred inflows and corresponding increase to unamortized deferral on bond refundings. There was a net increase in swap notional of \$4.3 million which results in a reduction to deferred inflows. Lastly, there was a \$28.2 million increase to the fair value of the Authority's swap portfolio.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

**Change 2017/2016**

- Mortgage loans receivable decreased \$95.3 million or 2.9%.
  - During 2017, the Authority's multifamily loan portfolio experienced overall net growth, while its home mortgage whole loan portfolio continued to experience a net reduction. The home mortgage loan program, however, which includes both whole loans and mortgage loans securitized into mortgage backed securities (MBS's), experienced a year-over-year increase of 6.7%.
- Cash and investments in securities increased \$478.6 million or 26.2% primarily resulting from:
  - A net increase of \$128.8 million in bond proceeds and other funds held to be used for the financing of mortgage loans, the retirement of bond debt and the payment of administrative costs.
  - The Authority continued to see growth in the home mortgage loan program. In 2017, 86% of new qualified home mortgage loans were securitized into mortgage backed securities. \$355.7 million in bond proceeds were used to directly purchase investments as opposed to whole loans.
  - A \$5.9 million decrease attributable to the reduction in investment fair values specifically related to GNMA, FNMA and FHLMC Program Assets (see Note 4 of the financial statements).
- Accounts receivable and other assets decreased by \$12.1 million or 16%. The majority of this reduction is due to the spend-down of Financing Adjustment Factor (FAF) funds. The use of FAF funds is governed by an agreement between the Authority and the Department of Housing and Urban Development (HUD).
- Bonds payable increased by \$336.4 million or 8.2%. The increase is attributed to:
  - An increase of \$1.0776 billion as a result of new bonds issued including original issue premium.
  - An increase of \$0.9 million due to capital appreciation bond accretions.
  - A decrease of \$737.0 million as a result of redemptions.
  - A decrease of \$5.1 million due to amortization of original issue premiums.
- Deferred outflows of resources decreased \$17.7 million or 13.2%. This decrease is substantially attributed to:
  - A net increase of \$14.0 million in unamortized deferral on bond refundings and net decrease of \$28.3 million in accumulated decrease in fair value of hedging derivatives. During 2017 the Authority refunded certain variable rate bonds that were being hedged by interest rate swaps. \$22.4 million in fair value of the swaps at the time of the refundings was reclassified from derivative financial instruments-deferred outflows to unamortized deferral on bond refundings. The amounts reclassified are then amortized over the shorter of the life of the refunded or new debt. The \$22.3 million increase to unamortized deferral on bond refundings was offset by \$8.3 million of such amortizations. In addition, the Authority saw an increase in the fair value of the interest rate swaps resulting from the rise in interest rates.
  - A \$3.2 million decrease in deferred amount for pensions. The deferred amounts are comprised of the difference between expected and actual experience, changes in actuarial assumptions, changes in proportion and differences between employer contributions and proportionate share of employer contributions and lastly, the employer contributions made between the measurement date of June 30, 2017 and the Authority's year-end of December 31, 2017.
- Net OPEB liability increased by \$2.1 million or 3.2%. The Authority is a component unit of the State of Connecticut and participates in the State's OPEB plan. The OPEB liability has been recognized based on its proportionate share of the State of Connecticut's net OPEB liability. Net OPEB liability is adjusted annually based on the actuarial valuation prepared by the State (see Note 2 and Note 14 of the financial statements).
- Net pension liability decreased by \$2.5 million or 3.6%. The Authority is a component unit of the State of Connecticut and participates in the State's pension plan and recorded the liability based on its proportionate share of the State of Connecticut's net pension liability. Net pension liability is adjusted annually based on the actuarial valuation prepared by the State (see Note 13 of the financial statements).

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

- Deferred inflows of resources increased \$9.8 million or 76.6%. This includes:
  - A \$1.7 million increase in deferred amount for OPEB and \$2.6 million decrease in deferred amounts for pensions. The deferral changes are explained in further detail in Note 13 and Note 14 of the financial statements.
  - During 2017, the Authority refunded certain variable rate bonds that were being hedged by interest rate swaps. The fair value of the swaps at the time of the refundings was reclassified from derivative financial instruments-deferred outflows to unamortized deferral on bond refundings. The reclass resulted in the balance of \$10.7 million being characterized as a deferred inflow.

The home mortgage, rental housing and special needs housing loan portfolios are one of the Authority's primary assets.

New loans financed under the Authority's home mortgage and special needs housing programs (including GNMA, FNMA & FHLMC Program Assets, excluding the acquired portfolio from the State) exceeded payoffs for the years ended December 31, 2018, 2017 and 2016 as follows:

		(in millions)		
		New Loans		
		Financed	Payoffs	Net
2018	\$	585.9	\$ 185.7	\$ 400.2
2017		533.6	199.8	333.8
2016		505.7	219.2	286.5

The change in the multifamily rental housing and special needs housing portfolios (excluding the acquired portfolio from the State) is summarized as follows:

	(in millions)			% Change	
	2018	2017	2016	2018/2017	2017/2016
Construction loan balances	\$ 125.6	\$ 190.2	\$ 154.7	(34.0) %	23.0 %
Permanent loan balances	1,106.8	1,064.5	1,077.0	4.0	(3.0)
Special needs housing permanent loan balances	65.2	61.0	62.9	6.9	(3.0)
<b>Total Multifamily Mortgage Loans</b>	<b>\$ 1,297.6</b>	<b>\$ 1,315.7</b>	<b>\$ 1,294.6</b>	(1.4) %	1.6 %

As a result of legislation that was passed during calendar year 2002, on April 9, 2003 the Authority acquired housing assets from the Connecticut Department of Economic and Community Development from a reallocation of \$85 million of its available cash resources. The par value of this acquired portfolio at December 31, 2003 was \$213.3 million. After evaluation of the underlying loans by the Authority, the carrying value of this portfolio was written down to \$65.0 million.

During calendar year 2016, further legislation was passed which resulted in the Authority acquiring multifamily housing assets from the Connecticut Department of Housing from a reallocation of \$15 million of the Authority's available cash resources. The par value of this acquired portfolio at December 31, 2016 was \$16.1 million. After evaluation of the underlying loans by the Authority, the carrying value of this portfolio was written down to zero.



**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

The status of these acquired portfolios combined, as of December 31, 2018, 2017 and 2016, is summarized as follows (in millions):

	<b>December 31, 2018</b>		
	<b>Par Value</b>	<b>Allowance for Losses</b>	<b>Carrying Amount</b>
Home mortgage loans	\$ 12.6	\$ (11.7)	\$ 0.9
Multifamily mortgage loans	168.8	(138.1)	30.7
Total acquired portfolio	\$ 181.4	\$ (149.8)	\$ 31.6

Allowance for losses % to par value 82.6%

	<b>December 31, 2017</b>		
	<b>Par Value</b>	<b>Allowance for Losses</b>	<b>Carrying Amount</b>
Home mortgage loans	\$ 17.1	\$ (16.1)	\$ 1.0
Multifamily mortgage loans	169.6	(135.7)	33.9
Total acquired portfolio	\$ 186.7	\$ (151.8)	\$ 34.9

Allowance for losses % to par value 81.3%

	<b>December 31, 2016</b>		
	<b>Par Value</b>	<b>Allowance for Losses</b>	<b>Carrying Amount</b>
Home mortgage loans	\$ 17.4	\$ (16.3)	\$ 1.1
Multifamily mortgage loans	170.8	(135.5)	35.3
Total acquired portfolio	\$ 188.2	\$ (151.8)	\$ 36.4

Allowance for losses % to par value 80.7%

Mortgage loan earnings, including earnings on GNMA, FNMA and FHLMC Program Assets, which are included in "interest on investments," represent the Authority's major source of operating revenue. The Authority also charges various program fees that include but are not limited to application fees, commitment fees, extension fees and financing fees.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

The following table summarizes the changes in operating income between December 31, 2018, 2017 and 2016.

	(in millions)			% Change	
	2018	2017*	2016	2018/2017	2017/2016
Operating Revenues:					
Interest on mortgage loans	\$ 143.0	\$ 151.8	\$ 163.2	(5.8) %	(7.0) %
Interest on investments	62.4	47.7	37.0	30.7	29.0
Fees and other income	10.6	14.2	6.8	(25.5)	108.9
<b>Total operating revenues</b>	<b>216.0</b>	<b>213.7</b>	<b>207.0</b>	<b>1.0</b>	<b>3.3</b>
Operating Expenses:					
Interest	147.3	137.4	127.9	7.2	7.4
Bond issuance costs	6.9	7.5	8.4	(8.5)	(11.0)
Servicer fees	12.1	11.5	11.2	5.5	2.5
Administrative	42.7	38.8	38.3	9.9	1.5
Provision for losses	14.8	1.6	18.0	828.1	(91.1)
<b>Total operating expenses</b>	<b>223.8</b>	<b>196.8</b>	<b>203.8</b>	<b>13.7</b>	<b>(3.4)</b>
Operating income	(7.8)	16.9	3.2	(146.2)	429.6
Nonoperating Revenues (Expenses):					
Net increase (decrease) in the fair value of investments	(49.5)	(5.9)	(24.6)	(738.9)	(75.9)
Other	11.8	(0.7)	(1.0)	1,785.7	(33.8)
<b>Total nonoperating income (loss)</b>	<b>(37.7)</b>	<b>(6.6)</b>	<b>(25.6)</b>	<b>(471.9)</b>	<b>(74.2)</b>
<b>Change in Net Position</b>	<b>\$ (45.5)</b>	<b>\$ 10.3</b>	<b>\$ (22.4)</b>	<b>541.9 %</b>	<b>146.0 %</b>

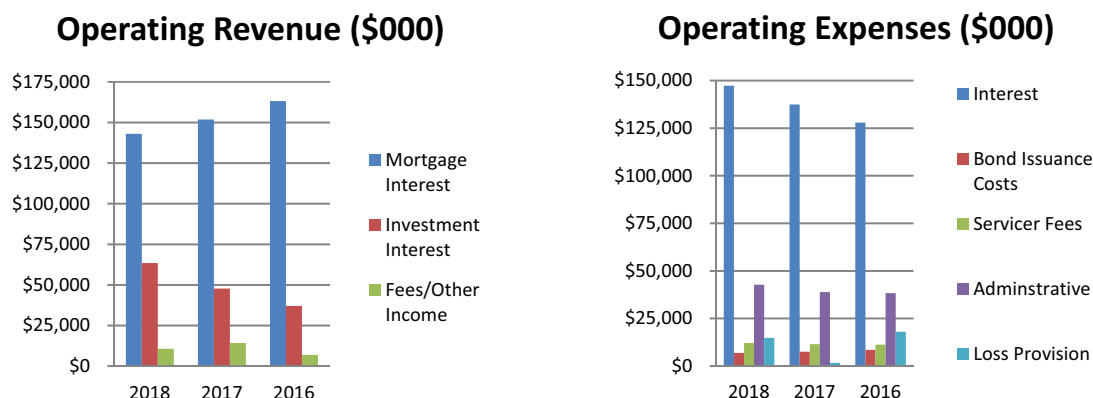
\* Restated for GASB No. 75 implementation (see Note 2)

**Change 2018/2017**

- Total net position decreased \$45.5 million in 2018. Operating loss was \$7.8 million, a decrease of \$24.7 million from the prior year.
- Operating revenues increased \$2.3 million or 1.0%. There has been a shift between interest on mortgage loans and interest on investments year-over-year as a substantial portion of new qualified mortgage loans are being securitized into mortgage-backed securities instead of being recognized as whole loans. On a combined basis, mortgage and investment interest income increased by \$5.9 million in 2018. This is being driven by the \$162 million net increase in program assets (mortgage loans receivable and investments in securities) year-over-year. Due in most part to the administration of Section 8 contracts in the multifamily portfolio, non-recurring fees were recognized during 2017. Since these were non-recurring, it has resulted in a \$3.6 million decrease in fees and other income in 2018.
- Operating expenses increased \$27 million or 13.7%. This increase is substantially attributable to:
  - A \$9.9 million increase in interest costs. The Authority's bonds payable as of year-end was \$183 million higher than the prior year. In addition, the interest rates being paid on the Authority's variable rate bonds increased during 2018.
  - A \$3.9 million increase in administrative costs.
    - The majority of this variance is reflected in fringe benefits and results from an increase in pension and OPEB costs allocated to the Authority per an actuarial analysis prepared by the State of Connecticut. See Notes 13 and 14 for further detail.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

- A \$13.2 million increase in provision for losses over prior year. The Authority sold the loans related to a distressed multifamily property through a competitive bid process that resulted in an additional charge-off to loss reserves in the amount of \$11.3 million. The remaining \$1.9 variance is due to routine performance changes in the multifamily portfolio.
- Nonoperating loss increased by \$31.1 million and is substantially attributable to:
  - The change in the fair value of the Authority's investment portfolio, specifically the Authority's GNMA, FNMA and FHLMC Program Assets discussed in Note 4 of the financial statements, resulted in a fair value reduction of \$43.6 million more than prior year. This reduction in fair value was due to an increasing market interest rate environment. The change in market interest rates has an inverse relationship to the fair value of mortgage backed securities.
  - The \$12 million in additional DAP program funding received from the State during 2018. No DAP funds were received in 2017.



**Change 2017/2016**

- Total net position increased \$10.3 million in 2017. Operating income was \$16.9 million, an increase of \$13.7 million from the prior year.
- Operating revenues increased \$6.7 million or 3.3%. There has been a shift between interest on mortgage loans and interest on investments year-over-year due to a substantial portion of new qualified mortgage loans being securitized into mortgage-backed securities instead of being recognized as whole loans. When combined, the revenue variance between years is nominal. The majority of the increase in operating revenues is due to an increase in fees and other income. Several non-recurring fees were recognized in 2017, in most part due to the administration of Section 8 contracts in the multifamily portfolio.
- Operating expenses decreased \$7.0 million or 3.4%. This decrease is substantially attributable to:
  - A \$9.5 million increase in interest costs. The Authority's outstanding debt as of year-end was \$328 million higher than the prior year.
  - A \$16.4 million decrease in provision for losses over prior year. A substantial increase in loss reserve was needed in 2016 to account for the acquisition of a multifamily portfolio acquired from the State in connection with Public Act 16-1. The Authority did not make any acquisition in 2017.
- Nonoperating loss decreased by \$19 million. The majority of this variance is due to the change in fair value of the Authority's investment portfolio. The 2017 required mark-to-market adjustments resulted in \$18.7 million less in fair value reduction compared to the prior year.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018 and 2017 – (Continued)**

*Debt Administration*

The following table summarizes the changes in bonds payable between December 31, 2018, 2017 and 2016. More detailed information related to the Authority's outstanding bond debt obligations is presented in Note 8 of the financial statements.

	<u>(in millions)</u>			<u>% Change</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018/2017</u>	<u>2017/2016</u>
Bonds payable	\$ 4,617.1	\$ 4,433.9	\$ 4,097.6	4.1%	8.2%

*Contacting the Authority's Financial Management*

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Finance Department of the Connecticut Housing Finance Authority at 999 West Street, Rocky Hill, CT 06067.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
(in 000's)

	<b>December 31,</b>	
	<b>2018</b>	<b>2017*</b>
<b>Assets</b>		
Restricted current assets:		
Cash and cash equivalents	\$ 364	\$ 533
Mortgage loans receivable	134,424	129,571
Investments in securities	579,685	641,242
Real estate owned - multifamily	2,300	2,300
Accrued interest receivable on:		
Mortgage loans	14,406	16,768
Securities	6,027	4,707
Accounts receivable and other assets	61,565	63,243
Total current assets	<u>798,771</u>	<u>858,364</u>
Restricted noncurrent assets:		
Mortgage loans receivable, net of current portion	2,923,426	3,063,687
Investments in securities, net of current portion	2,022,711	1,663,393
Capital assets, net of depreciation	3,046	3,465
Real estate owned - single family	16,667	16,483
Total noncurrent assets	<u>4,965,850</u>	<u>4,747,028</u>
Total assets	<u>5,764,621</u>	<u>5,605,392</u>
<b>Deferred Outflows of Resources</b>		
Unamortized deferral on bond refundings	96,056	91,788
Deferred amount for OPEB	2,644	2,666
Deferred amount for pensions	16,775	22,050
Total deferred outflows of resources	<u>115,475</u>	<u>116,504</u>
<b>Liabilities</b>		
Current liabilities:		
Escrow deposits and unearned revenue	39,680	43,821
Accrued interest payable	17,447	16,105
Accounts payable and accrued liabilities	6,601	6,966
Bonds payable	238,711	234,010
Total current liabilities	<u>302,439</u>	<u>300,902</u>
Noncurrent liabilities		
Escrow deposits and unearned revenue, net of current portion	147,739	138,627
Bonds payable, net of current portion	4,378,396	4,199,893
Derivative instruments - interest rate swaps	86,917	110,830
Net OPEB liability	63,147	67,722
Net pension liability	67,896	67,070
Total noncurrent liabilities	<u>4,744,095</u>	<u>4,584,142</u>
Total liabilities	<u>5,046,534</u>	<u>4,885,044</u>
<b>Deferred Inflows of Resources</b>		
Deferred amount for OPEB	6,912	1,701
Deferred amount for pensions	8,367	10,248
Derivative financial Instruments	49,544	10,677
Total deferred inflows of resources	<u>64,823</u>	<u>22,626</u>
<b>Net Position</b>		
Net investment in capital assets	3,046	3,465
Restricted by bond indentures and/or enabling legislation	765,693	810,761
<b>Total Net Position</b>	<u>\$ 768,739</u>	<u>\$ 814,226</u>

\* Restated for GASB No. 75 implementation (see Note 2)

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
(in 000's)

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017*</b>
<b>Operating Revenues</b>		
Interest on mortgage loans	\$ 142,976	\$ 151,752
Interest on investments	62,375	47,734
Fees and other income	10,604	14,232
Total operating revenues	<u>215,955</u>	<u>213,718</u>
<b>Operating Expenses</b>		
Interest	147,288	137,424
Bond issuance costs	6,858	7,497
Servicer fees	12,115	11,482
Administrative	42,678	38,832
Provision for losses	14,801	1,595
Total operating expenses	<u>223,740</u>	<u>196,830</u>
<b>Operating Income (Loss)</b>	<u>(7,785)</u>	<u>16,888</u>
<b>Nonoperating Revenues (Expenses)</b>		
Net decrease in the fair value of investments	(49,453)	(5,938)
State and federal program funding	14,129	6,252
State and federal program expenses	<u>(2,378)</u>	<u>(6,906)</u>
Net nonoperating expenses	<u>(37,702)</u>	<u>(6,592)</u>
<b>Change in Net Position</b>	(45,487)	10,296
<b>Net Position - Beginning of Year, as Restated</b>	<u>814,226</u>	<u>803,930</u>
<b>Net Position - End of Year</b>	<u>\$ 768,739</u>	<u>\$ 814,226</u>

\* Restated for GASB No. 75 implementation (see Note 2)

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
(In 000's)

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017*</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from interest on mortgage loans	\$ 145,338	\$ 154,611
Cash received from scheduled mortgage principal payments	89,299	88,231
Cash received from mortgage principal prepayments	181,917	200,333
Cash received from fees and other income	11,301	13,569
Cash payments to purchase mortgage loans	(155,059)	(191,662)
Cash payments to employees	(22,300)	(20,638)
Cash payments to suppliers	(27,660)	(21,558)
Net cash provided by operating activities	<u>222,836</u>	<u>222,886</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from escrow deposits	4,971	2,832
Retirement of bonds payable	(551,490)	(737,047)
Proceeds from sales of bonds	740,550	1,077,592
Interest paid	(141,117)	(130,593)
Bond issuance costs	(6,827)	(7,472)
Proceeds from state and federal program funding	14,108	6,252
State and federal program costs	(2,357)	(6,906)
Net cash provided by noncapital financing activities	<u>57,838</u>	<u>204,658</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of computer software	(35)	(218)
Net cash used in capital and related financing activities	<u>(35)</u>	<u>(218)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of and maturities of investment securities	384,559	95,555
Purchase of investment securities	(726,238)	(579,206)
Sales (acquisition) of real estate owned	(184)	9,801
Interest received on investments	61,055	46,489
Net cash used in investing activities	<u>(280,808)</u>	<u>(427,361)</u>
<b>Decrease in Cash and Cash Equivalents</b>	(169)	(35)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>533</u>	<u>568</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 364</u>	<u>\$ 533</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (7,785)	\$ 16,888
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	454	320
Provision for losses	14,801	1,595
Bond issuance costs	6,858	7,497
Interest on investments	(62,375)	(47,734)
Interest expense	147,288	137,424
Change in assets and liabilities:		
Decrease in accrued interest receivable on mortgage loans	2,362	2,859
Decrease in accounts receivable and other assets	1,678	12,055
Decrease in accounts payable and other accrued liabilities	(365)	(1,086)
Decrease in deferred amount for OPEB, outflows	22	251
Increase in deferred amount for OPEB, inflows	5,211	1,701
Increase (decrease) in net OPEB liability	(4,575)	2,073
Decrease in deferred amount for pensions, outflows	5,275	3,190
Decrease in deferred amount for pensions, inflows	(1,881)	(2,586)
Increase (decrease) in net pension liability	826	(2,558)
Decrease in mortgage loan and other receivables, net	<u>115,042</u>	<u>90,997</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 222,836</u>	<u>\$ 222,886</u>
<b>Noncash Investing Activities</b>		
Net decrease in the fair value of investments	<u>\$ (49,453)</u>	<u>\$ (5,938)</u>

\* Restated for GASB No. 75 implementation (see Note 2)

The accompanying notes are an integral part of the financial statements

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 1 - AUTHORIZING LEGISLATION**

Connecticut Housing Finance Authority (the Authority) is a public instrumentality and political subdivision of the State of Connecticut. It was created in 1969 for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate-income families and persons throughout Connecticut. The Authority operates pursuant to Chapter 134 of the Connecticut General Statutes, as amended (the Act). As required by the Act, the Authority's powers are exercised by a Board of Directors consisting of fifteen members, four of whom are State officials, seven of whom are appointed by the Governor and four of whom are appointed by leaders of the General Assembly.

The Authority is authorized to issue bonds, notes and other obligations to fund loans to qualified borrowers for single family homes and multifamily developments. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Authority is a component unit of the State of Connecticut, based on the criteria for defining the reporting entity as identified and described in the Government Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The Authority is a self-supported entity and the accompanying financial statements are presented using the economic resources measurement focus and accrual basis of accounting wherein revenues are recognized when earned, and expenses are recognized when the liability is incurred. The financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). While detail sub-fund information is not presented, separate accounts are maintained for each program and include certain funds that are legally designated as to use. The funds of the Authority and similar component units are proprietary fund types.

#### **Reporting Entity**

##### *Connecticut Housing Finance Authority Funds*

Under the Act and the General Housing Mortgage Finance Program Bond Resolution of September 27, 1972 (the Bond Resolution), the Authority is authorized to maintain Housing Mortgage General and Capital Reserve Funds. In addition to the aforementioned funds, the Authority, as permitted by the Act, has established other funds. Included in other funds are the Investment Trust Fund, which may be used to account for assets which are determined to be "surplus funds" under the terms of the Bond Resolution, and the Housing Mortgage Insurance Fund, which provides mortgage insurance.



## CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS

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Also included in other funds are:

- a. the Special Needs Housing Fund, the Special Needs Housing Capital Reserve Fund, the State Assistance Agreement Fund, and, as to the Authority's Emergency Mortgage Assistance Payment (EMAP) Program: the EMAP State Assistance Agreement Fund and the EMAP Revolving Loan Fund (collectively, the Special Needs Housing Program Funds), the Group Home Renewal and Replacement Fund, the Assisted Living Facilities Renewal and Replacement Fund and the Supportive Housing Renewal and Replacement Fund (collectively the Special Needs Housing Renewal and Replacement Funds). The Authority is authorized to maintain the Special Needs Housing Program Funds and the Special Needs Housing Renewal and Replacement Funds (collectively the Special Needs Housing Funds) under the Act and the Special Needs Housing Mortgage Finance Program Indenture (formerly known as the Group Home Mortgage Finance Program Indenture of Trust) (the Special Needs Indenture),
- b. the Single Family Special Obligation Bond and Other Bond Funds which the Authority is authorized to maintain under the Act, the Bond Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds (the SFSOB Resolution) of November 19, 2009, and the Bond Resolution Providing for the Issuance of Other Bonds for the Housing Mortgage Finance Program (Single Family) (the Single Family Other Bond Resolution) of November 19, 2009,
- c. the Multifamily Special Obligation Bond and Other Bond Funds which the Authority is authorized to maintain under the Act, the Multifamily Bond Resolution Providing for the Issuance of Multifamily Mortgage Revenue Bonds (the MFSOB Resolution) of November 19, 2009, and the Bond Resolution Providing for the Issuance of Other Bonds for the Housing Mortgage Finance Program (Multifamily) (the Multifamily Other Bond Resolution) of October 27, 2011, and
- d. The Qualified Energy Conservation Bond Fund which the Authority is authorized to maintain under the Act, the Qualified Energy Conservation Bond Resolution Providing for the Issuance of Qualified Energy Conservation Revenue Bonds (the QECB Resolution) of February 26, 2015.

### **Blended Component Units**

The Authority's operations include blended component units which are included in the Authority's basic financial statements in accordance with GASB Statement No. 61. These are legally separate entities for which the Authority is considered financially accountable. The Authority is financially accountable for those units that make up its legal entity, as well as certain legally separate organizations because they have essentially the same board of directors and management personnel. Blended component units are, in substance, part of the Authority's operations; therefore, data from these units are combined with data of the primary Authority. Interfund activity has been eliminated. Additional information relating to these blended component units can be found in the supplementary information section of this report.

### **State Housing Authority**

The State Housing Authority (the Corporation) is a quasi-public agency of the State of Connecticut and a subsidiary of the Authority. It was created as the successor to the Connecticut Housing Authority (CHA) under Public Act No. 95-250, which transferred \$1,282,000 to establish the Corporation. The Corporation operates pursuant to Chapter 129 of the Connecticut General Statutes, as amended (the CHA Act). This entity is currently inactive.

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **Real Estate Owned - Multifamily**

CHFA - Small Properties, Inc., was established as a tax-exempt organization and subsidiary of the Authority. This organization operates pursuant to Section 8-244(c)(1) of the Connecticut General Statutes and was created to provide distinct accountability for multifamily real estate awaiting sale.

### **Cash and Cash Equivalents**

Cash is comprised of accounts on deposit with financial institutions. For purposes of reporting cash flows, highly liquid instruments with an original maturity of less than 90 days are generally considered to be cash equivalents, exclusive of the State of Connecticut Short Term Investment Fund and overnight sweeps which are considered to be investments in securities.

### **Mortgage Loans Receivable**

Mortgage loans are carried at their principal balance net of allowance for losses and are generally secured by first liens on real property. Interest on loans is accrued and credited to operations based on the principal amount outstanding. The accrual of interest income is discontinued when a loan becomes 90 days past due or in management's opinion is deemed uncollectible as to principal or interest. When interest accruals are discontinued, unpaid interest previously recorded as income is reversed and subsequently recognized only when received.

### **Allowance for Losses**

The allowance for losses on the loan and real estate owned portfolios is provided through charges against current operations based on management's periodic review of the loan and real estate owned portfolios. This review considers such factors as the payment history of the loans, the current and projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee and economic conditions.

### **Investments in Securities**

The Authority is limited under the Act to (i) investment obligations issued or guaranteed by the United States Government or the State of Connecticut, (ii) participation certificates for the State of Connecticut Short Term Investment Fund (STIF) which is an investment pool administered by the State Treasurer, and (iii) other obligations which are legal investments for savings banks in Connecticut and to time deposits or certificates of deposit or other similar arrangements secured in such a manner as the Authority determines.

Investments are carried at net asset value or at fair value with the exception of those investments maturing within one year, which are carried at amortized cost, excluding accrued interest.

### **Capital Assets**

Land, building, building improvements and computer software exceeding \$5,000 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using the straight-line method over the estimated useful life; 32 years for building and building improvements and 7 years for computer software.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Compensated Absences**

Full-time employees accrue vacation or annual leave at the rate of fifteen to twenty-five days per year, depending on length of service. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination or death may be compensated for certain accumulated amounts at their then current rates of pay. The liability was \$2,834,000 and \$2,299,000 for 2018 and 2017, respectively, and is reflected in the statement of net position as a component of accounts payable and accrued liabilities.

**Bond Issuance Costs**

Bond issuance costs are expensed when incurred and are classified as an operating expense in the statements of revenues, expenses and changes in net position.

**Bond Premiums and Discounts**

Discount and premium on bonds issued are deferred and amortized as a component of interest expense using a method approximating the effective interest method.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred outflows and inflows related to pension and OPEB in the statements of net position which result from differences between expected and actual experience, changes in assumptions or other inputs and contributions after the measurement date. These amounts are deferred and included in pension expense and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, defines derivative instruments and requires that they be reported at fair value in the statements of net position. The swap agreements the Authority has entered into are characterized as derivatives. Offsetting changes in fair value are carried on the statements of net position as either deferred inflows or outflows for swaps classified as effective hedges. As of December 31, 2018 and 2017, the Authority's swaps were considered effective hedges.

Gains and losses in connection with advanced refundings of debt are recorded as either a deferred outflow or deferred inflow of resources and are amortized as a component of interest expense over the shorter of the remaining life of the old or the new debt.

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **Real Estate Owned**

Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported separately in real estate owned. In-substance foreclosures are properties in which the borrower has little or no equity in the collateral, where repayment of the loan is expected only from the operation or sale of the collateral, and the borrower either effectively abandons control of the property or the borrower has retained control of the property, but his ability to rebuild equity based on current financial conditions is considered doubtful. Properties acquired by foreclosure or deed in lieu of foreclosure and properties classified as in-substance foreclosures are transferred to real estate owned and recorded at the lower of cost or fair value less estimated selling costs at the date of foreclosure and are adjusted, if necessary, at year end. An allowance for losses on real estate owned is maintained for subsequent valuation adjustments on a specific property basis.

### **Net OPEB Liability**

The Authority's proportionate share of the net OPEB liability and expense associated with the Authority's requirement to contribute to the State of Connecticut Other Post-Employment Benefits Program have been determined by an actuarial valuation prepared and reported by the State of Connecticut's Other Post-Employment Benefits Program. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year-end. The measurement date relating to the Authority's net OPEB liability is June 30<sup>th</sup> of the current reporting year.

### **Net Pension Liability**

Net pension liability is measured as the portion of the actuarial present value of projected pension benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for the purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year-end. The measurement date relating to the Authority's net pension liability is June 30<sup>th</sup> of the current reporting year.

### **Derivative Financial Instruments**

The Authority's derivative financial instruments consist of interest rate swaps, all of which have been determined by the Authority to represent effective cash flow hedges. Accordingly, changes in the fair value of the swaps are reported as either deferred outflows or inflows of resources on the statements of net position.

The interest differentials to be paid or received under interest rate swaps are recognized as increases or decreases in interest expense of the related bond liability. The fair value of the Authority's position at year end in swap agreements is disclosed in Note 8. No gains or losses will result under the agreements unless an agreement is terminated prior to maturity or the counterparty defaults.

### **Net Position**

Net position is classified in the following two categories:

#### **Net Investment in Capital Assets**

This component of net position consists of capital assets, net of accumulated depreciation. There is no outstanding debt related to the Authority's capital assets.

## CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS

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### **Restricted by Bond Indentures and/or Enabling Legislation**

All funds and component units of the Authority that are not related to capital assets are restricted by the Bond Resolution, Special Needs Indenture, SFSOB Resolution, Single Family Other Bond Resolution, MFSOB Resolution, QECB Resolution and Multifamily Other Bond Resolution and/or the Act.

### **Operating and Nonoperating Revenues and Expenses**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues consist primarily of interest income on mortgage loans, fees and other charges related to mortgage loans and interest on investments, including fees and interest on GNMA, FNMA & FHLMC Program Asset investments more fully described in Note 4. The Authority also recognizes revenues from other administrative fees as operating revenues. Operating expenses include general and administrative expenses, costs and expenses incurred in connection with the amortization, issuance and sale of bonds; and other costs related to various loan programs. Revenues or expenses not meeting this definition are generally reported as nonoperating revenues and expenses.

### **Grants**

Grants received from federal and state governments are recognized as nonoperating revenue as the related expenditures are incurred in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### **Adoption of New Accounting Pronouncement**

In June 2015, GASB approved Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* (GASB 75), which revises and establishes new financial reporting requirements for most governments and governmental agencies that provide postemployment benefits other than pensions to their employees. The provisions of this Statement are effective for periods beginning after June 15, 2017. GASB 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as Amended*, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans, for OPEB*. Statement No. 75 requires the Authority to recognize a liability for postemployment benefits other than pensions. The statement also enhances accountability and transparency through additional note disclosures and required supplemental information (RSI).

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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The following table summarizes the adjustments that have been made to restate the Authority's financial statements to reflect the impact of implementing GASB Statement No. 75:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>As of December 31, 2016</u>			
Net Position	\$ 866,662	\$ (62,732)	\$ 803,930
<u>As of December 31, 2017</u>			
Deferred outflows of resources		\$ 2,666	\$ 2,666
Net OPEB liability		67,722	67,722
Deferred inflows of resources		1,701	1,701
Net position	880,983	(66,757)	814,226
<u>For the year ended December 31, 2017</u>			
Administrative expenses	\$ 34,807	\$ 4,025	\$ 38,832
Operating income	20,913	(4,025)	16,888
Change in net position	14,321	(4,025)	10,296

**Upcoming Accounting Pronouncements**

In March 2018, GASB approved Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). The objective of this statement is to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. This statement also clarifies which liabilities should be included when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

**NOTE 3 - FAIR VALUE**

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date ("exit price"). The fair value hierarchy established by generally accepted accounting principles prioritizes the inputs to valuation techniques used to measure fair value as follows:

**Level 1**

Quoted prices in active markets for identical assets or liabilities at the measurement date.

**Level 2**

Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3**

Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

The Authority has the following investment and derivative instruments measured at fair value which are included in the statements of net position as of December 31, 2018 and December 31, 2017:

**Investments and Derivative Instruments Measured at Fair Value**

(in thousands)

December 31, 2018

	<u>Fair Value 12/31/18</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
CMO	\$ 304	\$	\$ 304	\$
GNMA, FNMA & FHLMC Program Assets	1,966,992		1,966,992	
MBS's	402		402	
Municipal Bonds	53,388		53,388	
Structured Securities	1,100		1,100	
US Government Agency Securities	835	835		
US Treasury Bills	79,816	79,816		
<b>Total</b>	<b>\$ 2,102,837</b>	<b>\$ 80,650,503</b>	<b>\$ 2,022,186</b>	<b>\$ -</b>
Derivative Instruments measured at fair value:				
Interest rate swaps	\$ (86,917)	\$ -	\$ (86,917)	\$ -

**Investments and Derivative Instruments Measured at Fair Value**

(in thousands)

December 31, 2017

	<u>Fair Value 12/31/17</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
CMO	\$ 474	\$	\$ 474	\$
GNMA, FNMA & FHLMC Program Assets	1,603,090		1,603,090	
MBS's	509		509	
Municipal Bonds	58,479		58,479	
Structured Securities	279		279	
US Government Agency Securities	878	878		
<b>Total</b>	<b>\$ 1,663,709</b>	<b>\$ 878,000</b>	<b>\$ 1,662,831</b>	<b>\$ -</b>
Derivative Instruments measured at fair value:				
Interest rate swaps	\$ (110,830)	\$ -	\$ (110,830)	\$ -

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS IN SECURITIES**

**A. Deposits (in 000's)**

At December 31, 2018 and 2017, the carrying amount reported as cash and cash equivalents on the statements of net position of the Authority represents deposits (including checking accounts and escrow accounts) of \$364 (including \$4 held under the Special Needs Housing Renewal and Replacement Funds) and \$533 (including \$11 held under the Special Needs Housing Renewal and Replacement Funds), respectively. This entire amount is on deposit in independent financial institutions with a balance of \$753 and \$1,542 at December 31, 2018 and 2017, respectively. Included in the carrying amount reported as cash and cash equivalents, are deposits held in escrow by the Authority at December 31, 2018 and 2017, of \$176 and \$443, respectively.

**Custodial Credit Risk**

Of the \$753 and \$1,542 financial institution balance at December 31, 2018 and 2017, \$157 and \$36, respectively, were held in the Authority's name in the corporate trust division of one financial institution. These amounts were collateralized with a market value of underlying collateral equal to at least 100% of the amount on deposit with acceptable collateral compliant with 12 CFR § 9.10(b). In addition, in compliance with 12 CFR § 9.13 these amounts were protected from any potential creditors of the financial institution. The balances of \$596 and \$1,505, respectively, were held in demand deposit accounts at FDIC-insured institutions. As of December 31, 2018, \$346 was uninsured, \$60 of which was collateralized with securities by the financial institution, but not in the Authority's name. As of December 31, 2017, \$1,255 was uninsured, \$151 of which was collateralized with securities by the financial institution, but not in the Authority's name.



**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**B. Investments in Securities (in 000's)**

At December 31, 2018, the Authority held the following investments with the listed maturities bearing interest at annual rates ranging from 0% to 7.65%. For investments other than Municipal Bonds, where no rating is indicated, the investments are direct obligations issued by the United States Government or its agencies or fully collateralized by such obligations. Municipal Bonds represent the Authority's Other Bonds which are more fully described in Note 8. They are secured by the Bond Resolution Capital Reserve Fund and as such, are a contingent liability of the State of Connecticut. Ratings are displayed with the S&P Global Ratings listed first (if available), the Moody's Investors Service second (if available) and the Fitch Rating last (if available) or NR for not-rated.

	Investment Maturities (in Years)				
	Amortized Cost, Net Asset Value or Fair Value	Less Than 1	1 - 5	6 -10	More Than 10
CMO (NR/NR/C)	\$ 304			\$ 304	
GNMA, FNMA & FHLMC Program Assets	1,966,992			2,478	1,964,514
MBS's	402		41	43	318
Money Market Funds (AAAm/Aaa-mf/NR)	3,998	3,998			
Municipal Bonds	53,388	310	1,483	1,951	49,644
STIF-rated (AAAm/NR/NR)	495,561	495,561			
Structured Securities-rated (NR/C/D)	1,100			1,100	
U.S. Government Agency Securities	835				835
U.S. Treasury Bills	79,816	79,816			
<b>Total Investments Held by All Funds and Component Units</b>	<b>\$ 2,602,396</b>	<b>\$ 579,685</b>	<b>\$ 1,524</b>	<b>\$ 5,876</b>	<b>\$ 2,015,311</b>
Restricted current assets:					
Capital Reserve Funds	\$ 13,813				
Renewal and Replacement Funds	9,594				
All other funds and component units	556,278				
Total restricted current assets	579,685				
Restricted noncurrent assets:					
Capital Reserve Funds	505,774				
All other funds and component units	1,516,937				
Total restricted noncurrent assets	2,022,711				
<b>Total Investments Held by All Funds and Component Units</b>	<b>\$ 2,602,396</b>				

**Interest Rate Risk**

Exposure to declines in fair value is substantially limited to the Authority's investment in the GNMA, FNMA and FHLMC Program Assets, discussed above. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flow requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**Credit Risk**

The Authority's investments are limited under the Act to (i) United States Government obligations, including its agencies or instrumentalities, (ii) investments guaranteed by the State of Connecticut, (iii) participation certificates for the investment pool administered by the State Treasurer or (iv) other obligations which are legal investments for savings banks in the State of Connecticut. The Money Market Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities (MBSs) are fully collateralized by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) or the Government National Mortgage Association (GNMA), and Collateralized Mortgage Obligations (CMOs) are fully collateralized by the United States Department of Housing and Urban Development (HUD) mortgage pools. Structured Securities are fully collateralized by Manufactured Housing Sales Contracts and Installment Loan Agreements. At December 31, 2018, one CMO (fair value \$304) and one Structured Security (fair value \$1,100) were below Investment Grade rating standards. At December 31, 2017, one CMO (fair value \$474) and one Structured Security (fair value \$279) were below Investment Grade rating standards. At the time of their initial purchase, these two investments were classified as Investment Grade.

**Concentration of Credit Risk**

The Authority's investment policy requires diversification of its investment portfolio to reduce the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2018 and 2017, the Authority had no investments in any one issuer that represents 5% or more of total investments, other than investments guaranteed by the U.S. Government (GNMA, FNMA and FHLMC Program Assets - fair value - \$1,966,992 or 76% in 2018 and \$1,603,090 or 70% in 2017) or the State of Connecticut (STIF - net asset value - \$495,561 or 19% in 2018 and \$631,881 or 27% in 2017).

**Custodial Credit Risk**

All investments exist in book entry form and are held by the Trustee or other financial institution in the Authority's name or insured (fair value - \$2,106,835 in 2018 and \$1,672,754 in 2017) with the exception of the STIF (net asset value - \$495,561 in 2018 and \$631,881 in 2017 - rated AAAM in 2018 and 2017). The underlying value of the investment in the STIF's pool is the same as the value of the pool's shares. The pool is managed by the Cash Management Division of the State of Connecticut's Treasurer's Office. The State Treasurer set up a cash management advisory board tasked with reviewing the pool's portfolio, performance investment policies and procedures.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**GNMA, FNMA & FHLMC Program Assets**

Since 1999, the Authority directed certain of its participating lenders to assign government insured Authority qualified home mortgage loans and sold a portion of its existing home mortgage loan portfolio for assembly into pools guaranteed by the Government National Mortgage Association (GNMA). GNMA securities were issued backed by these home mortgage loans, and the Authority purchased the securities (GNMA Program Assets) with funds held in the Housing Mortgage Capital Reserve Fund. In 2000, the Authority expanded this program to allow the purchase of GNMA Program Assets with funds held in the Housing Mortgage General Fund. As a result of this program expansion and in order to assure compliance with Bond Resolution requirements, the Authority transferred the \$331,081 net position held in the Investment Trust Fund to the Housing Mortgage General Fund in 2001. Since 2001, GNMA Program Assets have also been purchased with funds held in the Special Needs Housing Fund and the Special Needs Housing Capital Reserve Fund. In 2013, the Authority directed certain of its participating lenders to assign privately insured Authority qualified conventional home mortgage loans for assembly into pools guaranteed by the Federal National Mortgage Association (FNMA). These pools were securitized and are backed by these home mortgage loans. In 2016, the Authority further expanded the program to securitize pools of home mortgage loans guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC). GNMA, FNMA & FHLMC Program Assets are carried at fair value. As of December 31, 2018 and 2017, the fair value of GNMA, FNMA & FHLMC Program Asset investments was \$1,966,992 and \$1,603,090, respectively.

**Bond Resolution Capital Reserve Fund (in 000's)**

The Bond Resolution Capital Reserve Fund is established pursuant to the Act and the Bond Resolution and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year (\$309,324 at December 31, 2018 and \$256,542 at December 31, 2017) on all bonds of the Authority then outstanding under the Bond Resolution. Further, the Authority may not issue additional bonds under the Bond Resolution unless the amount in the Bond Resolution Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest maturing and becoming due in any succeeding calendar year (\$323,388 at December 31, 2018 and \$298,586 at December 31, 2017) on all bonds of the Authority then outstanding under the Bond Resolution. For purposes of satisfying these requirements, the Act and the Bond Resolution require that investments of the Bond Resolution Capital Reserve Fund be valued at the lowest of par, actual cost or market value. To satisfy this calculation, all variable rate interest payments and receipts are assumed to be based on the average interest rates for the prior twelve months plus 200 basis points, interest payments on swapped bonds are included at the fixed rate on the swaps, and retirement of principal on bonds with mandatory tender dates are assumed in accordance with the sinking fund schedule of each respective bond series resolution.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**Special Needs Indenture Capital Reserve Fund (in 000's)**

The Special Needs Indenture Capital Reserve Fund is established pursuant to the Act and the Special Needs Indenture and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year (\$5,167 at December 31, 2018 and \$5,048 at December 31, 2017) on all bonds of the Authority then outstanding under the Special Needs Indenture. Further, the Authority may not issue additional bonds under the Special Needs Indenture unless the amount in the Special Needs Indenture Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest maturing and becoming due in any succeeding calendar year (\$5,198 at December 31, 2018 and \$5,048 at December 31, 2017) on all bonds of the Authority then outstanding under the Special Needs Indenture. For purposes of satisfying these requirements, the Act and the Special Needs Indenture require that investments of the Special Needs Indenture Capital Reserve Fund be valued at amortized cost or such other method as determined by the Authority to be reasonable and in the best interest of the bondholders, provided such other method is approved by the trustee and any applicable bond insurer.

Restricted funds of the Bond Resolution and Special Needs Indenture Capital Reserve Funds consisted of the following:

	December 31,					
	2018			2017		
	Bond Resolution	Special Needs Indenture	Total	Bond Resolution	Special Needs Indenture	Total
Investment in securities	\$ 518,623	\$ 5,440	\$ 524,063	\$ 714,254	\$ 5,322	\$ 719,576
Accrued interest receivable	1,329	15	1,344	1,746	11	1,757
<b>Total Capital Reserve Funds</b>	<b>\$ 519,952</b>	<b>\$ 5,455</b>	<b>\$ 525,407</b>	<b>\$ 716,000</b>	<b>\$ 5,333</b>	<b>\$ 721,333</b>
Restricted current assets:						
Investments in securities	\$ 13,813	\$ 4,476	\$ 18,289	\$ 27,577	\$ 4,305	\$ 31,882
Accrued interest receivable	1,329	15	1,344	1,746	11	1,757
Total restricted current assets	15,142	4,491	19,633	29,323	4,316	33,639
Restricted noncurrent assets:						
Investments in securities	504,810	964	505,774	686,677	1,017	687,694
<b>Total Capital Reserve Funds</b>	<b>\$ 519,952</b>	<b>\$ 5,455</b>	<b>\$ 525,407</b>	<b>\$ 716,000</b>	<b>\$ 5,333</b>	<b>\$ 721,333</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**Special Needs Housing Renewal and Replacement Funds**

The Special Needs Housing Renewal and Replacement Funds are established pursuant to the Act and the Special Needs Indenture to provide funding for capital repairs and replacements exceeding \$2,500 for group homes, assisted living facilities and supportive housing facilities financed with the proceeds of bonds issued under the Special Needs Indenture. At December 31, 2018 and 2017, the carrying amount of restricted funds of the Special Needs Housing Renewal and Replacement Funds consisted of the following (in 000's):

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4	\$ 11
Investments in securities	9,594	8,796
Accrued interest receivable	<u>19</u>	<u>10</u>
Total Special Needs Housing Renewal and Replacement Funds	<u>\$ 9,617</u>	<u>\$ 8,817</u>

**NOTE 5 - MORTGAGE LOANS RECEIVABLE**

The Authority makes single family and multifamily loans to residents and companies domiciled in the State of Connecticut. All such loans are collateralized by real estate located in the State of Connecticut. The majority of the Authority's loan portfolio is comprised of residential mortgages made to low and moderate income borrowers.

The Authority has entered into agreements with various banks and other financial institutions for the servicing of the majority of its home mortgage loan portfolio. As of December 31, 2018 and 2017, 32% and 33%, respectively, of this portfolio was serviced by one financial institution.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

Mortgage loans consisted of the following (in 000's):

	<u>2018</u>	<u>2017</u>
Home mortgage loans:		
Insured by the Federal Housing Administration or guaranteed by the Veterans Administration	\$ 1,391,015	\$ 1,487,246
Insured by private mortgage insurance companies	85,907	100,109
Uninsured reverse annuity mortgage loans	1,578	1,980
Uninsured, State of Connecticut supported EMAP loans	61,955	64,634
Uninsured, not guaranteed	<u>426,883</u>	<u>452,087</u>
Total home mortgage loans	<u>1,967,338</u>	<u>2,106,056</u>
Multifamily mortgage loans:		
Completed developments:		
Insured by the Federal Housing Administration or guaranteed by private insurer	31,022	32,607
Uninsured, federally subsidized	358,220	353,975
Uninsured, State of Connecticut subsidized special needs housing mortgage loans	65,207	60,993
Uninsured, unsubsidized, not guaranteed	<u>886,390</u>	<u>847,453</u>
Total completed developments	<u>1,340,839</u>	<u>1,295,028</u>
Construction mortgage loans:		
Uninsured, unsubsidized	<u>125,615</u>	<u>190,227</u>
Total construction mortgage loans	<u>125,615</u>	<u>190,227</u>
Total multifamily mortgage loans	<u>1,466,454</u>	<u>1,485,255</u>
Less allowance for losses	<u>(375,942)</u>	<u>(398,053)</u>
Total investments in mortgage loans	<u>3,057,850</u>	<u>3,193,258</u>
Restricted current assets	134,424	129,571
Restricted noncurrent assets	<u>2,923,426</u>	<u>3,063,687</u>
Total Mortgage Loans Receivable	<u>\$ 3,057,850</u>	<u>\$ 3,193,258</u>

Single Family

The Federal Housing Administration (FHA) home mortgage program insures the repayment of the unpaid principal amount of the mortgages. The insurance proceeds are usually paid in cash, but, under certain programs, payments may be in the form of 20-year debentures which may have an interest rate less than that of the insured mortgage.

The Veterans Administration (VA) mortgage program provides limited guarantees subject to the amount of the entitlement a veteran has available. For loans between \$45,000 and \$144,000, the minimum VA guarantee amount is \$22,500, with a maximum guarantee of up to 40% of the loan up to \$36,000. For loans of more than \$144,000, the maximum VA guarantee is the lesser of 25% of the loan amount or 25% of the Fannie Mae and Freddie Mac conforming loan limit for a single family residence, varying by county and the year involved.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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EMAP Loan repayments are made by the homeowner in accordance with the provisions of Connecticut General Statutes § 8-265bb through 8-265kk. These repayments are to be used solely for the benefit of the EMAP program. Debt service on bonds issued under the Special Needs Indenture for the purpose of financing EMAP Loans is paid by the State of Connecticut.

The current average interest rate of the Authority's outstanding single family portfolio is 4.13% with a 30-year payment term.

*Multifamily*

Through the issuance of bonds under the Special Needs Indenture and/or amounts received from the State of Connecticut, the Authority has made special needs housing mortgage loans to (i) finance community based residential facilities for persons with intellectual disabilities (Group Home), (ii) finance projects for assisted living communities for residents who need help with one or more activities of daily living (Assisted Living Facility), (iii) finance residential facility housing for up to one or more persons or families that are homeless or at risk of homelessness (Supportive Housing Facility) and (iv) provide financial assistance to homeowners at risk of foreclosure (EMAP Loan). Mortgage loan repayments for the Group Home, Assisted Living Facility and Supportive Housing Facility (collectively the Special Needs Housing Loans) which require regularly scheduled payments are made through subsidies received from the State of Connecticut. For Special Needs Housing Loans that do not require regularly scheduled payments, the debt service on the bonds is paid by the State of Connecticut.

The Authority has entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) whereby HUD will provide partial mortgage insurance on affordable multifamily housing projects processed by the Authority. The risk of loss to the Authority varies from 10% to 50% or more depending on the level of participation by HUD.

Construction loans earn interest at rates ranging from 0% to 5.54% at December 31, 2018 and 0% to 6.9% at December 31, 2017, and will generally be payable over 2 years. Upon completion of each development, the related permanent mortgage loan will typically be provided by the Authority. Permanent loans earn interest at rates ranging from 0% to 12% at December 31, 2018 and 2017 and will generally be payable over 40 years.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 - REAL ESTATE OWNED**

**Real Estate Owned (in 000's)**

	December 31,					
	2018			2017		
	Single Family	Multifamily	Total	Single Family	Multifamily	Total
Real estate owned	\$ 18,211	\$ 2,300	\$ 20,511	\$ 18,280	\$ 2,300	\$ 20,580
Allowance for losses	(1,544)		(1,544)	(1,797)		(1,797)
Real Estate Owned- Carrying Amount	<u>\$ 16,667</u>	<u>\$ 2,300</u>	<u>\$ 18,967</u>	<u>\$ 16,483</u>	<u>\$ 2,300</u>	<u>\$ 18,783</u>

With respect to single family real estate owned, the majority of such assets are at least partially insured or guaranteed by outside parties, it is anticipated that the Authority will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties.

With respect to multifamily real estate owned, the Authority is holding such assets for subsequent sale in a manner that will allow the maximization of value. As of December 31, 2018 and 2017, one property remained in the multifamily real estate owned portfolio.



**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2018 and 2017 is as follows (in 000's):

	<u>Balance January 1, 2018</u>	<u>Additions/ (Deletions)</u>	<u>Balance December 31, 2018</u>
Capital Assets:			
Land	\$ 851	\$	\$ 851
Building	2,851		2,851
Improvements	2,085		2,085
Computer software	1,314	35	1,349
	<u>7,101</u>	<u>35</u>	<u>7,136</u>
Less accumulated depreciation	<u>(3,636)</u>	<u>(454)</u>	<u>(4,090)</u>
Capital Assets, Net	<u>\$ 3,465</u>	<u>\$ (419)</u>	<u>\$ 3,046</u>
	<u>Balance January 1, 2017</u>	<u>Additions/ (Deletions)</u>	<u>Balance December 31, 2017</u>
Capital Assets:			
Land	\$ 851	\$	\$ 851
Building	2,851		2,851
Improvements	2,085		2,085
Computer software	1,096	218	1,314
	<u>6,883</u>	<u>218</u>	<u>7,101</u>
Less accumulated depreciation	<u>(3,316)</u>	<u>(320)</u>	<u>(3,636)</u>
Capital Assets, Net	<u>\$ 3,567</u>	<u>\$ (102)</u>	<u>\$ 3,465</u>

**NOTE 8 - BONDS PAYABLE**

The Act authorizes the Authority to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Authority, will be necessary to provide sufficient funds for carrying out its purposes. The State legislature enacted legislation that provides the authority to enter into agreements to reduce the rate of borrowing and moderate the effect of bond interest rate fluctuations through the use of contracts commonly known as interest rate swap agreements and similar type contracts. The Authority's obligations are not debt of the State of Connecticut, and the State is not liable thereon.

The Authority has entered into liquidity agreements with various providers for all variable rate demand bonds, which assure that any bonds purchased by the liquidity provider can be refinanced on a long-term basis.

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **Bond Resolution**

Housing Mortgage Finance Program Bonds issued under the Bond Resolution bear fixed interest at rates ranging from 0.0% to 6.274% as of December 31, 2018 and from 0.0% to 6.625% as of December 31, 2017, and are subject to certain redemption provisions and mature in years through 2058 and 2057 as of December 31, 2018 and 2017, respectively.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Bond Resolution: 1) the proceeds derived from the sale of bonds issued under the Bond Resolution, 2) all mortgage repayments with respect to long-term mortgage and construction loans financed, or deemed to have been financed from the Housing Mortgage General Fund, and 3) all monies and securities of the Housing Mortgage General Fund and the Bond Resolution Capital Reserve Fund.

### **Special Needs Indenture**

Special Needs Housing Mortgage Finance Program Bonds issued under the Special Needs Indenture bear fixed interest at rates ranging from 1.00% to 5.00% at December 31, 2018 and from 1.00% to 5.25% at December 31, 2017, are subject to certain redemption provisions and mature in years through 2048 and 2046 as of December 31, 2018 and 2017, respectively.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Special Needs Indenture: 1) the proceeds derived from the sale of bonds issued under the Special Needs Indenture, 2) all mortgage repayments with respect to Special Needs Housing mortgages financed from the Special Needs Housing Fund, and 3) all monies and securities of the Special Needs Housing Fund, the State Assistance Agreement Fund, the EMAP State Assistance Agreement Fund and the Special Needs Housing Capital Reserve Fund.

### **SFSOB Resolution, MFSOB Resolution, Single Family Other Bond Resolution and Multifamily Other Bond Resolution**

In October 2009, the U.S. Department of Treasury (the Treasury), the Federal Housing Finance Agency and Fannie Mae and Freddie Mac (the GSEs) announced the Federal New Issue Bond Program (the Federal NIBP) authorized by the Housing Economic Recovery Act of 2008. The Federal NIBP allowed the GSEs to purchase bonds from housing finance agencies (the HFAs) and package them into GSE-guaranteed securities for delivery to and purchase by the Treasury. These HFA bonds were to be issued to finance single family or multifamily mortgage loans. If issued to finance single family loans, the HFA bonds were not to exceed 60% of the bond issue. The HFA bonds were required to be issued at fixed rates to maturity or monthly rate reset bonds that were to convert to rates fixed to maturity in calendar year 2010. In September 2010, the Treasury announced an extension to the end of this conversion period to December 31, 2011. The fixed interest rates were expected to be lower than prevailing interest rates available through a public bond offering. Pursuant to this program and based on an allocation for GSE purchase received from the Treasury, the Authority issued \$191,720,000 in Single Family Special Obligation Bonds under the SFSOB Resolution and \$27,610,000 in Multifamily Special Obligation Bonds under the MFSOB Resolution (collectively, the NIBP Escrow Bonds) on December 30, 2009 that settled on January 12, 2010. The proceeds of the NIBP Escrow Bonds were held in escrow pending the issuance by the Authority of additional taxable or tax-exempt bonds (the NIBP Market Bonds). As of December 31, 2011, all NIBP Escrow Bonds had been converted to long-term fixed rates of interest.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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Bonds issued under the SFSOB Resolution and the MFSOB Resolution are special obligations of the Authority payable solely from and secured by assets pledged under the (i) SFSOB Resolution for Single Family Special Obligation Bonds, and (ii) MFSOB Resolution for Multifamily Special Obligation Bonds.

In connection with the Federal NIBP, the Authority has also authorized the Single Family Other Bond Resolution and the Multifamily Other Bond Resolution (Other Bond Resolutions) to issue bonds (Other Bonds) secured by the Bond Resolution Capital Reserve Fund under the Bond Resolution. Proceeds of the Other Bonds, the NIBP Escrow Bonds and the NIBP Market Bonds are intended to be used to (i) participate in the purchase or making of single-family or multifamily mortgage loans under the Authority's Housing Mortgage Finance Program, (ii) fund reserves and (iii) pay related bond costs. Bonds issued under the Other Bond Resolutions are general obligations of the Authority.

**QECB Resolution**

The Authority adopted the Qualified Energy Conservation Bond Resolution (QECB Resolution) on February 26, 2015. The bond proceeds are intended to be used for energy conservation improvements and replacements for multifamily housing developments owned or managed by participating public housing authorities. Bonds issued under the QECB Resolution are secured by, among others, the loan repayments from the QECB funded loans, the QECB federal tax credit subsidy and are general obligations of the Authority. The Authority will no longer issue bonds under the QECB Resolution due to the Tax Cuts and Jobs Act of 2017.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

Bonds payable as of December 31, 2018 and 2017 were as follows (in 000's):

	Maturity Dates	Interest Rate Range %	Outstanding Amount		Amount Due Within 1 Year
			December 31,		
			2018	2017	
1989 Series D	1993-2024	Variable	\$ 14,815	\$ 16,710	2,040
1998 Series D	2020-2025	Variable	25,000	25,000	
1999 Series A	2014-2018	Variable		11,400	
2001 Series D	2012-2027	Index	16,865	18,245	1,460
2004 Series A	2017-2035	Variable	15,000	15,000	1,000
2007 Series A	2013-2038	4.00 - 4.95	24,480	25,000	1,055
2007 Series C	2010-2049	5.15		845	
2008 Series C	2009-2018	3.86 - 6.16		80	
2008 Series D	2009-2038	2.875 - 6.625		7,000	
2008 Series E	2021-2039	Variable		83,985	
2008 Series F	2009-2018	2.10 - 6.02		290	
2008 Series G	2011-2038	3.40 - 6.00		7,675	
2009 Series C	2010-2039	0.30 - 4.95/Variable		12,435	
2009 Series D	2010-2039	5.071 - 6.274	57,040	57,570	560
2009 Series F	2011-2039	0.40 - 4.65	3,640	3,695	55
2010 Series A	2010-2039	0.25 - 4.80/Variable	57,300	57,780	11,285
2010 Series D	2011-2031	0.673 - 5.00		5,065	
2010 Series E	2011-2052	0.70 - 5.25	33,805	34,635	830
2010 Series G	2013-2031	0.20 - 3.05	15,825	17,565	960
2011 Series B	2011-2041	0.30 - 5.00	2,030	2,560	
2011 Series C	2018-2035	Variable		46,450	
2011 Series F	2012-2053	0.25 - 5.00	34,490	34,865	405
2012 Series A	2012-2032	0.17 - 3.55	92,395	105,525	13,740
2012 Series B	2013-2043	0.60 - 4.40	40,950	42,455	1,590
2012 Series C	2017-2038	2.00 - 3.875	115,235	131,085	6,395
2012 Series D	2013-2042	0.22 - 4.15/Variable	65,180	65,180	1,220
2012 Series F	2013-2042	0.25 - 3.40	97,690	105,010	4,880
2012 Series G	2013-2055	0.25 - 4.00	59,325	60,035	700
2013 Series A	2013-2041	Index	275,055	282,570	7,945
2013 Series B	2014-2034	0.45 - 4.00/Variable	78,735	97,995	7,335
2013 Series C	2014-2046	Index	38,530	38,870	365
2014 Series A	2014-2044	0.15 - 4.00	24,210	30,605	4,950
2014 Series B	2016-2044	0.50 - 4.15/Index	48,615	49,130	540
2014 Series C	2015-2044	0.21 - 4.00/Variable	83,680	91,980	21,845
2014 Series D	2015-2044	0.20 - 4.00/Variable	137,455	148,395	25,750
2014 Series E	2015-2032	Index	13,440	13,886	13,440
2014 Series F	2015-2054	0.40 - 4.278/Index	41,810	57,035	740
2015 Series A	2015-2045	0.15 - 3.85	119,565	128,605	3,360
2015 Series B	2025-2030	Index	35,000	35,000	
2015 Series C	2016-2045	0.35 - 3.90/Variable	106,665	116,165	3,660
2015 Series E	2016-2055	0.45 - 4.00/Index	29,855	51,105	160
2016 Series A	2016-2045	0.45 - 4.00/Variable	165,180	174,480	4,030
2016 Series B	2017-2046	0.75 - 3.55/Variable	171,145	180,160	3,850
2016 Series C	2017-2051	0.55 - 3.50/Variable	57,270	84,640	1,260
2016 Series D	2019-2050	3.25	33,665	19,105	21,165
2016 Series E	2017-2046	0.80 - 3.50/Variable	167,550	177,165	4,475
2016 Series F	2017-2046	0.00 - 3.50/Variable	187,735	197,035	4,695
2016 Series G	2018-2056	1.00 - 3.90/Index	33,915	36,590	15,935
2017 Series A	2017-2047	1.00 - 4.00/Variable	247,975	261,310	8,340
2017 Series B	2047	Index	100,000	125,000	
2017 Series C	2017-2047	0.95 - 4.00/Variable	166,070	173,360	3,955
2017 Series D	2018-2047	1.00 - 4.00/Variable	169,230	174,990	3,315
2017 Series E	2018-2057	0.85 - 3.90	46,380	49,870	905
2017 Series F	2018-2048	0.00 - 4.00/Variable	168,290	229,165	4,050
2018 Series A	2018-2048	1.40 - 4.00/Variable	164,025		2,980
2018 Series B	2018-2048	1.80 - 4.00/Variable	164,240		2,820
2018 Series C	2019-2048	1.70 - 4.00/Variable	163,025		4,015
2018 Series D	2019-2058	1.85 - 4.40	70,645		125
2018 Series E	2019-2049	0.00 - 4.25/Variable	143,520		1,780
			4,223,540	4,017,351	225,960
Plus unamortized bond premium			36,500	35,432	
<b>Total Housing Mortgage Finance Bonds</b>			<b>4,260,040</b>	<b>4,052,783</b>	

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

The amounts due within one year in the previous table include the total outstanding balance of variable rate demand bond obligations where the standby bond purchase agreements expire within one year of the balance sheet date, although the maturities extend well beyond. The value of these obligations as of December 31, 2018 is \$38,710,000. It is the intention of the Authority to renew these agreements prior to expiration.

**Special Needs Housing Mortgage Finance Program Special Obligation Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
Series SNH-8	2008-2037	4.00 - 4.875	\$	\$ 6,515	\$
Series 13	2012-2040	2.00 - 5.00		10,655	310
Series 16	2011-2030	1.00 - 5.00		9,525	890
Series 18	2017-2046	1.40 - 4.45		9,680	210
Series 19	2017-2035	1.40 - 4.25		9,400	505
Series 20	2017-2045	1.40 - 4.40		3,680	85
Series 21	2017-2045	1.45 - 4.70		12,525	330
Series 23	2019-2048	1.80 - 4.30		3,720	60
Series 24	2019-2037	1.80 - 4.10		6,310	215
				<u>65,495</u>	<u>2,605</u>
Plus unamortized bond premium				<u>558</u>	<u>518</u>
<b>Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds</b>				<u>66,053</u>	<u>64,783</u>

**Single Family Special Obligation Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
Series 2009-1	2019-2035	3.01	\$	\$ 40,500	\$ 370
Series 2009-2	2035-2041	3.01		45,110	
Series 2009-3	2019-2038	2.32		55,940	120
Series 2009-4	2038-2041	2.32		11,090	
Series 2010-1	2011-2030	0.40 - 4.25		29,115	3,710
Series 2011-2	2017-2026	2.375 - 4.50		24,250	4,395
Series 2011-3	2012-2031	4.50		6,410	410
				<u>212,415</u>	<u>9,005</u>
Plus unamortized bond premium				<u>516</u>	<u>859</u>
<b>Total Single Family Special Obligation Bonds</b>				<u>212,931</u>	<u>238,069</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**Multifamily Special Obligation Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
Series 2009-1	2012-2051	2.32	\$ 24,570	\$ 25,030	\$ 480
<b>Total Multifamily Special Obligation Bonds</b>			<u>24,570</u>	<u>25,030</u>	<u>480</u>

**Housing Mortgage Finance Program Bonds (Single Family) Other Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
2010 Series A	2042-2045	5.00	\$ 8,947	\$ 8,516	\$
2011 Series A	2042-2046	4.625	9,675	9,242	
<b>Total Housing Mortgage Finance Program Bonds (Single Family) Other Bonds</b>			<u>18,622</u>	<u>17,758</u>	<u>-</u>

**Housing Mortgage Finance Program Bonds (Multifamily) Other Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
2011 Series A	2052-2055	4.75	\$ 971	\$ 926	\$
2013 Series A	2013-2053	5.50/Variable	25,082	25,319	251
<b>Total Housing Mortgage Finance Program Bonds (Multifamily) Other Bonds</b>			<u>26,053</u>	<u>26,245</u>	<u>251</u>

**Qualified Energy Conservation Bonds**

	<u>Maturity Dates</u>	<u>Interest Rate Range %</u>	<u>Outstanding Amount December 31,</u>		<u>Amount Due Within 1 Year</u>
			<u>2018</u>	<u>2017</u>	
2015 Series A (1,2)	2016-2034	4.35	\$ 4,880	\$ 5,063	\$ 195
2016 Series B	2017-2035	3.94	2,252	2,371	120
2016 Series C	2017-2036	3.94	1,706	1,801	95
<b>Total Qualified Energy Conservation Bonds</b>			<u>8,838</u>	<u>9,235</u>	<u>410</u>
<b>Total Bonds Payable, Net</b>			<u>\$ 4,617,107</u>	<u>\$ 4,433,903</u>	<u>\$ 238,711</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**Conduit Debt**

The Authority has also issued conduit debt obligations. The current principal balances of these conduit debt obligations as of December 31, 2018 include one series totaling \$2,970,854 of Multifamily Housing Revenue Notes, one series totaling \$9,944,875 of Multifamily Housing Revenue Bonds, two series totaling \$22,370,000 of Variable Rate Demand Housing Revenue Bonds and five series totaling \$88,630,000 of State-Supported Special Obligation Bonds. As of December 31, 2017, one series totaling 3,000,000 of Multifamily Housing Revenue Notes, one series totaling \$10,379,000 of Multifamily Housing Revenue Bonds, one series totaling \$16,480,000 of Special Needs Housing Mortgage Finance Program Special Obligation Bonds, two series totaling \$23,300,000 of Variable Rate Demand Housing Revenue Bonds and four series totaling \$78,190,000 of State-Supported Special Obligation Bonds were outstanding. The issuance of these obligations does not create or imply any indebtedness on the part of the Authority. Each issue requires that the funds related to such issue be held by a trustee for the bondholders; therefore, such funds are not under the control of the Authority, and, accordingly, the Authority's financial statements do not reflect the balances or operating results of the various trust accounts.

**Debt Service Requirements**

The following tables provide a summary of debt service requirements and net swap payments for the next five years and in five-year increments thereafter (in 000's). The interest calculations are based on the variable rates in effect on December 31, 2018 and may not be indicative of the actual interest expense that will be incurred.

Year Ending December 31,	Bond Resolution							
	Fixed		Variable Including Swapped			Total Bond Resolution		
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Total
2019	\$ 142,955	\$ 95,554	\$ 44,295	\$ 29,562	\$ 12,191	\$ 187,250	\$ 137,307	\$ 324,557
2020	120,255	92,292	16,785	28,365	11,790	137,040	132,447	269,487
2021	139,665	89,731	22,535	28,602	11,333	162,200	129,666	291,866
2022	119,910	86,675	27,070	27,948	10,783	146,980	125,406	272,386
2023	120,475	83,891	31,215	27,120	10,124	151,690	121,135	272,825
2024-2028	581,330	371,219	177,700	120,550	38,874	759,030	530,643	1,289,673
2029-2033	550,300	276,085	262,305	90,458	20,018	812,605	386,561	1,199,166
2034-2038	470,925	183,639	253,230	58,337	6,812	724,155	248,788	972,943
2039-2043	413,635	99,832	178,720	33,431	3,661	592,355	136,924	729,279
2044-2048	222,915	32,723	246,615	12,046	1,804	469,530	46,573	516,103
2049-2053	54,725	9,928				54,725	9,928	64,653
2054-2058	25,980	2,203				25,980	2,203	28,183
<b>Total</b>	<b>\$ 2,963,070</b>	<b>\$ 1,423,772</b>	<b>\$ 1,260,470</b>	<b>\$ 456,419</b>	<b>\$ 127,390</b>	<b>\$ 4,223,540</b>	<b>\$ 2,007,581</b>	<b>\$ 6,231,121</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

Year Ending December 31,	<u>Special Needs Indenture</u>		<u>SFSOB Resolution</u>		<u>MFSOB Resolution</u>	
	<u>Fixed</u>		<u>Fixed</u>		<u>Fixed</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,605	\$ 2,562	\$ 9,005	\$ 6,279	\$ 480	\$ 568
2020	2,700	2,493	8,515	6,003	480	557
2021	2,780	2,407	9,360	5,715	510	545
2022	2,880	2,318	9,265	5,387	530	533
2023	2,965	2,222	8,620	5,043	540	521
2024-2028	15,630	9,287	39,455	21,273	3,000	2,405
2029-2033	13,385	6,322	45,255	15,243	3,550	2,029
2034-2038	11,120	3,787	52,730	8,342	4,230	1,583
2039-2043	8,215	1,522	30,210	1,260	5,010	1,053
2044-2048	3,215	246			5,970	422
2049-2053					270	10
2054-2058						
Total	\$ <u>65,495</u>	\$ <u>33,166</u>	\$ <u>212,415</u>	\$ <u>74,545</u>	\$ <u>24,570</u>	\$ <u>10,226</u>

Year Ending December 31,	<u>Other Bond Resolutions</u>		<u>QECB Resolution</u>		<u>Total</u>
	<u>Fixed</u>		<u>Fixed</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 251	\$ 1,365	\$ 410	\$ 364	\$ 348,446
2020	265	1,351	424	347	292,622
2021	280	1,336	438	329	315,566
2022	296	1,320	452	311	295,678
2023	312	1,303	468	292	295,111
2024-2028	1,847	6,232	2,585	1,152	1,392,539
2029-2033	2,430	5,649	3,053	568	1,296,650
2034-2038	3,197	4,882	1,008	48	1,063,870
2039-2043	15,965	20,164			812,678
2044-2048	12,400	30,058			568,414
2049-2053	7,062	2,500			74,495
2054-2058	370	2,446			30,999
Total	\$ <u>44,675</u>	\$ <u>78,606</u>	\$ <u>8,838</u>	\$ <u>3,411</u>	\$ <u>6,787,068</u>

**Objective of the Interest Rate Swaps**

The Authority employs swaps to establish synthetic fixed rates for a portion of its variable rate bond obligations. The Authority's interest rate swap transactions are structured for the Authority to pay a fixed interest rate while receiving variable interest rates from the counterparties which are comparable to the rates required by the variable rate bonds. These synthetic fixed rates were lower than those available to the Authority from fixed rate obligations of comparable maturity. The proceeds of these transactions are generally used to make fixed rate mortgage loans. As the objective of the derivative instruments entered into was to hedge changes in cash flows for each bond series, they are classified as cash flow hedges.



# CONNECTICUT HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Terms

The Authority has entered into amortizing interest rate swap agreements under the Bond Resolution in which the Authority owes a fixed payment to the counterparties of the swaps. In return, the counterparties owe the Authority a payment based on common indices such as The Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) or the London Interbank Offered Rate (LIBOR) that is comparable to the rates required by the Authority's bonds. Only the net difference in interest payments is actually exchanged between the Authority and the counterparties. The Authority's amortizing interest rate swap agreements contain scheduled reductions to outstanding notional amounts that are projected to follow scheduled or anticipated reductions in bonds payable. The Authority did not pay or receive any cash when the swap transactions were initiated.

The terms, fair values and credit ratings of outstanding swaps as of December 31, 2018 were as follows (in 000's):

Associated Bond Issue	Effective Date	Notional Amount	Fixed Rate Paid	Variable Rate Received	Fair Value	Termination Date	Counterparty	
							Credit Rating *	% of Total Outstanding
2018 Series E-2	11/15/18	\$ 15,000	2.471%	67% 3M LIBOR	\$ (1,129)	11/15/48		
<b>Total Bank of America, N.A.</b>		<u>15,000</u>			<u>(1,129)</u>		A+/Aa3/AA-	1.85%
2001 Series D-5	12/20/01	\$ 16,865	5.360%	167% 3M LIBOR-SIFMA	(2,280)	11/15/27		
2012 Series D-3	12/20/01	40,000	4.090%	67% 1M LIBOR	(7,290)	5/15/33		
2014 Series C-2	9/13/05	13,915	3.546%	67% 3M LIBOR	(1,132)	11/15/34		
2017 Series D-3, 2017 Series F-3, 2018 Series A-3	5/15/18	25,060	2.248%	70% 3M LIBOR	(925)	5/15/48		
2018 Series B-3	6/4/18	5,252	2.500%	70% 3M LIBOR	(1,169)	11/15/48		
<b>Total Bank of New York Mellon</b>		<u>101,092</u>			<u>(12,796)</u>		AA-/Aa2/AA	12.48%
2018 Series C-3 & 2018 Series C-4	6/5/02	18,660	4.352%	67% 1M LIBOR	(3,626)	5/15/33		
2013 Series A	6/5/02	25,000	5.740%	167% 1M LIBOR- SIFMA	(8,115)	5/15/33		
<b>Total Citibank, NA</b>		<u>43,660</u>			<u>(11,741)</u>		A+/A1/A+	5.39%
2017 Series D-3, 2018 Series A-3, 2018 Series B-3	2/18/09	73,890	3.430%	67% 3M LIBOR	(10,766)	11/15/38		
2013 Series A	8/15/08	22,215	3.852%	67% 3M LIBOR	(2,425)	11/15/28		
2014 Series D-3	2/18/09	20,615	3.433%	67% 3M LIBOR	(3,261)	11/15/34		
2016 Series B-4	8/15/08	9,855	3.849%	67% 3M LIBOR	(2,749)	11/15/38		
2016 Series B-4	8/15/08	8,925	3.855%	67% 3M LIBOR	(2,090)	11/15/33		
2016 Series F-5	8/15/08	27,550	3.845%	67% 3M LIBOR	(5,712)	11/15/33		
<b>Total FMS Wertmanagement</b>		<u>163,050</u>			<u>(27,003)</u>		AAA/Aaa/WD	20.14%
2018 Series C-3 & 2018 Series C-4	3/7/01	13,515	4.120%	67% 1M LIBOR	(2,046)	5/15/32		
2017 Series C-3 & 2017 Series F-3	8/1/02	41,605	3.981%	67% 1M LIBOR	(6,310)	5/15/33		
2013 Series A	3/7/01	23,905	5.475%	167% 1M LIBOR-SIFMA	(5,510)	5/15/32		
2013 Series C	2/26/14	38,530	2.776%	100% 1M LIBOR	(600)	5/15/24		
<b>Total Goldman Sachs Mitsui Marine</b>		<u>117,555</u>			<u>(14,466)</u>		AA-/Aa2	14.52%
1998 Series D-4	7/1/98	25,000	6.320%	100% 3M LIBOR	(4,058)	11/15/25		
2017 Series C-3 & 2018 Series C-3	7/11/01	17,000	4.310%	67% 1M LIBOR	(3,006)	5/15/32		
2013 Series A	7/11/01	16,865	5.820%	167% 1M LIBOR-SIFMA	(3,332)	11/15/27		
2016 Series F-5	7/1/98	7,800	4.870%	100% 1W SIFMA	(1,768)	11/15/28		
<b>Total Merrill Lynch Capital Services **</b>		<u>66,665</u>			<u>(12,164)</u>		NR/A3/A+	8.23%
2013 Series B-6 & 2016 Series E	6/15/15	38,540	2.0515%	67% 3M LIBOR	(276)	11/15/35		
2015 Series C	8/6/15	45,000	2.3625%	70% 1M LIBOR	(315)	11/15/45		
2016 Series A	11/16/15	40,000	2.1325%	67% 3M LIBOR	637	11/15/45		
2016 Series B-4	11/15/18	21,220	2.1400%	70% 1M LIBOR	450	11/15/46		
2016 Series E-3	8/25/16	21,695	1.7970%	67% 3M LIBOR	1,940	11/15/46		
2017 Series A-3	3/2/17	38,000	2.3350%	67% 3M LIBOR	(267)	11/15/47		
<b>Total Royal Bank of Canada</b>		<u>204,455</u>			<u>2,169</u>		AA-/Aa2/AA	25.25%
2018 Series E-2, 2017 Series C-3, 2018 Series C-3 & 2018 Series C-4	11/15/18	15,000	2.242%	67% 3M LIBOR	(780)	11/15/28		
2018 Series B-3	6/4/18	5,253	2.071%	70% 3M LIBOR	869	5/15/28		
<b>Total TD Bank, NA</b>		<u>20,253</u>			<u>89</u>		AA-/Aa1/AA-	2.50%
2017 Series F-3	10/4/00	23,215	5.397%	100% 1W SIFMA	(4,863)	11/15/31		
2013 Series A	3/2/06	41,650	3.4175%	67% 3M LIBOR	(5,246)	5/15/36		
2016 Series F-5	11/15/16	13,150	1.820%	67% 3M LIBOR	233	11/15/46		
<b>Total Wells Fargo Bank, NA</b>		<u>78,015</u>			<u>(9,876)</u>		A+/Aa2/AA-	9.64%
<b>Portfolio Total</b>		<u>\$ 809,745</u>			<u>\$ (86,917)</u>			100.00%

\* S&P/Moody's/Fitch

\*\* Credit support by Merrill Lynch Derivative Products AG (AA/Aa3/NR)

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **Fair Value**

There is a multi-step process in determining the fair value of the Authority's swap portfolio. The first step is to determine the settlement price utilizing the Income Approach from "mid market" pricing data. Such data consists primarily of observable quotes from the over-the-counter swap markets that fall into Level 2 of the fair value hierarchy. The second step is to determine the credit valuation adjustment (CVA). The purpose of the CVA is to quantify the nonperformance risk of the reporting entity as well as the nonperformance risk of the counterparty. Default probabilities are derived from credit default swap quotes or generic ratings based on borrowing curves that fall into Level 2 of the fair value hierarchy. In the final step, to determine fair value, the settlement price is adjusted by the CVAs of both the reporting entity's and counterparty's payment obligations. Because interest rates have declined since the implementation of the majority of the Authority's swap agreements, the aggregate fair value is negative as indicated in the previous chart.

### **Credit Risk**

At December 31, 2018, the Authority was exposed to very limited counterparties' credit risk due to its broad diversification approach. Furthermore, the fair value of all except five swaps was negative. Credit exposure arises when the fair value of a swap is positive due to the obligation of the counterparty to make payment to the Authority in the event of termination.

### **Basis Risk**

Basis risk is the risk that there may be a difference between the floating rate component of the swap, which is based on indices that consist of taxable or tax-exempt market-wide averages, and the rate on the Authority's variable rate bonds, which is based on that specific bond issue. CHFA's basis risk is within the Authority's acceptable tolerance levels.

### **Termination Risk**

Counterparties to the Authority's interest rate swap agreements have default termination rights that may require settlement payments by the Authority or by the counterparty based on the fair value of the swap at the date of termination. As of December 31, 2018, no termination events requiring settlement payments have occurred.

### **Rollover Risk**

The Authority's interest rate swap agreements have limited rollover risk because the swap agreements contain scheduled reductions to outstanding notional amounts which are expected to follow scheduled and anticipated reductions in the associated bonds payable. As of January 1, 2018, nine of the Authority's outstanding interest rate swap agreements provided the Authority with full or partial termination rights requiring no settlement payments to accommodate unexpected faster paydowns of the associated bonds as a result of higher repayment of home mortgage loans. One swap contract expired with par termination rights during 2018. Par termination rights were exercised on one swap during 2018. Lastly, three new swap agreements were established during 2018 with par termination rights resulting in ten interest rate swap agreements with these par termination rights remaining in the Authority's interest rate swap portfolio as of December 31, 2018.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**Contingencies**

Eighteen of the Authority's thirty-three interest rate swap agreements (outstanding notional amount \$444,422,500, fair value (\$33,980,560)) at December 31, 2018, require the Authority to post collateral in the event that the fair value of the interest rate swap falls below specific declining thresholds based on declines in the Authority's credit rating. As of December 31, 2018, the Authority's ratings remain at AAA/Aaa (S&P/Moody's) and therefore, was not required to post collateral for any of its outstanding swaps.

**Refunding Bonds**

The schedule below summarizes the cash flow savings and economic gain resulting from the Authority's issuance of fixed rate refunding bonds under the Bond Resolution in 2018 and 2017:

<u>Refunded Issue (s)</u>	<u>Refunding Issue</u>	<u>Cash Flow Savings Over Life of Refunding Issue</u>	<u>Economic Gain Over Life of Refunding Issue</u>
<b><u>2018</u></b>			
2008 Series D 2008 Series G	2018 Series D Subseries D-1	\$ 5,832,034	\$ 3,936,256
<b><u>2017</u></b>			
2008 Series B Subseries B-1	2017 Series A Subseries A-4	\$ 13,894,828	\$ 10,842,085
2008 Series B Subseries B-2	2017 Series A Subseries A-5	187,411	1,475,604
2007 Series B Subseries B-4	2017 Series E Subseries E-2	1,878,565	1,367,420

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - CHANGES IN LONG-TERM LIABILITIES**

The changes in long-term liabilities for the years ended December 31, 2018 and 2017 were as follows (in 000's):

	<u>Balance January 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2018</u>
Escrow deposits	\$ 138,627	\$ 31,376	\$ (22,264)	\$ 147,739
Bonds payable, net	4,199,893	729,464	(550,961)	4,378,396
Derivative instruments- interest rate swaps	110,830	66,260	(90,173)	86,917
Net OPEB liability	67,722	6,579	(11,154)	63,147
Net pension liability	<u>67,070</u>	<u>31,838</u>	<u>(31,012)</u>	<u>67,896</u>
	<u>\$ 4,584,142</u>	<u>\$ 865,517</u>	<u>\$ (705,564)</u>	<u>\$ 4,744,095</u>
	<u>Balance January 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2017</u>
Escrow deposits	\$ 136,004	\$ 47,281	\$ (44,658)	\$ 138,627
Bonds payable, net	3,978,220	1,058,828	(837,155)	4,199,893
Derivative instruments- interest rate swaps	127,451	57,114	(73,735)	110,830
Net OPEB liability	65,649	6,377	(4,304)	67,722
Net pension liability	<u>69,628</u>	<u>34,700</u>	<u>(37,258)</u>	<u>67,070</u>
	<u>\$ 4,376,952</u>	<u>\$ 1,204,300</u>	<u>\$ (997,110)</u>	<u>\$ 4,584,142</u>

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The Authority reports interfund balances among its funds which are reflected on the combining schedule of net position as "due from/due to other funds/component units". These balances generally consist of accruals of various revenues or expenses due to a fund, but received or paid to another, and transfers between funds to meet liquidity requirements. These transactions and resulting year-end interfund balances have been eliminated in the accompanying combining financial statements. The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General and Capital Reserve Fund	Multifamily Real Estate Owned	\$ 2,300,000
	Single Family Special Obligation Bond Fund	74,584
	Multifamily Special Obligation Bond Fund	120,910
	Insurance Fund	<u>151,181</u>
		<u>\$ 2,646,675</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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During the year, operating transfers are used to reallocate or move resources from one fund to another and are reflected on the combining schedule of revenues, expenses and changes in net position. In 2018, \$1,005,583 was transferred from the General Fund to the Special Needs Fund to reallocate bad debt recoveries.

**NOTE 11 - OTHER LIABILITIES**

On certain bond issues, the Authority's earnings from the investment of bond proceeds are limited per Federal Income Tax rules. Yields in excess of Federal Limits are payable to the U.S. Treasury and are recorded as a liability. As of December 31, 2018 and 2017, the Authority had no such liability.

**NOTE 12 - NET POSITION**

Net position consisted of the following (in 000's):

	<u>December 31,</u>	
	<u>2018</u>	<u>2017*</u>
General and Capital Reserve Funds:		
Net investment in capital assets	\$ 3,046	\$ 3,465
General and Capital Reserve Funds	734,669	782,437
Other Funds:		
Housing Mortgage Insurance Fund	3,506	3,708
Single Family Special Obligation Bond and Other Bond Funds	3,661	3,566
Multifamily Special Obligation Bond and Other Bond Funds	2,485	2,079
Special Needs Housing Funds	20,400	18,118
Qualified Energy Conservation Bonds	197	134
Component Units:		
CHFA-Small Properties, Inc.	775	719
	<u>\$ 768,739</u>	<u>\$ 814,226</u>

\* Restated for GASB No. 75 implementation (see Note 2)

**NOTE 13 - PENSION PLAN**

**Plan Description**

Eligible employees of the Authority participate in the Connecticut State Employees' Retirement System (SERS) which is administered by the State Employees' Retirement Commission. SERS is a cost-sharing multiple-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes. Detailed information about the total Plan's funding status and progress, contributions required and fiduciary net position can be found in the Connecticut State Employees' Retirement System GASB Statement 68 Report available at [www.osc.ct.gov/rbsd/reports/index.html](http://www.osc.ct.gov/rbsd/reports/index.html).

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

SERS provides retirement, disability and health benefits, and annual cost-of-living allowances to plan members and their beneficiaries. Employees are covered under one of five tiers. All Authority employees are classified as nonhazardous duty. A summary of plan benefits and required contributions for nonhazardous duty members is represented in the following table:

	<u>Tier I</u>	<u>Tier II</u>	<u>Tier IIA</u>	<u>Tier III</u>	<u>Tier IV</u>
Eligibility - hire date	Prior to July 1, 1984	On or after July 1, 1984	On or after July 1, 1997	On or after July 1, 2011	On or after July 1, 2017
Final Average Earnings (FAE)	Average Salary of 3 highest paid years of service	Average Salary of 3 highest paid years of service		Average Salary of 5 highest paid years of service	
Benefit	<p><u>Plan B</u></p> <p>2% of FAE x years of service up to age 65. Thereafter, 1% of FAE up to \$4,800 plus 2% of FAE in excess of \$4,800. At age 70, greater of 1.25% of FAE up to \$4,800 plus 2.5% of FAE in excess of \$4,800 x years of service or 1% of FAE up to \$4,800 plus 2% of FAE in excess of \$4,800 x years of service.</p> <p><u>Plan C</u></p> <p>2% of FAE x years of service. At age 70, greater of 2.5% of FAE x years of service (max 20 years) or 2% of FAE x years of service.</p>	<p>1.4 % of FAE plus 0.433% of FAE in excess of breakpoint x years of service up to a max of 35 years plus 1.625% of FAE x years of service over 35 years</p>		<p>1.3% of FAE x years of service</p>	
Vesting	10 years of service	5 years of service	5 years of service	10 years of service	10 years of service
Normal Retirement	Age 55 with 25 years Age 60 with 10 years Age 70 with 5 years	<p>If eligible for retirement prior to July 1, 2022</p> <p>Age 62 with 10 years Age 60 with 25 years Age 70 with 5 years</p> <p>If NOT eligible for retirement prior to July 1, 2022</p> <p>Age 65 with 10 year Age 63 with 25 years Age 70 with 5 years</p>		Age 63 with 25 years Age 65 with 10 years	Age 63 with 25 years Age 65 with 10 years
Early Retirement	Age 55 with 10 years	Age 55 with 10 years	Age 55 with 10 years	Age 58 with 10 years	Age 58 with 10 years
Member Contributions (prior to 7/1/17)	<p><u>Plan B</u></p> <p>2% of earnings up to social security wage base plus 5% of earnings above that level</p> <p><u>Plan C</u></p> <p>5% of earnings</p>	None	2% of earnings	2% of earnings	n/a
Member Contributions (Effective 7/1/17)	<p><u>Plan B</u></p> <p>3.5% of earnings up to social security wage base plus 5% of earnings above that level</p> <p><u>Plan C</u></p> <p>6.5% of earnings</p>	1.5% of earnings	3.5% of earnings	3.5% of earnings	* 6.5% of earnings

An increase to all non-Tier IV member contribution rates of 0.5% will be effective July 1, 2019.

\* In years where plan asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2%). All Tier IV employees must contribute 1% to the Defined Contribution (DC) portion of the Hybrid Plan and may elect additional contributions of up to 3% of salary to the DC portion.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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The 2011 State Employees Bargaining Agent Coalition Agreement (Agreement) provides current Tier II and Tier IIA members who remain employed after July 1, 2022, the opportunity for a one-time irrevocable election to retain the normal retirement eligibility in place prior to the Agreement. The election would require an additional employee contribution based on their original eligible retirement date. Under the prior agreement, normal retirement eligibility was age 60 and 25 years of service or age 62 and 10 years of service. All plans provide for death and disability benefits.

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3% higher than the contribution required from the applicable Tier II/IIA/III plan. The State is required to contribute at an actuarially determined rate.

The Authority's contractually required contribution rates for the years ended December 31, 2018 and 2017 were 34.08% and 36.90%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$4,517,904 and \$4,909,189 for the years ended December 31, 2018 and 2017, respectively.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of December 31, 2018, the Authority reported a liability of \$67,896,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the plan relative to the projected contributions of all participating governmental units. The Authority's proportion was 0.31308% as of June 30, 2018.

For the year ended December 31, 2018, the Authority recognized pension expense of \$7,507,996. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 2,396,499	\$
Changes in assumptions	7,398,084	
Net difference between projected and actual earnings on pension plan investments		212,872
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,287,676	8,154,006
Contributions subsequent to the measurement date	<u>2,693,126</u>	<u>                    </u>
	<u>\$ 16,775,385</u>	<u>\$ 8,366,878</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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Of the total amount reported as deferred outflows of resources related to pension, \$2,693,126 resulting from Authority contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 2,832,304
2020	2,091,400
2021	354,256
2022	368,879
2023	<u>68,542</u>
	<u>\$ 5,715,381</u>

**Actuarial Assumptions**

The total pension liability was determined based on the annual actuarial valuation report prepared as of June 30, 2018. The total pension liability was based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.50% - 19.50% including inflation
Cost of living	1.95% - 3.25%
Investment rate of return	6.9%, net of pension plan investment expense, including inflation

The RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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.



**CONNECTICUT HOUSING FINANCE AUTHORITY  
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The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0 %	5.8 %
Developed Non-U.S. Equities	18.0	6.6
Emerging Market (Non-U.S.)	9.0	8.3
Real Estate	7.0	5.1
Private Equity	11.0	7.6
Alternative Investments	8.0	4.1
Fixed Income (Core)	8.0	1.3
High Yield Bonds	5.0	3.9
Emerging Market Bonds	4.0	3.7
Inflation Linked Bonds	5.0	1.0
Cash	4.0	0.4

**Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2018 was 6.9%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions from the participating governmental units will be made equal to the difference between the projected actuarially determined contribution and actual member contributions. Projected future benefit payments for all current plan members were projected through the year 2138. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 plan liability and a municipal bond rate was not used in determining the discount rate.

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as the what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Authority's proportionate share of net pension liability	\$ 81,021,453	\$ 67,896,479	\$ 56,945,110

**Fiduciary Plan Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report of the State of Connecticut.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The State provides postemployment healthcare and life insurance benefits in accordance with State statutes, Section 5-257(d) and 5-259(a), to all eligible employees who retire from the State, including employees of the Authority. The benefits are provided through the State of Connecticut State Employee OPEB Plan (the Plan), a cost sharing single-employer defined benefit plan administered by the State of Connecticut. The Plan does not issue stand-alone financial statements; however, financial statements for the Plan are included as part of the State of Connecticut's Comprehensive Annual Financial Report that is publicly available.

Under a cost-sharing plan, OPEB obligations for employees of all employers are pooled, and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers' payment of their OPEB obligation to the plan.

**Benefits Provided**

When employees retire, the State pays up to 100% of their healthcare insurance premium cost (including dependents' coverage), depending on the plan. The State currently pays up to 20% of the cost for retiree dental insurance (including dependents' coverage) depending on the plan. In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at the time of retirement as follows: (a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than \$10,000; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest \$100 of coverage. The State finances the cost of postemployment healthcare and life insurance benefits on a pay-as-you-go basis through an appropriation in the State's General Fund.

**Contributions**

In accordance with the Revised State Employees Bargaining Agent Coalition (SEBAC) 2011 Agreement between the State of Connecticut and SEBAC, all employees shall pay a 3% retiree healthcare insurance contribution for a period of 10 years or retirement, whichever is sooner. Participants of Tier I, Tier II and Tier IIA shall be required to have 10 years of actual state service to be eligible for retirement health insurance. Participants of Tier III and Tier IV shall be required to have 15 years of actual state service to be eligible for retirement health insurance. Deferred vested retirees who are eligible for retiree health insurance shall be required to meet the rule of 75, which is the combination of age and actual state service equaling 75 in order to begin receiving retiree health insurance based on applicable SEBAC agreement.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the Authority reported a liability of \$63,147,471 for its proportionate share of the net OPEB liability. The net OPEB liability was determined based on a roll-forward to June 30, 2018 of the annual actuarial valuation report prepared as of June 30, 2017. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially required contribution for the year ended June 30, 2018 relative to all other contributing employers. The Authority's proportion was 0.365767% as of June 30, 2018.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$3,836,867. At December 31, 2018 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$	\$ 3,417,103
Net difference between projected and actual earnings on OPEB plan investments	28,541	57,497
Changes in proportionate share and difference between amount contributed and proportionate share of contributions	1,012,266	3,437,701
Employer contributions to the plan subsequent to the measurement date	<u>1,603,409</u>	
	<u>\$ 2,644,216</u>	<u>\$ 6,912,301</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,603,409 resulting from Authority contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Authority's OPEB expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 1,350,064
2020	1,350,064
2021	1,350,072
2022	1,289,384
2023	<u>531,910</u>
	<u>\$ 5,871,494</u>

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 roll forward actuarial valuation was determined using key actuarial assumptions summarized as follows:

Payroll growth rate	3.50%
Salary increases	3.25% - 19.5% varying by years of service
Discount rate	3.95% as of June 30, 2018 3.68% as of June 30, 2017
Healthcare cost trend rates:	
Medical	6.50% graded to 4.50% over 4 years
Prescription drug	8.00% graded to 4.50% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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The RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females for healthy participants and the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for disabled participants. These assumptions are applied to all periods included in the measurement.

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0 %	5.8 %
Developed Non-U.S. Equities	18.0	6.6
Emerging Market (Non-U.S.)	9.0	8.3
Real Estate	7.0	5.1
Private Equity	11.0	7.6
Alternative Investments	8.0	4.1
Fixed Income (Core)	8.0	1.3
High Yield Bonds	5.0	3.9
Emerging Market Bonds	4.0	3.7
Inflation Linked Bonds	5.0	1.0
Cash or cash equivalents	4.0	0.4

**Discount Rate**

The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.87% as of June 30, 2018 and 3.58% as of June 30, 2017). The final discount rate used to measure the total OPEB liability was 3.95% as of June 30, 2018. The blending is based on the sufficiency of projected assets to make projected benefit payments.

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.95%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (2.95%)</u>	<u>Discount Rate (3.95%)</u>	<u>1% Increase (4.95%)</u>
Authority's proportionate share of net OPEB liability	\$ 73,246,455	\$ 63,147,471	\$ 54,946,448

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the Authority's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Authority's proportionate share of net OPEB liability	\$ 53,787,014	\$ 63,147,471	\$ 75,008,523

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

The Authority is a party to financial instruments with risk in connection with its commitments to provide financing that is not included on the statements of net position. These expose the Authority to credit risk in excess of the amount recognized on the statements of net position. The Authority's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of those instruments. The Authority uses the same credit policies in making commitments and conditional obligations as it does for instruments that are included on the statement of net position. Total credit exposure is summarized below (in 000's):

	<u>2018</u>	<u>2017</u>
Mortgage Loan Commitments:		
Home Mortgage Program Purchases	\$ 105,718	\$ 79,928
Multifamily Developments	97,497	118,026
Reverse Annuity Mortgage	246	322
Emergency Mortgage Assistance (EMAP)	<u>6,353</u>	<u>11,181</u>
	<u>\$ 209,814</u>	<u>\$ 209,457</u>

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Authority evaluates each borrower's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Authority upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held is primarily residential and multifamily properties. Interest rates on approved mortgage loan commitments are fixed.

CHFA is involved in certain litigation and disputes incidental to its operations. Because it is generally difficult to predict the outcome of lawsuits, CHFA cannot give any assurance as to the outcome of such litigation. Based on the information it presently possesses, however, it is management's judgment that such litigation will not have a material adverse impact upon the financial condition of the Authority.

## **CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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The Authority offers mortgage insurance through the CHFA Insurance Fund. CHFA mortgage insurance is permitted on a case-by-case basis when FHA insurance and VA guarantees are not available and PMI insurance is either not available for the home or has been declined for a reason that would not prevent CHFA from issuing an insurance commitment. The CHFA Insurance Fund receives annual premiums from participating borrowers. The accumulation of these premiums is used to fund any claims. Premiums are collected until the LTV reaches certain thresholds at which such time the insurance coverage is terminated. As of December 31, 2018 and December 31, 2017, the Authority had \$13,858,000 and \$15,052,000, respectively, of outstanding home mortgage loans that are insured under this program. For the years ended December 31, 2018 and 2017, the claims paid from the CHFA Insurance Fund were \$337,000 and \$563,000, respectively.

### **NOTE 16 - STATE AND FEDERAL PROGRAMS**

Pursuant to Public Act No. 05-228 (CIA), the Authority was receiving a 25% distribution of funds held in the State of Connecticut's land protection, affordable housing and historic preservation account for the purpose of supplementing new or existing affordable housing programs. Effective May 28, 2014, and pursuant to Public Act No. 14-45 passed on said date, distribution of these funds was redirected to the State of Connecticut's Department of Housing. The Authority is currently spending down the funds received in prior years.

The rights of certain property owners are protected in Connecticut foreclosure actions by § 8-265cc through 8-265kk of the Connecticut General Statutes known as the Emergency Mortgage Assistance Payment (EMAP) Program. These provisions allow homeowners the opportunity to avoid foreclosure by enabling them to obtain financial assistance from the State, acting through the Authority. A qualified homeowner may obtain funds under this program to bring a delinquent mortgage current, and may also obtain assistance with subsequent mortgage payments to a maximum period of 60 months. During 2018 and 2017, the Authority received \$0 and \$10,000,000 respectively, from the State of Connecticut to be used in support of the EMAP program pursuant to a memorandum of understanding between the Authority and the State of Connecticut, Office of Policy and Management. Unspent funds are held by the Authority in escrow until expended on the program. Only when funds are spent are they recognized as program revenue and expenses. During 2011, the Authority issued \$20,000,000 in conduit debt under its Special Needs Indenture in support of the EMAP Program. Debt service on these bonds is paid by the State of Connecticut.

In 2018 and 2017, the Authority received \$2,000 and \$86,000 respectively, in grant funds from the Neighborhood Reinvestment Corporation (dba Neighborworks America), a non-profit, public corporation chartered by the Congress of the United States for the National Foreclosure Mitigation Counseling (NFMC) Program. These funds were made available through the 2008 Consolidated Appropriations Act and the 2008 Housing and Economic Recovery Act and are subject to the terms and conditions of the grant agreement entered into between Neighborworks America and the Authority. Funding began with Round 1 in 2008 and ended with Round 10 in 2016. Congress discontinued further appropriations for the NFMC Program in 2017. The \$2,000 in funds received in 2018 represent the remainder of the Round 10 funding.

In 2018 and 2017, the Authority received \$224,000 and \$143,000, respectively, in Comprehensive Counseling (CC) grant funds from the U.S. Department of Housing and Urban Development; the purpose being to provide counseling and advice to tenants and homeowners to assist them in improving their housing conditions and fulfilling the responsibilities of tenancy or homeownership. The funds were made available through Section 106 of the Housing and Urban Development Act of 1968 and Section 4 of the Department of Housing and Urban Development Act as amended by Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the use of which is subject to the terms and conditions of the grant agreement.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

The Qualified Energy Conservation Bond (QECCB) program was established under the Economic Stabilization Act of 2008 (Act) and is governed by certain provisions of the Internal Revenue Code of 1986, as amended (Code). Pursuant to the Act and Code, QECCBs are qualified tax credit bonds where the U.S. Treasury subsidizes a portion of the bond interest payment equal to 70% of the tax credit bond rate. The interest subsidy due or received in 2018 and 2017 was \$248,000 and \$244,000, respectively.

The goal of ending chronic homelessness was set when the State of Connecticut’s governor signed onto the “Zero:2016” initiative. In furtherance of reaching this goal, the Authority committed to contributing \$5,000,000 over ten years to fund supportive housing rental subsidies. The funding is to be made first from State funds on hand resulting from CHFA’s administration of the State’s supportive housing program. Once the designated State funds are exhausted, Financing Adjustment Factor (FAF) funds obtained from an agreement between the Authority and U.S. Department of Housing and Urban Development (HUD) will be used to fund the balance of the subsidy. In 2018 and 2017, the Authority funded \$-0- and \$500,000 towards this commitment, respectively.

The Authority manages a Down Payment Assistance Program (DAP) that helps single family borrowers purchase their first home. The DAP allows first time homebuyers access to additional assistance in the form of a 2<sup>nd</sup> mortgage loan for up to 100% combined loan to value. The average DAP loan made during 2018 was \$8,500, with approximately 36% of borrowers participating in the program. During 2018, the Authority received \$12,000,000 from the State of Connecticut to further capitalize the program.

Activity under these programs for the years ended December 31, 2018 and 2017 is summarized below (in 000’s):

	<b>2018</b>		<b>2018</b>		<b>Net</b>
	<b>Program</b>		<b>Program</b>		
	<b>Funding</b>		<b>Expenses</b>		<b>Net</b>
	<u>          </u>		<u>          </u>		<u>          </u>
PA 05-228	\$		249	\$	(249)
EMAP		1,655	1,655		
NFMC		2	2		
CC		224	224		
QECCB		248	248		
ZERO 16					
DAP		<u>12,000</u>			<u>12,000</u>
	\$	<u>14,129</u>	\$	<u>2,378</u>	\$ <u>11,751</u>
	<b>2017</b>		<b>2017</b>		<b>Net</b>
	<b>Program</b>		<b>Program</b>		
	<b>Funding</b>		<b>Expenses</b>		<b>Net</b>
	<u>          </u>		<u>          </u>		<u>          </u>
PA 05-228	\$		654	\$	(654)
EMAP		5,279	5,279		
NFMC		86	86		
CC		143	143		
QECCB		244	244		
ZERO 16		<u>500</u>	<u>500</u>		
	\$	<u>6,252</u>	\$	<u>6,906</u>	\$ <u>(654)</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 17 - RISK MANAGEMENT**

The Authority is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There are two pending claims, neither of which are expected to exceed insurance coverage limits if and when settled.

**NOTE 18 - SUBSEQUENT EVENTS**

On January 8, 2019, April 4, 2019 and April 9, 2019, the Authority redeemed \$7,885,000, \$1,575,000 and \$18,675,000, respectively, of various series of outstanding bonds held under the Bond Resolution.

On March 5, 2019, the Authority issued 2019 Series A fixed rate and variable rate bonds in the amount of \$122,980,000 under the Bond Resolution. The bond proceeds were used to refund a portion of the Authority's outstanding bonds and to fund the purchase of single family whole loans and mortgage backed securities. On the same date, CHFA entered into a Stand-By Bond Purchase Agreement with U.S. Bank National Association to secure the liquidity needs for 2019 Series A, Subseries A-2 with the principal balance of \$11,670,000 and a separate Stand-By Bond Purchase Agreement for 2019 Series A, Subseries A-3 with a principal balance of \$23,330,000. Additionally, CHFA entered into a Remarketing Agreement with U.S. Bancorp Investments, Inc and U.S. Bank Municipal Products Group, a division of U.S. Bank National Association, acting jointly as remarketing agent to secure the remarketing needs of 2019 Series A Subseries A-2 and A-3.



**CONNECTICUT HOUSING FINANCE AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM (SERS)  
LAST FIVE YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.31308%	0.31830%	0.30322%	0.39732%	0.34574%
Proportionate share of the net pension liability	\$ 67,896,479	\$ 67,069,565	\$ 69,628,178	\$ 65,653,502	\$ 55,368,069
Covered payroll	\$ 13,256,124	\$ 13,305,309	\$ 12,735,488	\$ 12,402,952	\$ 11,599,923
Proportionate share of the net pension liability as a percentage of its covered payroll	512.19%	504.08%	546.73%	529.34%	477.31%
Plan fiduciary net position as of percentage of total pension liability	36.62%	36.25%	31.69%	39.23%	39.54%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM (SERS)  
LAST FIVE YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,517,904	\$ 4,909,189	\$ 4,553,783	\$ 5,449,857	\$ 4,387,091
Amount contributed in relation to contractually required contribution	<u>4,517,904</u>	<u>4,909,189</u>	<u>4,553,783</u>	<u>5,449,857</u>	<u>4,387,091</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,256,124	\$ 13,305,309	\$ 12,735,488	\$ 12,402,952	\$ 11,599,923
Contributions as a percentage of covered payroll	34.08%	36.90%	35.76%	43.94%	37.82%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule**

*Changes in benefit terms:*

For the June 30, 2017 valuation, there were several changes in benefit terms:

- a. The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6% and with a cap on the COLA rate of 7.5%.
- b. A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.
- c. Increase to all non-Tier IV members' contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
- d. In years where employer contributions increase due to poor asset returns, half the increase is applied to the Tier IV member contribution rate, up to 2% in total.
- e. Tier IV Hybrid Plan Structure for all new hires (Non-Hazardous and Hazardous) on or after July 1, 2017:
  - i. Non-Hazardous has same retirement eligibility as Tier III
  - ii. Non-Hazardous benefit multiplier is 1.3% with no breakpoint
  - iii. Hazardous duty requires 25 years of service to retire
  - iv. Employees contribute 3% more than Tier III employees into the Defined Benefit Plan
  - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of the Hybrid Plan

*Changes in assumptions:*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Investment rate of return (net of pension plan investment expense, including inflation)	6.90%	6.90%	6.90%	8.00%	8.00%
Salary increases	3.50% - 19.5%	3.50% - 19.5%	3.50% - 19.5%	4.00% - 20.0%	4.00% - 20.0%
Cost of living adjustments	1.95% - 3.25%	1.95% - 3.25%	2.25% - 3.25%	2.30% - 3.60%	2.30% - 3.60%
Inflation	2.50%	2.50%	2.50%	2.75%	2.75%

**CONNECTICUT HOUSING FINANCE AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
LAST THREE YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net OPEB liability	0.365767%	0.390046%	0.380742%
Proportionate share of the net OPEB liability	\$ 63,147,471	\$ 67,722,049	\$ 65,649,161
Covered employee payroll	\$ 13,256,124	\$ 13,305,309	\$ 12,735,488
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	476.36%	508.99%	515.48%
Plan fiduciary net position as of percentage of total OPEB liability	4.69%	3.03%	1.94%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
EMPLOYEES' OTHER POST EMPLOYMENT BENEFIT PLAN  
LAST THREE YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,933,060	\$ 2,603,173	\$ 2,317,169
Amount contributed in relation to contractually required contribution	<u>2,933,060</u>	<u>2,603,173</u>	<u>2,317,169</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 13,256,124	\$ 13,305,309	\$ 12,735,488
Contributions as a percentage of covered employee payroll	22.13%	19.56%	18.19%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule**

*Changes in assumptions:*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Payroll growth rate	3.50%	3.50%	3.75%
Salary increases	3.25% - 19.5%	3.25% - 19.5%	3.25% - 19.5%
Discount rate	3.95%	3.68%	3.74%
Health care cost trend rates:			
Medical	6.5% graded to 4.5% over 4 years	6.5% graded to 4.5% over 4 years	5.00%
Prescription drug	8.0% graded to 4.5% over 7 years	8.0% graded to 4.5% over 7 years	10.0% graded to 5.0% over 5 years
Dental and Part B	4.50%	4.50%	5.00%
Administrative expense	3.00%	3.00%	\$250 per participant

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2018**  
(in 000's)

	Other Funds						Component	Eliminations	Combined
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond and Other Bond Funds	Multifamily Special Obligation Bond and Other Bond Funds	Special Needs Housing Funds	Qualified Energy Conservation Bond Fund	Multifamily Real Estate Owned		
<b>Assets</b>									
Restricted current assets:									
Cash and cash equivalents	\$ 356	\$	\$	\$	8	\$	\$	\$	\$ 364
Mortgage loans receivable	125,106		5,220	616	3,105	377			134,424
Investments in securities	494,127	3,650	17,069	6,255	57,111	836	637		579,685
Real estate owned - multifamily							2,300		2,300
Accrued interest receivable on:									
Mortgage loans	12,800		1,020	199	368	19			14,406
Securities	5,845	7	35	13	126		1		6,027
Due from other funds/component units	2,647							(2,647)	-
Accounts receivable and other assets	59,961		623		731	21	229		61,565
Total current assets	<u>700,842</u>	<u>3,657</u>	<u>23,967</u>	<u>7,083</u>	<u>61,449</u>	<u>1,253</u>	<u>3,167</u>	<u>(2,647)</u>	<u>798,771</u>
Restricted noncurrent assets:									
Mortgage loans receivable, net of current portion	2,608,203		195,370	49,348	62,102	8,403			2,923,426
Investments in securities, net of current portion	2,006,046		14,972		1,693				2,022,711
Capital assets, net of depreciation	3,046								3,046
Real estate owned - single family	15,069		1,598						16,667
Total noncurrent assets	<u>4,632,364</u>	<u>-</u>	<u>211,940</u>	<u>49,348</u>	<u>63,795</u>	<u>8,403</u>	<u>-</u>	<u>-</u>	<u>4,965,850</u>
Total assets	<u>5,333,206</u>	<u>3,657</u>	<u>235,907</u>	<u>56,431</u>	<u>125,244</u>	<u>9,656</u>	<u>3,167</u>	<u>(2,647)</u>	<u>5,764,621</u>
<b>Deferred Outflows of Resources</b>									
Unamortized deferral on bond refundings	96,018				38				96,056
Deferred amount for OPEB	2,644								2,644
Deferred amount for pensions	16,775								16,775
Total deferred outflows of resources	<u>115,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,475</u>
<b>Liabilities</b>									
Current liabilities:									
Escrow deposits and unearned revenue	32,060		(29)	834	6,232	583			39,680
Due to other funds/component units		151	75	121			2,300	(2,647)	-
Accrued interest payable	16,717		529	48	115	38			17,447
Accounts payable and accrued liabilities	5,620		118	5	766		92		6,601
Bonds payable	225,960		9,005	731	2,605	410			238,711
Total current liabilities	<u>280,357</u>	<u>151</u>	<u>9,698</u>	<u>1,739</u>	<u>9,718</u>	<u>1,031</u>	<u>2,392</u>	<u>(2,647)</u>	<u>302,439</u>
Noncurrent liabilities									
Escrow deposits and unearned revenue, net of current portion	113,708			2,315	31,716				147,739
Bonds payable, net of current portion	4,034,080		222,548	49,892	63,448	8,428			4,378,396
Derivative instruments - interest rate swaps	86,917								86,917
Net OPEB liability	63,147								63,147
Net pension liability	67,896								67,896
Total noncurrent liabilities	<u>4,365,748</u>	<u>-</u>	<u>222,548</u>	<u>52,207</u>	<u>95,164</u>	<u>8,428</u>	<u>-</u>	<u>-</u>	<u>4,744,095</u>
Total liabilities	<u>4,646,105</u>	<u>151</u>	<u>232,246</u>	<u>53,946</u>	<u>104,882</u>	<u>9,459</u>	<u>2,392</u>	<u>(2,647)</u>	<u>5,046,534</u>
<b>Deferred Inflows of Resources</b>									
Deferred amount for OPEB	6,912								6,912
Deferred amount for pensions	8,367								8,367
Derivative financial Instruments	49,544								49,544
Total deferred inflows of resources	<u>64,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,823</u>
<b>Net Position</b>									
Net investment in capital assets	3,046								3,046
Restricted by bond indentures and/or enabling legislation	734,669	3,506	3,661	2,485	20,400	197	775		765,693
<b>Total Net Position</b>	<u>\$ 737,715</u>	<u>\$ 3,506</u>	<u>\$ 3,661</u>	<u>\$ 2,485</u>	<u>\$ 20,400</u>	<u>\$ 197</u>	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ 768,739</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2017**  
(in 000's)

	Other Funds						Component Units		Eliminations	Combined Total
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond and Other Bond Funds	Multifamily Special Obligation Bond and Other Bond Funds	Special Needs Housing Funds	Qualified Energy Conservation Bond Fund	Multifamily Real Estate Owned			
<b>Assets</b>										
Restricted current assets:										
Cash and cash equivalents	\$ 505	\$	\$	\$	28	\$	\$	\$	\$	533
Mortgage loans receivable	119,407		6,663	588	2,552	361				129,571
Investments in securities	556,362	3,956	16,207	5,918	57,370	987	442			641,242
Real estate owned - multifamily							2,300			2,300
Accrued interest receivable on:										
Mortgage loans	14,972		1,228	201	347	20				16,768
Securities	4,603	4	17	7	75		1			4,707
Due from other funds/component units	2,732							(2,732)		-
Accounts receivable and other assets	60,995		1,149		725		374			63,243
Total current assets	<u>759,576</u>	<u>3,960</u>	<u>25,264</u>	<u>6,714</u>	<u>61,097</u>	<u>1,368</u>	<u>3,117</u>	<u>(2,732)</u>		<u>858,364</u>
Restricted noncurrent assets:										
Mortgage loans receivable, net of current portion	2,731,883		214,619	49,963	58,442	8,780				3,063,687
Investments in securities, net of current portion	1,643,480		18,105		1,808					1,663,393
Capital assets, net of depreciation	3,465									3,465
Real estate owned - single family	14,285		2,198							16,483
Total noncurrent assets	<u>4,393,113</u>	<u>-</u>	<u>234,922</u>	<u>49,963</u>	<u>60,250</u>	<u>8,780</u>	<u>-</u>	<u>-</u>		<u>4,747,028</u>
Total assets	<u>5,152,689</u>	<u>3,960</u>	<u>260,186</u>	<u>56,677</u>	<u>121,347</u>	<u>10,148</u>	<u>3,117</u>	<u>(2,732)</u>		<u>5,605,392</u>
<b>Deferred Outflows of Resources</b>										
Unamortized deferral on bond refundings	91,743				45					91,788
Deferred amount for OPEB	2,666									2,666
Deferred amount for pensions	22,050									22,050
Total deferred outflows of resources	<u>116,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>116,504</u>
<b>Liabilities</b>										
Current liabilities:										
Escrow deposits and unearned revenue	33,140			801	9,141	739				43,821
Due to other funds/component units		252	60	120			2,300	(2,732)		-
Accrued interest payable	15,304		598	48	115	40				16,105
Accounts payable and accrued liabilities	5,987		134	3	744		98			6,966
Bonds payable	221,896		8,530	697	2,490	397				234,010
Total current liabilities	<u>276,327</u>	<u>252</u>	<u>9,322</u>	<u>1,669</u>	<u>12,490</u>	<u>1,176</u>	<u>2,398</u>	<u>(2,732)</u>		<u>300,902</u>
Noncurrent liabilities										
Escrow deposits and unearned revenue, net of current portion	107,785			2,351	28,491					138,627
Bonds payable, net of current portion	3,830,886		247,298	50,578	62,293	8,838				4,199,893
Derivative instruments - interest rate swaps	110,830									110,830
Net OPEB liability	67,722									67,722
Net pension liability	67,070									67,070
Total noncurrent liabilities	<u>4,184,293</u>	<u>-</u>	<u>247,298</u>	<u>52,929</u>	<u>90,784</u>	<u>8,838</u>	<u>-</u>	<u>-</u>		<u>4,584,142</u>
Total liabilities	<u>4,460,620</u>	<u>252</u>	<u>256,620</u>	<u>54,598</u>	<u>103,274</u>	<u>10,014</u>	<u>2,398</u>	<u>(2,732)</u>		<u>4,885,044</u>
<b>Deferred Inflows of Resources</b>										
Deferred amount for OPEB	1,701									1,701
Deferred amount for pensions	10,248									10,248
Derivative Financial Instruments	10,677									10,677
Total deferred inflows of resources	<u>22,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>22,626</u>
<b>Net Position</b>										
Net investment in capital assets	3,465									3,465
Restricted by bond indentures and/or enabling legislation	782,437	3,708	3,566	2,079	18,118	134	719			810,761
Unrestricted deficit										
<b>Total Net Position</b>	<u>\$ 785,902</u>	<u>\$ 3,708</u>	<u>\$ 3,566</u>	<u>\$ 2,079</u>	<u>\$ 18,118</u>	<u>\$ 134</u>	<u>\$ 719</u>	<u>\$ -</u>		<u>\$ 814,226</u>

\* Restated for GASB No. 75 implementation (see Note 2)

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

	Other Funds						Component Units		Combined Total
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond and Other Bond Funds	Multifamily Special Obligation Bond and Other Bond Funds	Special Needs Housing Funds	Qualified Energy Conservation Bond Fund	Multifamily Real Estate Owned	Eliminations	
<b>Operating Revenues</b>									
Interest on mortgage loans	\$ 128,032	\$	\$ 8,569	\$ 2,334	\$ 3,798	\$ 243	\$	\$	\$ 142,976
Interest on investments	63,593	67	416	71	513		10	(2,295)	62,375
Fees and other income	10,369	68			121		46		10,604
Total operating revenues	<u>201,994</u>	<u>135</u>	<u>8,985</u>	<u>2,405</u>	<u>4,432</u>	<u>243</u>	<u>56</u>	<u>(2,295)</u>	<u>215,955</u>
<b>Operating Expenses</b>									
Interest	137,371		7,423	1,999	2,659	131		(2,295)	147,288
Bond issuance costs	6,377				432	49			6,858
Servicer fees	11,389		726						12,115
Administrative	42,057	337	284						42,678
Provision for losses	14,606		195						14,801
Total operating expenses	<u>211,800</u>	<u>337</u>	<u>8,628</u>	<u>1,999</u>	<u>3,091</u>	<u>180</u>	<u>-</u>	<u>(2,295)</u>	<u>223,740</u>
<b>Operating Income (Loss)</b>	<u>(9,806)</u>	<u>(202)</u>	<u>357</u>	<u>406</u>	<u>1,341</u>	<u>63</u>	<u>56</u>		<u>(7,785)</u>
<b>Nonoperating Revenues (Expenses)</b>									
Net decrease in the fair value of investments	(49,126)		(262)		(65)				(49,453)
State and federal program funding	12,226				1,655	248			14,129
State and federal program expenses	(475)				(1,655)	(248)			(2,378)
Nonoperating income (loss)	<u>(37,375)</u>	<u>-</u>	<u>(262)</u>	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,702)</u>
<b>Income (Loss) before Transfers</b>	<u>(47,181)</u>	<u>(202)</u>	<u>95</u>	<u>406</u>	<u>1,276</u>	<u>63</u>	<u>56</u>	<u>-</u>	<u>(45,487)</u>
<b>Operating Transfers In (Out)</b>	<u>(1,006)</u>				<u>1,006</u>				<u>-</u>
<b>Change in Net Position</b>	<u>(48,187)</u>	<u>(202)</u>	<u>95</u>	<u>406</u>	<u>2,282</u>	<u>63</u>	<u>56</u>	<u>-</u>	<u>(45,487)</u>
<b>Net Position - Beginning of Year, as Restated</b>	<u>785,902</u>	<u>3,708</u>	<u>3,566</u>	<u>2,079</u>	<u>18,118</u>	<u>134</u>	<u>719</u>	<u>-</u>	<u>814,226</u>
<b>Net Position - End of Year</b>	<u>\$ 737,715</u>	<u>\$ 3,506</u>	<u>\$ 3,661</u>	<u>\$ 2,485</u>	<u>\$ 20,400</u>	<u>\$ 197</u>	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ 768,739</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(in 000's)**

	Other Funds						Component Units		Combined Total
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond and Other Bond Funds	Multifamily Special Obligation Bond and Other Bond Funds	Special Needs Housing Funds	Qualified Energy Conservation Bond Fund	Multifamily Real Estate Owned	Eliminations	
<b>Operating Revenues</b>									
Interest on mortgage loans	\$ 136,074	\$	\$ 9,340	\$ 2,360	\$ 3,718	\$ 260	\$	\$	\$ 151,752
Interest on investments	49,373	39	219	33	323		3	(2,256)	47,734
Fees and other income	13,882	80			37		233		14,232
Total operating revenues	<u>199,329</u>	<u>119</u>	<u>9,559</u>	<u>2,393</u>	<u>4,078</u>	<u>260</u>	<u>236</u>	<u>(2,256)</u>	<u>213,718</u>
<b>Operating Expenses</b>									
Interest	126,424		8,284	2,017	2,817	138		(2,256)	137,424
Bond issuance costs	7,483				14				7,497
Servicer fees	10,690		792						11,482
Administrative	38,191	562	79						38,832
Provision for losses	2,482		(887)						1,595
Total operating expenses	<u>185,270</u>	<u>562</u>	<u>8,268</u>	<u>2,017</u>	<u>2,831</u>	<u>138</u>	<u>-</u>	<u>(2,256)</u>	<u>196,830</u>
<b>Operating Income (Loss)</b>	<u>14,059</u>	<u>(443)</u>	<u>1,291</u>	<u>376</u>	<u>1,247</u>	<u>122</u>	<u>236</u>		<u>16,888</u>
<b>Nonoperating Revenues (Expenses)</b>									
Net increase (decrease) in the fair value of investments	(6,004)		77		(11)				(5,938)
State and federal program funding	229				5,779	244			6,252
State and federal program expenses	(883)				(5,779)	(244)			(6,906)
Nonoperating income (loss)	<u>(6,658)</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,592)</u>
<b>Income (Loss) before Transfers</b>	<u>7,401</u>	<u>(443)</u>	<u>1,368</u>	<u>376</u>	<u>1,236</u>	<u>122</u>	<u>236</u>		<u>10,296</u>
<b>Operating Transfers In (Out)</b>	<u>(822)</u>				<u>822</u>				
<b>Change in Net Position</b>	<u>6,579</u>	<u>(443)</u>	<u>1,368</u>	<u>376</u>	<u>2,058</u>	<u>122</u>	<u>236</u>	<u>-</u>	<u>10,296</u>
<b>Net Position - Beginning of Year, as Restated</b>	<u>779,323</u>	<u>4,151</u>	<u>2,198</u>	<u>1,703</u>	<u>16,060</u>	<u>12</u>	<u>483</u>	<u>-</u>	<u>803,930</u>
<b>Net Position - End of Year</b>	<u>\$ 785,902</u>	<u>\$ 3,708</u>	<u>\$ 3,566</u>	<u>\$ 2,079</u>	<u>\$ 18,118</u>	<u>\$ 134</u>	<u>\$ 719</u>	<u>\$ -</u>	<u>\$ 814,226</u>

\* Restated for GASB No. 75 implementation (see Note 2)



## APPENDIX C

### SUMMARY OF CERTAIN FEDERAL HOUSING SUBSIDY AND MORTGAGE INSURANCE OR GUARANTEE PROGRAMS

#### Introduction

The United States Department of Housing and Urban Development (“HUD”), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various Federal programs authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. The Department of Veterans Affairs (“VA”) administers the mortgage guaranty program authorized under the Servicemen’s Readjustment Act of 1944, as amended. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees; subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of such of these programs as they affect mortgages that the Authority has financed or intends to finance under the Housing Mortgage Finance Program.

#### The Section 8 Housing Assistance Payments Program

The Section 8 program is administered by HUD and authorizes payments to the owners of qualified housing units. The housing assistance payments to the owner represent the differences between the “contract rents” for all eligible units in a rental dwelling, as established by HUD from time to time, and the eligible tenants’ rental contributions, generally 30% of family income. Housing assistance payments provide a subsidy for the benefit of low income families (defined generally as families whose annual income does not exceed 80% of median income for the area as determined by HUD) and very low income families (defined as families whose annual income does not exceed 50% of the median income for the area as determined by HUD). Pursuant to amendments to the United States Housing Act of 1937 effected by the Housing and Community Development Amendments of 1981 (the “1981 Amendments”), as amended, not more than 25% of the dwelling units which were available for occupancy under public housing Annual Contributions Contracts and Section 8 HAP Contracts before the effective date of the 1981 Amendments and that are leased thereafter shall be available for leasing by low income families other than very low income families; and not more than 15% of the dwelling units which became available for occupancy under public housing Annual Contributions Contracts and Section 8 HAP Contracts after the effective date of the 1981 Amendments shall be available for leasing by low income families other than very low income families. Subsequent legislation requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission.

**Subsidy Contracts.** The payment of subsidies under the Section 8 program is generally made pursuant to two contracts entered into with respect to each development assisted under such program: an annual contributions contract (“ACC”), between HUD and the Authority, and a housing assistance payments contract (the “HAPC”) between the Authority and the owner of the development. The ACC obligates HUD, upon receipt of satisfactory evidence of completion of construction, to provide funds to the Authority with which to make housing assistance payments to the owner pursuant to the HAPC.

The Section 8 subsidy program is administered by eligible governmental units responsible for the administrative aspects of the Section 8 program. Allocations of Section 8 subsidies given by HUD to the Authority or to local housing agencies have been contracted with developers to develop multifamily housing to be occupied by eligible tenants. When the Authority or a local housing agency receives a Section 8 subsidy allocation, it enters into an ACC with HUD. The developer may also execute an HAPC directly with HUD, and, in such case, no ACC is executed. The Authority has acted as mortgagee for developments receiving subsidies under all of the above described situations.

The ACC establishes the maximum annual amount of the housing assistance payments to be made by HUD for the account of the owner of a development. This amount may not exceed the total of the contract rents, plus

utilities allowances approved by HUD for all the Contract units in the project. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the contract rents payable by the tenants) is required to be set aside by HUD in an account for the particular development, known as a “project account,” and will be available for future years to fund increases in contract rents for the development, decreases in family income or other costs authorized or approved by HUD. If and when a project account falls below a specified level, HUD is committed under the ACC to reserve or allocate available contributions to the extent necessary to provide for such increases. Other funds may be available for such purpose. It is possible that such action would require the Secretary of HUD to request additional appropriations from Congress. Since such appropriations would be at the discretion of Congress, no assurance can be given that such appropriations would be made.

The HAPC is approved by HUD upon receipt of satisfactory evidence from the Authority of completion of construction. The HAPC for the uninsured developments is for an initial term of twenty years and, unless the owner and the Authority agree to terminate, is automatically renewed for additional five year terms, not to exceed 30 or 40 years overall or the term of the mortgage loan, whichever is less. By the assignment of the HAPC to the Authority the owners are required to renew the HAPC. An ACC remains in effect for as long as the HAPC is in effect. In the case of insured developments, the term of the HAPC is generally twenty years. The Authority allows the term of the HAPC to be shorter than the term of the insured mortgage loan, and in the case of uninsured developments the Authority generally requires the term of the HAPC to be equal to the term of the mortgage loan.

*Amount and Payment of Subsidy.* The contract rent initially established for each unit in a development is intended to be at a level sufficient to pay the debt service and operating costs (and, in most cases, a return to the owner) attributable to such unit in its first year of operation. Contract rents are also required to compare reasonably to the rents of comparable unassisted units.

For each assisted unit, the amount of the subsidy actually payable to the Authority for the account of the owner is equal to the contract rent less the payment to be made to the owner by the tenant(s), as approved by HUD. The tenant payment is generally equal to 30% of family income, although each assisted family is generally required to pay a minimum rent of \$25 a month. The total rental income from subsidized housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Authority. The proportion of the contract rent actually paid by HUD and that actually paid by tenants may vary depending upon tenant income.

*Adjustments of Subsidy Amounts.* Increases in contract rents may be granted during the period from HUD approval of the ACC until completion of construction in certain limited circumstances. At least ninety days prior to the estimated completion date of construction, the mortgagor must begin implementation of the Authority’s approved marketing plan.

HUD’s Section 8 regulations and the HAPC provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually by HUD pursuant to an annual adjustment factor. Such adjustments may not, however, result in a material difference between the rents charged for subsidized and comparable non subsidized dwelling units except to the extent that the differences existed with respect to the contract rents set at HAPC execution or cost certification, where applicable (the “Initial Difference”). Under current law (Section 8(c)(2)(C) of the United States Housing Act of 1937), “[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner.” 42 U.S.C. §1437f(c)(2)(C). Special additional adjustments may be approved by HUD to reflect increases in the actual and necessary expenses of owning and maintaining the development which have resulted from substantial general increases in insurance premiums, real property taxes, utility rates, or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that the owner or the Authority establishes that such general increases are not compensated for by the automatic annual adjustment.

Notwithstanding the foregoing, if the contract rents for a development exceed the applicable HUD fair market rents (“FMR”s), then contract rents cannot be increased beyond comparable market rents (plus the Initial Difference) as determined by independent appraisals of at least three comparable local developments submitted by the owner. The AAFs for Section 8 units which experienced no turnover in tenants since the preceding HAPC

anniversary date would be one percentage point less than the AAFs that would otherwise apply. (See “Recent Developments” below.)

*Vacancies and Debt Service.* Generally, the Section 8 subsidy is payable with respect to the dwelling unit only when it is occupied by an eligible family. However, the law and regulations provide for payment of the subsidy under certain circumstances when the dwelling unit is not occupied.

Upon occurrence of a vacancy in a dwelling unit, a subsidy amounting to 80% of the contract rent is payable for a vacancy period of sixty days subject to compliance by the sponsor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. The payment of a subsidy with respect to a vacant dwelling unit may continue, after such sixty day period, for up to twelve months in an amount equal to that portion of the contract rent that is attributable to debt service on the permanent financing of the dwelling unit, if a good faith effort is being made to rent the unit, the unit provides decent, safe, and sanitary housing and the owner has demonstrated to the satisfaction of HUD that the project can achieve financial soundness within a reasonable period of time. No such payment may be made if the owner of the development is receiving revenues in excess of the cost incurred by the owner with respect to the development. No restrictions apply to the number of times during the term of the mortgage that the owner may receive benefit of the subsidy for debt service on vacancy units.

The regulations provide that HUD and the Authority may reduce the number of Contract units if the owner fails for a substantial period of time to lease or make available for leasing by eligible families a sufficient percentage of Contract units.

*Pledge of Subsidy as Security for the Bonds.* HUD regulations permit the sponsor and the Authority to pledge or offer the Federal subsidy payments as security for financing of the developments. The Authority requires the sponsor for each development to pledge or offer as security such Federal subsidy payments, with HUD approval, as security for the mortgage loan on the development by an assignment of the HAPC to the Authority, and in the Resolution, the Authority has pledged the revenues received from the mortgage loans to the payment of the Bonds.

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

*Compliance with Subsidy Contracts.* The ACC and the HAPC each contain numerous agreements on the part of the Authority and the sponsor.

Housing subsidies will continue as long as the owner complies with the requirements of the HAPC and has leased the assisted units to eligible tenants or has satisfied the criteria for receiving assistance for vacant units. The Authority, which has primary responsibility for administering the HAPC, subject to review and audit by HUD, may require the owner to cure any default under the HAPC and may abate housing assistance payments and recover overpayments pending remedy of the default. If the default is not cured, the Authority may terminate the HAPC or take other corrective actions, in its discretion or as directed by HUD. HUD has an independent right to determine whether the owner is in default and to take corrective action and apply appropriate remedies.

If HUD determines that the Authority has failed to fulfill its obligations, HUD may, after notice to the Authority giving it a reasonable opportunity to take corrective action, require that the Authority assign to it all rights under the HAPC.

In the event that construction or rehabilitation is not commenced, diligently continued, or completed in accordance with the Authority’s agreement with the owner to enter into an HAPC upon completion of construction, HUD, or the Authority with HUD approval, may rescind the agreement or take other appropriate action.

Over the years there have been numerous proposals and pronouncements from Members of Congress, the Administration and HUD officials which address the future of HUD and the various programs operating pursuant to Section 8 of the 1937 Housing Act. The primary subject of these proposals and pronouncements have been projects

which have FHA-insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAPC's with substantially shorter terms. Efforts to address this subject are often referred to, generally and without specific import, as "Portfolio Reengineering" or "Mark to Market." The purpose of these programs is primarily the restructuring of Section 8 assistance to match current market rents and, for FHA-insured mortgage loans, restructuring through partial prepayments of such mortgage loans. Express exemptions from restructuring are provided for mortgages originated under state and local governmental lending programs if in conflict with applicable law or agreements

### **FHA Insurance Programs**

Mortgages may be insured by the Federal Housing Administration ("FHA") of the U.S. Department of Housing and Urban Development ("HUD") pursuant to Section 203(b) of the National Housing Act of 1937, as amended, and the regulations promulgated thereunder at 24 C.F.R. Part 203. Such regulations provide that insurance benefits are payable only upon foreclosure (or other acquisition of possession and title) and conveyance of title to the mortgaged premises to the Secretary of Housing and Urban Development ("Secretary"). Assignment of a defaulted loan to FHA is no longer permitted, other than for those requests made prior to April 26, 1996. However, recently enacted loss mitigation options allow partial claim as a homeowner retention tool.

For loans originated after October 1994, home buyers under the Section 203(b) Program are required to pay an up-front mortgage insurance premium of 2.25%. In addition, an annual risk based premium is assessed based on the amount of down payment. For loans originated after 1994, a 0.5% fee would be assessed over 11 years if the initial loan to value (LTV) ratio is less than 90%, 30 years if the LTV is at least 90% but not more than 95% and, with an increase in premium to 0.55%, 30 years if the LTV exceeds 95%. The National Housing Act also requires that the principal amount of the mortgage loan not be in excess of 96.5% of the appraised value of the residence, plus the amount of the mortgage insurance premium paid at the time the mortgage is insured.

The National Housing Act regulations promulgated thereunder give discretionary authority to the Secretary to settle claims for insurance benefits in cash, in debentures or in a combination of both. The current FHA policy, subject to change at any time, is to make insurance payments in cash unless the mortgagee specifically requests payment in debentures. Debentures issued in satisfaction of an insurance claim have a term of 20 years, and bear interest at the HUD debenture interest rate in effect under the regulations as of the date of issuance of the insurance commitment, or of the initial endorsement of the mortgage note for insurance, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure or other acquisition of possession and conveyance of title to FHA, the insurance payment is computed as of the date of default by the mortgagor, and the mortgagee is compensated for the unpaid principal balance of the loan but generally not for mortgage interest accrued and unpaid prior to that date. The "date of default" is defined as 30 days after the first failure to make a monthly payment which has not been paid subsequently. Since monthly payments are regularly made 30 days in arrears, the mortgagee in collecting insurance benefits can expect to lose sixty days' interest at the mortgage rate. Insurance benefits include interest at the debenture interest rate then in effect covering the period from default to the date of payment; thus, assuming the mortgage interest rate is greater, the mortgagee can also expect to lose the difference between the mortgage interest rate and the debenture interest rate during such period. If insurance benefits are paid in debentures rather than cash, the mortgagee could expect to lose such interest differential over a longer period of time. In addition, in the event the debentures are sold prior to the maturity date thereof, it is likely that the mortgagee could expect to lose a substantial portion of the principal amount thereof. Finally, the mortgagee can expect to lose certain out-of-pocket expenses of securing the property and certain of its foreclosure expenses.

When any property to be conveyed to the Secretary has been damaged by fire, earthquake, flood or tornado, it is required, as a condition to payment of an insurance claim, that such property be repaired prior to such conveyance.

### **Department of Veterans Affairs Guaranty Program**

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse and certain qualifying reservists) to obtain a mortgage loan guarantee from the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates not in excess of the maximum rates

established by VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years' duration. The maximum VA mortgage loan guaranty under this program is the lesser of the veteran's available entitlement or: (a) for home and condominium loans up to \$45,000, 50% of the original principal amount of the loan; (b) for home and condominium loans over \$45,000, and not more than \$56,250, \$22,500; (c) for home and condominium loans over \$56,250 and not more than \$144,000, 40% of the original principal amount of the loan up to \$36,000; (d) for home and condominium loans over \$144,000, the lesser of the applicable "maximum guaranty amount" or 25% of the original principal amount of the loan; and (e) for manufactured home loans, the lesser of 40% of the original principal amount of the loan or \$20,000. The "maximum guaranty amount" generally is 25% of the Freddie Mac conforming loan limit as adjusted. Pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the "maximum guaranty amount" for loans originated from July 30, 2008 through December 31, 2011 is 25% of the greater of: (a) the Freddie Mac conforming loan limit, as adjusted, and (b) 125% of the area median price for single family residences, but in no case to exceed 175% of the Freddie Mac conforming loan limit, as adjusted. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of 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 when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee as adjusted. 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 VA. Under the program, a VA guaranteed Mortgage Loan must be guaranteed in an amount which, together with the down payment by the Mortgagor, will at least equal 25% of the lesser of the sales price or the appraised value of the property. Regulations recently adopted by the VA permit mortgage loans to be guaranteed by the VA even though they contain due on sale clauses enforceable in the event that such mortgage loan is assumed by a person who is not an eligible borrower.

### **Rural Development Guaranteed Rural Housing Loan Program**

The United States Department of Agriculture Rural Development (formerly the Farmers Home Administration and Rural Housing Services) ("RD") permits a low to moderate income purchaser of a home in a designated rural area to obtain a mortgage loan guarantee from RD. To qualify, a purchaser's income must not exceed 115% of the median income for the area in which the home is located. RD uses FHA underwriting standards, and loans may not exceed FHA 203(b)(2) loan limits. Interest rates are set by the lenders, the loans have terms of thirty (30) years, and no down payment is required from the purchaser.

RD requires that, in the absence of the consent of the mortgagor, payment of the mortgage loan must be at least 90 days delinquent before the mortgagee may initiate foreclosure proceedings and the mortgagee must send the mortgagor a notice of the foreclosure at least 30 days in advance thereof. The mortgagee must obtain prior RD approval for any liquidation of the property other than by foreclosure. RD also requires that the mortgagee arrange a meeting with the mortgagor before payment on the mortgage loan becomes 60 days delinquent.

Under the RD Guarantee Program, the mortgagee is entitled to payment of the guarantee only after the secured property has been sold at foreclosure or otherwise liquidated in conformity with RD requirements. RD does not accept conveyance of property, but rather pays the mortgagee's claim upon foreclosure. The RD Guarantee Program pays the mortgagee the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to the first 35% of the original principal amount of the loan plus any additional loss on the remaining 65% of the original principal amount of the loan is shared approximately 85% by RD and approximately 15% by the mortgagee. Loss is defined as (i) the outstanding principal balance and accrued interest of the mortgage loan as of the date of the liquidation sale or transfer of the secured property, plus reasonable liquidation costs, minus (ii) the greater of the fair market value of such property or the amount obtained at any foreclosure sale.

### **Private Mortgage Insurance**

The Act provides that in addition to having its loan insured or guaranteed by any department, agency, or instrumentality of the United States of America or public corporation chartered by the Congress of the United States, the Authority may have its loans insured by any insurance company licensed to do business in the State and

authorized to underwrite mortgage insurance. The Authority presently allows the use of private mortgage insurance on newly constructed homes, new and existing condominium units, and in certain other circumstances.

The maximum amount insurable by private mortgage insurance companies is 95% of the lesser of the appraised value or selling price of the owner occupied residence. Requirements of borrower equity vary according to percentage of the mortgage to be insured. Although certain companies allow contributed labor or use of a percentage of the value of the land to be improved as equity, the Authority requires that the minimum equity must be in the form of cash or its equivalent.

Delinquencies must be reported to the insurer within four months of default and proceedings to recover title are required to commence within nine months of default. It is also required that prior to presenting a claim under the mortgage insurance, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor, must be acquired and tendered to the insurer. When such a claim is presented, the insurer will either pay the claim in full and take the title to the property or pay to the insured the percentage of the claim and allow the insured to retain title to the property. The percentage of the mortgage insurance varies with the percentage of the mortgage from 25% insurance coverage for a 95% mortgage to 12% insurance coverage for an 80% or less mortgage.

When any property conveyed to a private mortgage insurer or subject to a mortgage to be assigned to such insurer has been damaged by any cause, whether by accidental means or otherwise, it generally is required, as a condition to payment of an insurance claim, that such property be restored to its condition at the time such insurance was issued, excepting reasonable wear and tear, prior to such conveyance or assignment.

The amount of loss payable generally consists of the following: the unpaid principal balance plus accrued interest, usual and customary attorney's fees, real estate taxes, hazard and private mortgage insurance premiums necessarily advanced by the insured, expenses incurred in preservation and maintenance of the property, and other costs and expenses incurred to acquire title to the property.

The foregoing description of certain programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the contracts embodied in the regulations of the FHA and the VA, respectively, and of the regulations, master insurance contracts, and other information concerning various private mortgage insurers.

On July 29, 1998, Congress enacted the Homeowners Protection Act of 1998 (the "Homeowners Protection Act"). This legislation, which applies only to mortgage loans consummated on or after July 29, 1999, permits mortgagors to cancel private mortgage insurance once the principal balance of the mortgage loan reaches 80% of the original value of the mortgaged property and requires automatic termination of private mortgage insurance once the principal balance of the mortgage loan reaches 78% of the original value of the mortgaged property. Original value is defined as "the lesser of the sales price of the property securing the mortgage, as reflected in the contract, or the appraised value at the time at which the subject residential mortgage transaction was consummated." Cancellation of private mortgage insurance by the mortgagor may only occur if, in addition to the foregoing, the mortgagor has a good payment history and, if requested by the mortgagee, provides evidence that the value of the property securing the mortgage has not declined below its original value and certifies that the equity of the mortgagor in the residence securing the mortgage is unencumbered by a subordinate lien. Automatic termination of private mortgage insurance will only occur if, in addition to the 78% loan to value ratio requirement described above, on the termination date the mortgagor is current with respect to its payments under the terms of the mortgage. Although the Homeowners Protection Act applies only to mortgage loans consummated on or after July 29, 1999, the Authority has determined to implement the provisions of such legislation, substantially in the form described above, on a retroactive, as well as prospective, basis.

### **Low Income Housing Tax Credit Program**

The Authority has issued Bonds to finance developments which are to receive, or have received, low income housing tax credits. See "THE HOUSING MORTGAGE FINANCE PROGRAM - Multifamily Housing Mortgage Loans - Multifamily Mortgage Loan Portfolio." The Code provides for credits to owners of residential

rental projects providing low income units. The credits are taken annually for a term of ten years, beginning with the tax year in which the project is placed in service or, at the owner's election, the next tax year.

Twenty percent or more of the units in an eligible project must be occupied by tenants whose incomes are 50% or less of the area median gross income, as adjusted for family size, or 40% or more of the units in the project must be occupied by tenants whose incomes are 60% or less of such area median gross income, as so adjusted. Each building in the project must comply with these income restrictions by the end of the first taxable year for which the owner commences claiming the credit. The owner may designate more than 20% or 40%, as the case may be, of the units in the project as low income units.

With the passage of the Consolidated Appropriations Act of 2018, owners may elect to use an Income Average Test to meet a project's minimum set aside under Section 42 requirements. Units may be designated at income limits exceeding 60% of area medium income provided the average of the designated qualified units does not exceed 60% of area medium income.

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

In the event that the income of a family occupying a low income unit exceeds the maximum qualifying income up to 140% (170% in the case of a deep rent skewed unit) of the Area Medium Income (AMI) or in the event that a low income unit becomes vacant, such low income unit shall continue to qualify if no other vacant units of comparable or smaller size in the same building are rented to non-qualifying families.

The project must comply with the income and rent limitations for a minimum period of 15 years. Failure to comply during the first 15 years after the owner commences claiming the credits results in a recapture of a portion of the credit. In addition, the owner must enter into an extended use agreement requiring that the project maintain low income occupancy and meet rent restrictions for an additional 15-year period for the highest percentage of the units receiving tax credits during the credit period. The extended use period terminates in the event of foreclosure, or if, upon the owner's request at the end of the 14th year of the compliance period, the Authority cannot produce a "qualified contract" to purchase the low income portion of the building from a buyer that will agree to continue to operate such portion for the remainder of the extended use period. However, if the extended use period terminates, existing low income tenants are entitled to remain in their units at restricted rents for a period of three years.

## **GNMA Certificates**

**GNMA.** GNMA Is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), authorizes GNMA to guarantee the timely payment of the principal of, and interest on, certificates that are based on and backed by a pool of mortgage loans insured by the FHA under the Housing Act, or guaranteed by the RD or VA. Section 306(g) further provides that "[t]he 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."

**GNMA Certificates.** This summary of the single family mortgage loans originated under the Housing Mortgage Finance Program and assembled into pools guaranteed by the Government National Mortgage Association (the "GNMA Certificates") does not purport to be comprehensive and is qualified in its entirety to the GNMA [I or II] Mortgage backed Securities Guide and to the GNMA Certificates and other documents for full and complete statements of their provisions.

Each GNMA Certificate will be a "modified pass through" mortgage backed certificate issued and serviced by institutions approved by GNMA. Each GNMA Certificate will be backed by a pool of qualifying mortgage loans insured by the FHA or guaranteed by the VA or the RD and will provide for the timely payment to the registered holder of monthly installments of principal and interest. All installments are required to be applied first to interest and then in reduction of the principal balance then outstanding. Interest shall be paid each month for the preceding month, at the specified rate on the unpaid portion of the principal of the GNMA Certificates at the end of the prior month. The amount of principal due on the GNMA Certificates each month shall be in an amount equal to the

scheduled principal amortization due on the pooled mortgage loans at the beginning of the month in which the payment under the GNMA Certificates is due. However, payment of principal and interest shall be adjustable as set forth below.

Each of the monthly installments of principal shall be subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the pooled mortgage loans during the preceding month. In any event, the monthly installments shall be not less than the interest due on the GNMA Certificates at the rate specified in the GNMA Certificates as described above, together with any scheduled installments of principal during such month, whether or not collected by the mortgage lenders, and any prepayments or early recovery of principal during the preceding month. Final payment shall be made only upon surrender of the outstanding GNMA Certificate.

Each GNMA Certificate will be issued under the GNMA I or GNMA II Mortgage Backed Securities Program. Under the GNMA I program, each GNMA originator makes separate monthly payments directly to each holder of GNMA Certificates for each GNMA Certificate held. All mortgages underlying a particular GNMA Certificate must have the same annual interest rate. The annual interest rate on each GNMA Certificate is equal to one half percent less than the annual interest rate on the mortgage loans included in the pool of mortgages backing such GNMA Certificate. Payments are made directly by the issuer of a GNMA Certificate to the registered holder on the 15th day of each month.

Under the GNMA II program, each GNMA originator makes monthly payments to a central paying and transfer agent which makes one consolidated payment each month to each holder of GNMA Certificates. Mortgages underlying a particular GNMA Certificate may have varying annual interest rates within a prescribed range. The annual interest rate on each GNMA Certificate is equal to one half percent less than the annual interest rate on the mortgage loans included in the pool of mortgages backing such GNMA Certificate. Payments are made by the paying and transfer agent to the registered holder by the 20th day of each month.

GNMA will have approved the issuance of each of the GNMA Certificates in accordance with a guaranty agreement (the "Guaranty Agreement") between GNMA and the mortgage lender originator of such GNMA Certificate. Pursuant to the Guaranty Agreement, the mortgage lender is required to advance its own funds in order to make timely payments of all amounts due on the GNMA Certificate even if the payments received by the mortgage lender on the FHA, RD and the VA mortgage loans backing the GNMA Certificate are less than the amounts due on such GNMA Certificate. Pursuant to the Guaranty Agreement, GNMA guarantees the timely payment of principal of, and interest on, such GNMA Certificate.

If a mortgage lender is unable to make payments on a GNMA Certificate as they become due, it is required to promptly notify GNMA and request GNMA to make such payment. Upon such notification and request, GNMA will make such payments directly to the registered holder of the GNMA Certificate. In the event no payment is made by a mortgage lender and the mortgage lender fails to notify and request GNMA to make such payment, the holder of the GNMA Certificate has recourse only against GNMA to obtain such payment.

### **Fannie Mae Mortgage Backed Securities Program**

**Fannie Mae.** The Federal National Mortgage Association ("Fannie Mae") is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. §§1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transformed into a stockholder owned and privately managed corporation by legislation enacted in 1968. Since September 6, 2008, Fannie Mae has been under conservatorship with the Federal Housing Finance Agency ("FHFA"). The Secretaries of HUD and Treasury exercise general regulatory power over Fannie Mae. Fannie Mae provides funds to the mortgage market primarily by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage backed securities primarily in exchange for pools or mortgage loans from lenders.



ALTHOUGH THE SECRETARY OF THE TREASURY OF THE UNITED STATES HAS DISCRETIONARY AUTHORITY TO ADVANCE FUNDS TO FANNIE MAE, NEITHER THE UNITED STATES NOR ANY AGENCY OR INSTRUMENTALITY THEREOF IS OBLIGATED TO FINANCE FANNIE MAE'S OBLIGATIONS OR TO ASSIST FANNIE MAE IN ANY MANNER.

FANNIE MAE HAS IMPLEMENTED A MORTGAGE BACKED SECURITIES PROGRAM PURSUANT TO WHICH FANNIE MAE ISSUES SECURITIES BACKED BY POOLS OR MORTGAGE LOANS (THE "FANNIE MAE MBS PROGRAM"). THE OBLIGATIONS OF FANNIE MAE, INCLUDING ITS OBLIGATIONS UNDER THE FANNIE MAE SECURITIES, ARE OBLIGATIONS SOLELY OF FANNIE MAE AND ARE NOT BACKED BY, OR ENTITLED TO, THE FULL FAITH AND CREDIT OF THE UNITED STATES.

The terms of the Fannie Mae MBS Program are governed by the MBS Selling and Servicing Guides published by Fannie Mae (the "Fannie Mae Guides"), as modified by the Pool Contract (defined below), and, in the case of the single family mortgage loans described herein, a Trust Indenture dated as of November 1, 1981, as amended, and a supplement thereto to be issued by Fannie Mae in connection with each pool. The Fannie Mae MBS Program is further described in the prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The most recent Fannie Mae Prospectus is dated November 1, 1994 and is updated from time to time. No Fannie Mae Prospectus Supplement will be available as to the Fannie Mae Securities.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8 K that are filed with the SEC. Fannie Mae files reports, proxy statements and other information with the SEC. Fannie Mae makes available free of charge through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8 K and all other SEC reports and amendments to those reports as soon as reasonably practicable after Fannie Mae electronically files the material with, or furnishes it to, the SEC.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statement are available without charge by mail at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 or by telephone at (202) 752 6724.

The summary of the Fannie Mae MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides as presently in effect, the Fannie Mae Prospectus and the other documents referred to herein, all of which are subject to change at any time by Fannie Mae.

**Pool Purchase Contract.** It is expected that Fannie Mae and the Servicer will enter into a Pool Purchase Contract (the "Pool Contract"), pursuant to which the Servicer will be permitted to deliver, and Fannie Mae will agree to purchase, pools of Mortgage Loans in exchange for Fannie Mae Securities. The purpose of the Pool Contract is to provide for certain additions, deletions, and changes to the Fannie Mae Guides relating to the purchase of Mortgage Loans. In the event of a conflict between the Pool Contract and the Fannie Mae Guides, the Pool Contract will control. The description set forth below assumes that the Pool Contract will be executed substantially in the form customarily negotiated by Fannie Mae in similar financings as of the date hereof. There can be no assurance that a Pool Contract can be successfully negotiated, and no representation is made as to the amount, if any, of Fannie Mae Securities which will secure the Bonds.

Under the Pool Contract, Fannie Mae will purchase Mortgage Loans eligible under the guidelines set forth in the Fannie Mae Guides which conform to the conditions set forth in the Pool Contract.

Pursuant to the Fannie Mae Guides, the original principal balance of conventional Mortgage Loans to be sold to Fannie Mae was raised to an amount not to exceed \$417,000 to be eligible for purchase by Fannie Mae. The Mortgage Loans must be conventional Mortgage Loans with loan to value ratios not in excess of 100% and must otherwise meet the requirements of Fannie Mae. Conventional Mortgage Loans with loan to value ratios exceeding 80% must have the principal amount of the indebtedness in excess of 75% of the appraised value of the home insured by a policy of primary mortgage insurance acceptable to Fannie Mae.

Under the Pool Contract, the 97% loan to value limitation for Mortgage Loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan to value ratio shall not exceed 105% where subordinate financing is used that complies with the terms of the Fannie Mae Guides. The Pool Contract also provides that, in underwriting Mortgage Loans for the Fannie Mae Community Lending Products, certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Contract obligates the Servicer to service the Mortgage Loans in accordance with the requirements of the Fannie Mae Guides and the Pool Contract.

***Fannie Mae Securities.*** Each Fannie Mae Security will represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of \$250,000, unless otherwise approved by Fannie Mae. The monthly remuneration of the Servicer for its servicing and administrative functions, and the guaranty fee charged by Fannie Mae, are based on the unpaid principal amount of the Fannie Mae Securities outstanding. The Fannie Mae Securities currently carry an interest rate that is fixed at .50% below the interest rate on the underlying Mortgage Loans; the Servicer's servicing fee (equal to .50% of the outstanding principal balance of the Mortgage Loans) are deducted from payments on the Mortgage Loans before payments are passed through to the holder of the Fannie Mae Securities. The Servicer is required to pay the Fannie Mae guaranty fee out of the Servicer's servicing fee it receives.

Fannie Mae will guarantee to the Trustee, as the registered holder of the Fannie Mae Securities, that it will distribute amounts representing scheduled principal and interest at the applicable pass through rate on the Mortgage Loans in the pools represented by such Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. **The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the holder of Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Securities, would be affected by delinquent payments and defaults on such Mortgage Loans.**

***Payments of Mortgage Loans; Distributions on Fannie Mae Securities.*** Payments on a Fannie Mae Security will be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Security 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 Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loans in the related pool underlying such Fannie Mae Security during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the second month next 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 installments of principal and interest; or because of Fannie Mae's election to repurchase such Mortgage Loan under certain other circumstances as permitted by the Trust Indenture), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass through rate on the principal balance of the Fannie Mae Security as reported to the Trustee in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

## APPENDIX D

### DEFINITIONS OF CERTAIN TERMS

The following terms used in the Resolution and this Official Statement are defined in the Resolution as follows:

*Acquired Program Mortgage or Acquired Obligation* - shall mean any Mortgage Financed and owned by the Authority under the Housing Mortgage Finance Program and credited to the Bond Proceeds Account or Recoveries of Principal Account maintained pursuant to the Resolution including any Mortgage which the Authority shall substitute for such Mortgage Financed.

*Authority* - shall mean the Connecticut Housing Finance Authority (formerly the Connecticut Mortgage Authority), a body politic and corporate created by the Act and constituting a public instrumentality and political subdivision of the State pursuant to the Act, or any body, agency, or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Authority.

*Bond or Bonds* - shall mean any Bond or Bonds, as the case may be, authenticated and delivered under the Resolution and authorized and issued pursuant to a Series Resolution.

*Bond Facility* - shall mean an insurance policy, surety bond or agreement, standby purchase agreement, line of credit, letter of credit or other credit enhancement or liquidity facility entered into for the same or similar purposes, with respect to Bonds, Notes or Other Bonds.

*Bondholder or Holder of Bonds* - shall mean the bearer of any Outstanding coupon Bond or Bonds or the registered owner of any Outstanding Bond or Bonds without coupons.

*Business Day* - shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent, or, with respect to a particular Series of Bonds, any remarketing agent, or any provider of a Bond Facility for such Series of Bonds is located, are required or are authorized by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

*Fees and Charges* - shall mean fees and charges fixed and collected by the Authority pursuant to the terms and provisions of Acquired Program Mortgages.

*Housing* - shall mean a work or undertaking having as its primary purpose the provision of safe and adequate housing of Low and Moderate Income Families and Persons within the State, and shall include residential buildings in urban areas as authorized by Public Act No. 76 118 of the General Assembly of the State of Connecticut and related commercial, office, health, welfare, administrative, recreational, community and service facilities incidental and pertinent thereto as determined by the Authority notwithstanding that said housing provides other dwelling accommodations in addition to the primary purpose of providing dwelling accommodations for Low and Moderate Income Families.

*Housing Mortgage Capital Reserve Fund Maximum Requirement* - shall mean, as of any particular date of computation, an amount equal to the greatest amount of Principal Installments and Interest Account Requirement maturing and becoming due in the year in which such computation is made or in any single succeeding calendar year on Outstanding Bonds plus an amount equal to the greatest amount of principal and Interest Account Requirement falling due on all Outstanding Other Bonds and retiring all Outstanding Other Bonds required by their terms to be retired in such year or in any such succeeding calendar year.

*Housing Mortgage Capital Reserve Fund Minimum Requirement* - shall mean, as of any particular date of computation, an amount equal to the amount of Principal Installments and Interest Account Requirement maturing and becoming due in the next succeeding calendar year on Outstanding Bonds plus an amount equal to the principal

and Interest Account Requirement falling due on all Outstanding Other Bonds and retiring all Outstanding Other Bonds required by their terms to be retired in such calendar year.

*Housing Mortgage Finance Program* - shall mean and include any act or thing done by the Authority for the purpose of alleviating the shortage of, reducing the cost of, and encouraging and assisting the building and rehabilitation of well-planned and well-designed Housing through providing additional construction and permanent financing for housing, by the making of commitments to purchase, and the purchase, servicing and selling of Mortgages, or the making of Mortgage Loans directly upon the security of any Mortgage, provided the underlying Mortgage Loans shall have been made and shall be continued to be used solely to finance or refinance the construction, rehabilitation, purchase or leasing of Housing, provided that the aggregate amount of Mortgages Financed by the Authority which are not insured or guaranteed by any department, agency or instrumentality of the United States of America or the State or the Authority shall not at any one time exceed the amount, if any, provided by law.

*Interest Account Requirement* - shall mean, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount, and for Section 717 purposes, coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the Authority shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the Authority under such Swap; if the Authority shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the Authority then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the Authority under such Swap.

*Investment Obligations* - means and includes any of the following:

- (i) Direct obligations of or obligations guaranteed by the United States of America;
- (ii) Any bond, debenture, note, participation or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmer's Home Administration and Export Import Bank;
- (iii) Any bond, debenture, note, participation or similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a federal agency backed by the full faith and credit of the United States of America other than as provided in (i) hereof;
- (iv) Any other obligation of the United States of America or any federal agencies which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;
- (v) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- (vi) Direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of and interest on which the full faith and credit of the State is pledged, including any investment of the Authority or financial guarantee purchased by the Authority that both (a) has a rating equal to or better than that of the State and for which, pursuant to Section 8-258(g) of the General Statutes, the State has issued

a collateralized direct guarantee of the State of the punctual payment of such investment or financial guarantee from the general fund of the State and carrying the full faith and credit pledge of the State, and (b) does not result in a reduction of any rating of the Authority's long term debt;

(vii) Deposits in interest bearing time or demand deposits or certificates of deposit secured by (a) obligations described in (i) hereof, or (b) obligations described in (v) hereof, or (c) obligations described in (vi) hereof;

(viii) Deposits in interest bearing time or demand deposits or certificates of deposit secured by obligations described in (ii), (iii) or (iv) hereof; and

(ix) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971.

*Low and Moderate Income Families and Persons* - shall mean families and persons who lack the amount of income necessary as determined by the Authority to rent or purchase safe and adequate housing without special financial assistance not reasonably available.

*Monthly Requirement* - shall mean the amount of monies needed and required prior to the tenth day of the next succeeding month to pay reasonable or necessary Operating Costs in accordance with the annual budget.

*Mortgage* - shall mean a mortgage deed, deed of trust or other instrument which shall constitute a first lien on real estate in fee simple or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by such mortgage as is equal to the number of years remaining until the maturity date of such obligation or such lesser number of years as may be permitted by the Act then in effect and shall be construed to mean and include the Mortgage Loan secured by a Mortgage.

*Mortgage Financed or Financing of Mortgages (or words of similar import)* - shall mean a Mortgage purchased by the Authority or a Mortgage Loan made by the Authority under the Housing Mortgage Finance Program or the purchasing of a Mortgage or the making of a Mortgage Loan, all under the Housing Mortgage Finance Program and pursuant to the Resolution.

*Mortgage Loan* - shall mean an interest bearing loan for Housing under the Housing Mortgage Finance Program secured by a Mortgage and, subject to Sections 707 and 714 of the Resolution, may contain such other terms and be subject to such other conditions as may be required or permitted by the Act as then in effect.

*Notional Amount* - shall mean the nonpayable or the theoretical principal amount with reference to which Swap Payments and Swap Receipts are calculated, as specified as such for each Swap in the documentation applicable thereto.

*Operating Cost* - shall mean, as of any particular date, the Authority's operating expenses and all other expenses of carrying out and administering its powers, duties and functions under the Housing Mortgage Finance Program and under the Resolution, including Service Fees on Acquired Program Mortgages for which there is no Servicer, and shall include, without limiting the generality of the foregoing, 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, Depository and Paying Agents including Costs of Issuance other than Costs of Issuance paid from proceeds of Bonds and payments to pension, retirement, health and hospitalization funds. Operating Costs may also include administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility or a Swap Provider, (including any Termination Payments but not including Reimbursement Obligations, Swap Payments or other termination payments). Operating Costs may also include amounts for establishing and maintaining a reasonable reserve for losses and expenses estimated to be incurred by the Authority in the event of a default on Acquired Program Mortgages, computed by considering such factors as the default rate of the Authority on Acquired Program Mortgages and the principal of such Mortgages that is uninsured,

provided, however, any amount therefor included in the annual budget shall be accompanied by an Accountant's Certificate stating that such amount when added to the amount in such reserve constitutes a reasonable reserve for such losses and expenses.

*Other Bonds* - shall mean other bonds of the Authority authorized to be issued by one or more general bond resolutions of the Authority, other than the Resolution, any Supplemental Resolutions or any Series Resolutions, and issued (a) to provide sufficient funds for carrying out the Housing Mortgage Finance Program and the Act (in effect on the date of the Resolution) and (b) in accordance with and subject to provisions of Section 717 of the Resolution.

*Outstanding* - when used with reference to Bonds, other than Bonds referred to in Section 905 of the Resolution, or Other Bonds shall mean, as of any date, a Bond or Bonds of such Series theretofore or thereupon being authenticated and delivered under the Resolution except:

(i) any Bonds cancelled by the Trustee, and Paying Agent or the Authority at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, shall be held in trust under the Resolution for such purpose (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article VI of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 606 and Section 906 of the Resolution; and

(iv) Bonds deemed to have been paid as provided in Section 1201 of the Resolution.

*Outstanding Other Bonds* -when used with reference to Other Bonds shall mean Other Bonds defined as "outstanding" by the provisions of the resolution authorizing such Other Bonds.

*Pledged Receipts* -

(i) shall mean the scheduled amortization payments (monthly or otherwise) paid to the Authority from any source of principal and interest called for by any Acquired Program Mortgage, from the date of Financing such Mortgage including both timely and delinquent payments with late charges, less the amount thereof retained by a Servicer of any such Mortgage, if there be one, as full compensation for its services and such Recoveries of Principal as described by clause (i) of the definition of Recoveries of Principal received or recovered by the Authority on account of any Acquired Program Mortgage Financed from the surplus sub account of the Bond Proceeds Account or received or recovered after the payment or provision for payment of the final Principal Installment of the Bonds of a Series, the proceeds or Recoveries of Principal of which were used to Finance such Mortgage,

(ii) shall include Fees and Charges held or collected by the Authority,

(iii) shall not mean any payments of ground rents, if any, taxes, assessments, mortgage, fire or other hazard insurance premiums called for by any such Mortgage, or any other like payments other than the payments referred to in (i) hereof, and

(iv) shall include any payment made or required to be made to the Authority, or to the Trustee, under any Swap or Swap Facility, including, without limitation, Swap Receipts, Termination Receipts and any payment receipts for application by the Authority for Operating Costs.

*Principal Installment* - for any Calendar Year shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding.

(i) the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would before such Year be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such Year for the retirement of such Bonds, plus

(ii) the unsatisfied balance (determined as provided in paragraph 5 of Section 512 of the Resolution) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

*Recoveries of Principal -*

(i) shall mean all monies, other than Pledged Receipts accrued to the date of the Recovery of Principal, received or recovered by the Authority on account of any Acquired Program Mortgage,

(a) from any prepayment of principal on any such Mortgage including any prepayment penalty, fee, premium or other additional charge as is provided in any such Mortgage in the case of prepayment, less the amounts thereof retained by a Servicer of such Mortgage, if there be one, as additional compensation,

(b) through condemnation of the mortgaged premises or foreclosure of the mortgage premises or other proceedings taken in the event of default by the mortgagor,

(c) from any mortgage insurance, including monies received from debentures or certificates issued pursuant to a contract of insurance, and

(d) from the sale, assignment, endorsement or other disposition of any such Mortgage; nothing aforesaid in (i) hereof shall be construed to constitute a Recovery of Principal in the event that the Authority makes a good faith substitution of a Mortgage for another Mortgage;

(ii) shall not mean any Recoveries of Principal within the meaning set forth in (i) above received or recovered by the Authority on account of any Acquired Program Mortgage Financed from the surplus sub account of the Bond Proceeds Account or received or recovered after payment or provision for payment of the final Principal Installment of the Bonds of a Series, the proceeds or Recovery of Principal of which were used to Finance such Mortgage; and

(iii) notwithstanding any other provision of the Resolution, shall include all repayments of principal received by the Authority on account of the making of a Mortgage Loan for construction or rehabilitation under the Housing Mortgage Finance Program.

*Reimbursement Obligation* - shall mean any obligation of the Authority to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying

(i) the Principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or

(ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Series Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Operating Costs or (ii) any payments pursuant to term loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

*Service Fees* - shall mean the expenses reasonable and necessary to service any Acquired Program Mortgage and when payable to a Servicer shall not exceed the amount for such services as is customary and prevailing in the area of the State in which the Servicer has its principal place of business.

*Sinking Fund Installment* - for any Calendar Year, shall mean as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the amount of money required by a Series Resolution to be paid at all events by the Authority on a single future fixed date for the retirement of any Outstanding Bonds of said Series which mature after said future fixed date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future fixed date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment. Unless otherwise provided in a Series Resolution with respect to the Series of Bonds authorized thereunder, each such future fixed date shall be a November 15.

*Subordinated Swap or Subordinated Swap Payments* - shall mean either a financial arrangement that meets the definition of Swap or a net amount to be paid by the Authority under such financial arrangement that meets the definition of Swap Payment but does not qualify hereunder as a Swap or Swap Payment, respectively, and is expressly payable (including any termination payment thereunder) only from the Surplus Account or is otherwise subordinated pursuant to the General Resolution.

*Swap* - shall mean any financial arrangement (i) that is entered into by the Authority with an entity that is a Swap Provider at the time the arrangement is entered into; (ii)(a) which provides that the Authority shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued under the Resolution, and that such entity shall pay to the Authority an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) hereof, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; (b) which provides that the Authority shall pay to such entity an amount based on the interest accruing on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued under the Resolution, at a variable rate of interest computed according to a formula set forth in such arrangement and that such entity shall pay to the Authority an amount based on the interest accruing at a fixed rate on the Notional Amount (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) hereof, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or (c) which is included as part of or covered by the financial transaction described in (ii)(a) or (ii)(b) above or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise pursuant to the Act, as amended; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Authority and authenticated or otherwise registered by the Trustee under the Resolution as a Swap with respect to a Series of Bonds or Notes. "Swap" shall also include any such financial arrangement described in clauses (ii) and (iii) above entered into by the Authority with a Swap Provider, as a replacement of a Swap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the Authority with respect to a Series of Bonds or Notes.

*Swap Facility* - shall mean an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the Authority under the Resolution pursuant to the Swap Facility or by the Swap Provider, in each case, sufficient to maintain any existing rating of the Authority's long term debt. Payments by the Authority under a Swap Facility related to a Swap shall be deemed Swap Payments under the Resolution and shall not be deemed Reimbursement Obligations and payments to the Authority under a Swap Facility related to a Swap shall be deemed Swap Receipts. Payment by the Authority under a Swap Facility applicable to any fees, expenses or similar other charges or obligations thereunder shall be a Cost of Issuance or Operating Cost, as applicable.



*Swap Payment* - shall mean the net amount required to be paid by the Authority under a Swap (that is not a Subordinated Swap Payment) that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or Operating Cost, as applicable) or (b) any Termination Payment or other payments by the Authority on account of termination of the Swap.

*Swap Provider* - shall mean a financial institution whose long-term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long-term debt obligations are, at the time of execution of the Swap Facility, (i) rated at least Aa3 in the case of Moody's Investors Service ("Moody's"), AA- in the case of Standard & Poor's Ratings Services ("S&P"), or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Authority's long-term debt under the General Resolution, or (ii) rated by two such rating agencies, the first of which is at least A1 in the case of Moody's or A+ in the case of S&P (or such equivalent ratings) and the second of which is at least A2 in the case of Moody's or A in the case of S&P (or such equivalent ratings), and sufficient to maintain any existing rating of the Authority's long-term debt under the General Resolution, and secured, in each such case described in this clause (ii) but not clause (i), by a pledge of direct obligations of or obligations guaranteed by the United States of America such that the required posting of collateral to secure obligations of the Swap Provider under the related credit support document, which would be required to be posted with a third party custodian acceptable to the Authority, would be under a zero Threshold and in the Credit Support Amount of the Secured Party's Exposure plus an Independent Amount equal to .50% of the notional amount of the Swap Facility (consistent with the definitions of such capitalized terms contained in the form Credit Support Annex published by the International Swap Dealers Association). No financial institution shall qualify hereunder as a Swap Provider whose long-term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long-term debt obligations, are not, at the time of execution of the Swap Facility, rated at least A2 in the case of Moody's and at least A in the case of S&P (or such equivalent ratings).

*Swap Receipt* - shall mean the net amount required to be paid to the Authority under a Swap, but shall not include any Termination Receipt.

*Termination Payment* - shall mean with respect to a Swap an amount required to be paid by the Authority to the Swap Provider or related Swap Facility as a result of the termination of the Swap or required to be paid by the Authority into a collateral account as security for any termination provided (a)(i) that such termination occurs prior to the next succeeding November 11, and (ii) that any such required amount is not due prior to the next succeeding November 11, and (b) that any payment by the Authority on account of termination of either a Swap other than as described in (a) hereof or a Subordinated Swap shall be deemed a Subordinated Swap Payment under the Resolution.

*Termination Receipt* - shall mean with respect to a Swap an amount required to be paid to the Authority by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

*Variable Interest Rate* - shall mean a variable interest rate to be borne by any Bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Series Resolution or Swap shall also specify either (i) the particular period or periods of time for which such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

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