NEW ISSUES **(See "Ratings" herein)**

In the opinions of Co-Bond Counsel, under existing statutes and court decisions, (i) interest on the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds, the 2003 Subseries C-4 Bonds and the 2003 Series D Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code; (ii) interest on the 2003 Subseries B-1 Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Series D Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the 2003 Subseries B-2 Bonds and the 2003 Subseries C-4 Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. (See "Tax Matters" herein.)

In the opinions of Co-Bond Counsel, under existing statutes and court decisions, interest on the 2003 Subseries C-5 Bonds is includable in gross income for Federal income tax purposes pursuant to the Code. (See "Tax Matters" herein.)

In the opinions of Co-Bond Counsel, under existing statutes, interest on the Offered 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. (See "Tax Matters" herein.)

CONNECTICUT HOUSING FINANCE AUTHORITY
HOUSING MORTGAGE FINANCE PROGRAM BONDS

$64,880,000 2003 Series B
$37,810,000 Subseries B-1
$27,070,000 Subseries B-2 (AMT)

$315,310,000 2003 Series C
$112,265,000 Subseries C-1
$81,440,000 Subseries C-3
$68,560,000 Subseries C-4 (AMT)
$53,045,000 Subseries C-5 (Federally Taxable)

$79,300,000 2003 Series D

Dated: August 1, 2003 **Due: May 15 and November 15 as shown on the inside cover page**

The 2003 Series B Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds (collectively, the "Offered Bonds") 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. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive physical delivery of bond certificates representing their interest in the Offered Bonds.

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 the Trustee, U.S. Bank National Association, Hartford, Connecticut, or by the paying agent, U.S. Bank Trust National Association, New York, New York, 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.

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

The Offered Bonds are subject to (i) special redemption, in whole or in part, under certain circumstances at any time at 100%, (ii) mandatory sinking fund redemption at 100%, and (iii) optional redemption, all as more fully set forth herein.

Bonds issued under the Resolution are general obligations of the Connecticut Housing Finance 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 Chairman 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 full 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, Carmody & Torrance LLP, Waterbury, Connecticut, and New Haven, Connecticut, Hawkins, Delafield & Wood, Hartford, Connecticut, and Winston & Strawn LLP, New York, New York, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Tobin, Carberry, O'Malley, Riley & Selinger, P.C., Hartford, Connecticut, and Edwards & Angell, LLP, Hartford, Connecticut. 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 August 6, 2003.

Merrill Lynch & Co.† **UBS Financial Services Inc.††** **Citigroup†††** **Goldman, Sachs & Co.**

Advest, Inc. **M.R. Beal & Company** **A.G. Edwards & Sons, Inc.**
Lehman Brothers **JPMorgan** **Morgan Stanley** **Quick & Reilly, Inc.**
Raymond James & Associates, Inc. **Roosevelt & Cross, Inc.** **Siebert Brandford Shank & Co., LLC** **Wachovia Bank, National Association**

July 25, 2003

† The Senior Manager for the 2003 Series B Bonds.
†† The Senior Manager for the 2003 Series C Bonds.
††† The Senior Manager for the 2003 Series D Bonds.

MATURITY SCHEDULE

CONNECTICUT HOUSING FINANCE AUTHORITY
Housing Mortgage Finance Program Bonds

$64,880,000 2003 SERIES B BONDS

$37,810,000 Subseries B-1 Bonds
$37,810,000 Subseries B-1 Serial Bonds

Due	Amount	Interest Rate	Price or Yield	Due	Amount	Interest Rate	Price or Yield
May 15, 2004	$5,370,000	2.00%	100.823%	May 15, 2006	$4,725,000	2.00%	100%
November 15, 2004	5,505,000	1.25	100	November 15, 2006	4,500,000	2.10	100
May 15, 2005	5,230,000	1.65	100	May 15, 2007	4,490,000	2.55	100
November 15, 2005	4,965,000	1.75	100	November 15, 2007	3,025,000	2.55	100

$27,070,000 Subseries B-2 Bonds (AMT)
$27,070,000 5.05% Subseries B-2 Term Bonds due May 15, 2034 - Price: 100%

$315,310,000 2003 SERIES C BONDS†

$112,265,000 Subseries C-1 Bonds
$35,395,000 Subseries C-1 Serial Bonds

Due	Amount	Interest Rate	Price or Yield	Due	Amount	Interest Rate	Price or Yield
November 15, 2004	$1,045,000	1.25%	100%	November 15, 2009	$1,165,000	3.35%	100%
May 15, 2005	1,060,000	1.65	100	May 15, 2010	1,185,000	3.70	100
November 15, 2005	1,060,000	1.75	100	November 15, 2010	1,205,000	3.70	100
May 15, 2006	1,070,000	2.00	100	May 15, 2011	2,865,000	3.90	100
November 15, 2006	1,080,000	2.10	100	November 15, 2011	2,910,000	3.90	100
May 15, 2007	1,090,000	2.55	100	May 15, 2012	2,965,000	4.05	100
November 15, 2007	1,105,000	2.55	100	November 15, 2012	3,025,000	4.05	100
May 15, 2008	1,115,000	3.00	100	May 15, 2013	3,075,000	4.20	100
November 15, 2008	1,135,000	3.00	100	November 15, 2013	3,145,000	4.20	100
May 15, 2009	1,150,000	3.35	100	May 15, 2014	2,945,000	4.30	100

$10,270,000 4.40% Subseries C-1 Term Bonds due November 15, 2015 - Price: 100%
$1,600,000 4.60% Subseries C-1 Term Bonds due May 15, 2017 - Price: 100%
$12,775,000 4.60% Subseries C-1 Term Bonds due November 15, 2017 - Price: 100%
$14,225,000 4.85% Subseries C-1 Term Bonds due May 15, 2023 - Price: 100%
$38,000,000 4.85% Subseries C-1 Term Bonds due November 15, 2023 - Price: 100%

$81,440,000 Subseries C-3 Bonds
$41,920,000 Subseries C-3 Serial Bonds

Due	Amount	Interest Rate	Price or Yield	Due	Amount	Interest Rate	Price or Yield
November 15, 2007	$1,300,000	2.55%	100%	May 15, 2011	$3,260,000	3.90%	100%
May 15, 2008	4,140,000	3.00	100	November 15, 2011	3,150,000	3.90	100
November 15, 2008	3,965,000	3.00	100	May 15, 2012	3,045,000	4.05	100
May 15, 2009	3,800,000	3.35	100	November 15, 2012	2,950,000	4.05	100
November 15, 2009	3,650,000	3.35	100	May 15, 2013	2,855,000	4.20	100
May 15, 2010	3,510,000	3.70	100	November 15, 2013	2,915,000	4.20	100
November 15, 2010	3,380,000	3.70	100				

$3,490,000 4.40% Subseries C-3 Term Bonds due May 15, 2015 - Price: 100%
$10,040,000 4.40% Subseries C-3 Term Bonds due November 15, 2015 - Price: 100%
$12,695,000 4.60% Subseries C-3 Term Bonds due November 15, 2017 - Price: 100%
$13,295,000 5.00% Subseries C-3 Term Bonds due May 15, 2034 - Price: 100%

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† There are no 2003 Subseries C-2 Bonds being issued by the Authority.

$68,560,000 Subseries C-4 Bonds (AMT)

$32,525,000 4.90% Subseries C-4 Term Bonds due November 15, 2023 - Price: 100%
$36,035,000 5.00% Subseries C-4 Term Bonds due November 15, 2029 - Price: 100%

$53,045,000 Subseries C-5 Bonds (Federally Taxable)

$47,725,000 Subseries C-5 Serial Bonds

Due	Amount	Interest Rate	Price or Yield	Due	Amount	Interest Rate	Price or Yield
November 15, 2004	$4,270,000	1.14%	100%	November 15, 2009	$4,570,000	3.57%	100%
November 15, 2005	4,400,000	1.69	100	November 15, 2010	4,855,000	3.91	100
November 15, 2006	4,630,000	2.29	100	November 15, 2011	5,165,000	4.20	100
November 15, 2007	4,885,000	2.81	100	November 15, 2012	5,385,000	4.46	100
November 15, 2008	5,150,000	3.30	100	November 15, 2013	4,415,000	4.56	100

$5,320,000 5.80% Subseries C-5 Term Bonds due May 15, 2021 - Price: 100%

$79,300,000 2003 SERIES D BONDS

$22,915,000 Series D Serial Bonds

Due	Amount	Interest Rate	Price or Yield	Due	Amount	Interest Rate	Price or Yield
November 15, 2004	$735,000	1.25%	100%	November 15, 2009	$ 825,000	3.35%	100%
May 15, 2005	745,000	1.65	100	May 15, 2010	835,000	3.70	100
November 15, 2005	750,000	1.75	100	November 15, 2010	855,000	3.70	100
May 15, 2006	755,000	2.00	100	May 15, 2011	2,020,000	3.90	100
November 15, 2006	765,000	2.10	100	November 15, 2011	2,060,000	3.90	100
May 15, 2007	770,000	2.55	100	May 15, 2012	2,095,000	4.05	100
November 15, 2007	780,000	2.55	100	November 15, 2012	2,135,000	4.05	100
May 15, 2008	790,000	3.00	100	May 15, 2013	2,175,000	4.20	100
November 15, 2008	800,000	3.00	100	November 15, 2013	2,215,000	4.20	100
May 15, 2009	810,000	3.35	100				

$9,335,000 4.40% Series D Term Bonds due November 15, 2015 - Price: 100%
$10,160,000 4.60% Series D Term Bonds due November 15, 2017 - Price: 100%
$23,735,000 4.85% Series D Term Bonds due May 15, 2023 - Price: 100%
$13,155,000 4.85% Series D Term Bonds due November 15, 2023 - Price: 100%

(Accrued interest to be added for all Offered Bonds)

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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.

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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$315,310,000 2003 Series C
$112,265,000 Subseries C-1
$81,440,000 Subseries C-3
$68,560,000 Subseries C-4 (AMT)
$53,045,000 Subseries C-5 (Federally Taxable)

$79,300,000 2003 Series D

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

OFFICIAL STATEMENT PART 1
relating to
HOUSING MORTGAGE FINANCE PROGRAM BONDS

$64,880,000 2003 Series B
$37,810,000 Subseries B-1
$27,070,000 Subseries B-2 (AMT)

$315,310,000 2003 Series C
$112,265,000 Subseries C-1
$81,440,000 Subseries C-3
$68,560,000 Subseries C-4 (AMT)
$53,045,000 Subseries C-5 (Federally Taxable)

$79,300,000 2003 Series D

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 its Housing Mortgage Finance Program Bonds, 2003 Series B, consisting of Subseries B-1 (the "2003 Subseries B-1 Bonds") and Subseries B-2 (the "2003 Subseries B-2 Bonds"; and, together with the 2003 Subseries B-1 Bonds, the "2003 Series B Bonds"), 2003 Series C, consisting of Subseries C-1 (the "2003 Subseries C-1 Bonds"), Subseries C-3 (the "2003 Subseries C-3 Bonds"), Subseries C-4 (the "2003 Subseries C-4 Bonds") and Subseries C-5 (the "2003 Subseries C-5 Bonds"; and, together with the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds, the "2003 Series C Bonds") and 2003 Series D (the "2003 Series D Bonds"). The 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds, the 2003 Subseries C-4 Bonds and the 2003 Series D Bonds are sometimes collectively referred to herein as the "Tax-Exempt Bonds", and the 2003 Subseries C-5 Bonds are sometimes referred to herein as the "Taxable Bonds". The 2003 Series B Bonds, the 2003 Series C Bonds and the 2003 Series D Bonds are sometimes collectively referred to herein as the "Offered Bonds". The 2003 Series B 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 the series resolution entitled "A Series Resolution Authorizing the Issuance of $64,880,000 Housing Mortgage Finance Program Bonds, 2003 Series B," adopted by the Authority on March 26, 2003 (the "2003 Series B Resolution"). The 2003 Series C Bonds are being issued pursuant to the Act, the Resolution and the series resolution entitled "A Series Resolution Authorizing the Issuance of $315,310,000 Housing Mortgage Finance Program Bonds, 2003 Series C," adopted by the Authority on March 26, 2003, as affected by resolutions adopted by the Authority on June 25, 2003 (the "2003 Series C Resolution"). The 2003 Series D Bonds are being issued pursuant to the Act, the Resolution and the series resolution entitled "A Series Resolution Authorizing the Issuance of $79,300,000 Housing Mortgage Finance Program Bonds, 2003 Series D," adopted by the Authority on June 25, 2003 (the "2003 Series D Resolution"; and, together with the 2003 Series B Resolution, the 2003 Series C Resolution and 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.

INTRODUCTION

The Authority was created in 1969 pursuant to the Act, as a public instrumentality and political subdivision of the State of Connecticut (the "State") for the purpose of increasing the supply of and encouraging and assisting in the purchase, development, and construction of 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 the date hereof, has issued $9,425,795,000 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 making of certain construction and permanent Mortgage Loans for multifamily residential housing, and the funding of certain reserves.

The Resolution permits the financing of home Mortgage Loans and multifamily Mortgage Loans. The 2003 Series B Bonds are expected to provide monies to be used, together with other available monies, (i) within 90 days of the date of issuance thereof, to refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by optional redemption, and (ii) to pay certain costs of issuance. The 2003 Series C Bonds are expected to provide monies to be used, together with other available monies, (i) within 90 days of the date of issuance thereof, to refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by optional redemption, (ii) within 90 days of the date of issuance thereof, to replace and refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by special redemption, (iii) to provide new monies for the financing of permanent home Mortgage Loans, (iv) to fund the Housing Mortgage Capital Reserve Fund, and (v) to pay certain costs of issuance. The 2003 Series D Bonds are expected to provide monies to be used, together with other available monies, (i) to refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by optional redemption, (ii) to fund the Housing Mortgage Capital Reserve Fund, and (iii) to pay certain costs of issuance. See “Sources and Uses.”

Upon issuance and delivery of the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-5 Bonds and the 2003 Series D Bonds, home Mortgage Loans and multifamily Mortgage Loans attributable to Bonds to be refunded with the proceeds of the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-5 Bonds and the 2003 Series D Bonds will be reallocated to the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-5 Bonds and the 2003 Series D Bonds, respectively. 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, the Department of Veterans Affairs, private mortgage insurance companies, or the Authority itself. Such proceeds are available to make Mortgage Loans as hereinafter described. A portion of such Mortgage Loans may be pooled into GNMA securities. See Part 2 “The Housing Mortgage Finance Program—Home Mortgage Loans.” See also “Appendix C-Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs” in Part 2.

The Tax-Exempt Bonds are expected to be treated as a single issue for arbitrage and certain other Federal tax purposes. See “Tax Matters—Requirements of the Code Relating to Home Mortgage Loans.”

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 “Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal” in Part 2. 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.

U.S. Bank National Association, Hartford, Connecticut, as successor to Fleet National Bank, is serving as trustee under the Resolution (the "Trustee") and U.S. Bank Trust National Association, New York, New York, as successor to Fleet Bank, is acting as paying agent with respect to the Offered Bonds (the "Paying Agent").

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."

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 full 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 applicable series 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, 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.

Prior to the date of issuance of the Offered Bonds, a certificate of an Authorized Officer 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."

Of the $9,425,795,000 aggregate principal amount of Bonds that the Authority has issued pursuant to the Resolution, $3,110,075,000 principal amount was Outstanding as of the date hereof. After netting out Bonds issued to refund prior Bonds and after deducting costs of issuance, capitalized interest, discounts, and amounts deposited in the Housing Mortgage Capital Reserve Fund, the issuance of such Bonds has made approximately $7,013,551,000 available for the financing of Mortgage Loans. Recoveries of Principal received through December 31, 2002 have made approximately $3,116,457,000 available for additional Mortgage Loan financing and payment of bond maturities and redemptions.

As of December 31, 2002, the Authority had purchased home Mortgage Loans (excluding certain reverse annuity mortgage loans and downpayment assistance mortgages which were transferred to the Housing Mortgage General Fund from the Investment Trust Fund in November 2000) having an original principal amount of $6,353,480,000 and an outstanding principal balance of $2,116,242,000. In addition, as of December 31, 2002, the Authority had received applications for $98,063,000 for the making of home Mortgage Loans (of which $27,394,000 had been firmly committed for purchase by the Authority). As of December 31, 2002, the Authority had $154,884,000 available from Outstanding Bonds for the financing of such Mortgage Loans. See Part 2 "The Housing Mortgage Finance Program—Home Mortgage Loans."

The Authority, as of December 31, 2002, had made Mortgage Loans for multifamily developments financed with Bond proceeds having an outstanding balance of $522,042,000, had made firm commitments to finance an additional $6,608,000 of loans for multifamily developments, and had $6,000 of uncommitted Outstanding Bond proceeds designated for multifamily Mortgage Loans. See Part 2 "The Housing Mortgage Finance Program—Multifamily Housing Mortgage Loans."

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 applicable series resolution.

THE OFFERED BONDS

General

Interest on the Offered Bonds will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. The Offered Bonds will be available in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers of the Offered Bonds will not receive physical delivery of bond certificates representing their interest in the Offered Bonds. See "Book-Entry Only System."

Each Offered Bond will be dated August 1, 2003 and will bear interest from such date payable semiannually on May 15 and November 15 in each year, commencing November 15, 2003, at the rates and will mature on the dates and in the amounts as described on the inside cover page.

Redemption of the Offered Bonds

Special Redemption of the Offered Bonds

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, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption from (i) unexpended monies transferred from the applicable Series 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.

The Authority covenants in the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution not to redeem Bonds of the respective series 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 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution each provide 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.

To the extent required to comply with the Authority's tax covenant described in the preceding paragraph, the Authority may be required to redeem the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds from (i) unexpended proceeds of the 2003 Subseries C-4 Bonds required to be used to make Mortgage Loans which have not been so used within 42 months from the date of issuance of such Bonds and (ii) Recoveries of Principal from Mortgage Loans and payments on mortgage loans which have been pooled into GNMA securities made or purchased or deemed to have been made or purchased with proceeds of the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds, respectively, which amounts are received after ten years from the date of issuance and delivery of such Bonds, or Bonds refunded by such Series of Bonds (or original Bonds in a series of refundings). Such original Bonds were issued or trace to Bonds which were issued from 1971 to 1999 and, thus, a percentage of the Recoveries of Principal on Mortgage Loans and payments on mortgage loans which have been pooled into GNMA securities made or purchased or deemed to have been made or purchased from proceeds of the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds will be subject to this redemption requirement beginning on the date of issuance of such Bonds, which percentage will increase to 100% in 2013. The maturity schedules of the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds have been structured assuming the Authority's historical prepayment experience with respect to the mortgages refinanced thereby. See Part 2 "The Housing Mortgage Finance Program—Home Mortgage Loans" and "—Home Mortgage Loan Requirements of the Internal Revenue Code Relating to Home Mortgage Loans" and the table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal" for presentations concerning the "Ten-Year Rule" as defined under "Tax Matters - Other Requirements." See also "Appendix C-Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in Part 2.

In the event of any such partial redemption, the Authority may direct the Series, the Subseries, the maturity or maturities, as the case may be, and the amount or amounts thereof to be redeemed. For information concerning the application and use of amounts in the Bond Proceeds Account and Recoveries of Principal Account, see Part 2 "Summary of Certain of the Provisions of the Resolution."

Due to the many factors which influence economic and financial market conditions, the Authority is not able to predict the level of Recoveries of Principal on Acquired Program Mortgages; however, based on its own experience and the experience of other home loan financing entities, the Authority expects some level of Recoveries of Principal to continue. As in the case of the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds, the maturity schedules of the 2003 Subseries C-1 Bonds and the 2003 Series D Bonds have been structured assuming the Authority's historical prepayment experience with respect to the mortgages financed or refinanced thereby. Recoveries of Principal on the Offered Bonds are required to be deposited by the Trustee in the related Series Sub-Account of the Recoveries of Principal Account of the Housing Mortgage General Fund. To the extent not needed to provide for the payment of Principal Installments and interest on the Offered Bonds coming due, as the case may be, such monies may then be applied or transferred to effectuate the redemption of any Series of Bonds, commencing with and subsequent to the 1992 Series B Bonds of the Authority, as described in the first paragraph above and subject to the covenants and matters described in the second and third paragraphs above. To the extent not needed to provide for the payment of Principal Installments and interest on Outstanding Bonds of the respective Series coming due or to meet the redemption requirements of the Code, Recoveries of Principal attributable to any Series of Bonds, in addition to monies in the Surplus Account, may be applied or transferred to effectuate the redemption of the Offered Bonds as described above, subject to the same covenants and matters. See "The

Housing Mortgage Finance Program—Home Mortgage Loans" and the table entitled "Summary of Bond Information and Recoveries of Principal" in Part 2. See also "Appendix C - Summary of Certain Federal Housing Subsidy and Mortgage Insurance Programs" in Part 2.

Optional Redemption of the Offered Bonds

The Offered Bonds are subject to redemption at the option of the Authority, at any time on or after May 15, 2012 either as a whole or in part (and by lot if less than a maturity of a Subseries of the Offered Bonds is to be redeemed) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

In the event of any such partial redemption of the Offered Bonds, the Authority may direct the Series, Subseries, maturity or maturities, as the case may be, and the amount or amounts thereof to be so redeemed.

Sinking Fund Redemption of the Offered Bonds

The 2003 Subseries B-2 Bonds due May 15, 2034 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:

Date	Amount	Date	Amount
November 15, 2029	$2,055,000	May 15, 2032	$2,620,000
May 15, 2030	1,700,000	November 15, 2032	2,910,000
November 15, 2030	1,840,000	May 15, 2033	4,255,000
May 15, 2031	1,945,000	November 15, 2033	4,260,000
November 15, 2031	2,055,000	May 15, 2034†	3,430,000

† Stated Maturity.

The 2003 Subseries C-1 Bonds due November 15, 2015 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:

Date	Amount
May 15, 2014	$ 255,000
November 15, 2014	3,265,000
May 15, 2015	3,340,000
November 15, 2015†	3,410,000

† Stated Maturity.

The 2003 Subseries C-1 Bonds due May 15, 2017 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:

Date	Amount
May 15, 2016	$535,000
November 15, 2016	530,000
May 15, 2017†	535,000

† Stated Maturity.

The 2003 Subseries C-1 Bonds due November 15, 2017 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:

Date	Amount
May 15, 2016	$2,940,000
November 15, 2016	3,025,000
May 15, 2017	3,100,000
November 15, 2017†	3,710,000

† Stated Maturity.

The 2003 Subseries C-1 Bonds due May 15, 2023 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:

Date	Amount	Date	Amount
May 15, 2018	$ 965,000	May 15, 2021	$1,305,000
November 15, 2018	1,050,000	November 15, 2021	1,400,000
May 15, 2019	1,135,000	May 15, 2022	1,520,000
November 15, 2019	1,185,000	November 15, 2022	1,630,000
May 15, 2020	1,095,000	May 15, 2023†	1,755,000
November 15, 2020	1,185,000		

† Stated Maturity.

The 2003 Subseries C-1 Bonds due November 15, 2023 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:

Date	Amount	Date	Amount
May 15, 2018	$2,840,000	May 15, 2021	$3,090,000
November 15, 2018	2,840,000	November 15, 2021	3,090,000
May 15, 2019	2,845,000	May 15, 2022	3,090,000
November 15, 2019	2,890,000	November 15, 2022	3,090,000
May 15, 2020	3,090,000	May 15, 2023	3,090,000
November 15, 2020	3,090,000	November 15, 2023†	4,955,000

† Stated Maturity.

The 2003 Subseries C-3 Bonds due May 15, 2015 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:

Date	Amount
May 15, 2014	$1,155,000
November 15, 2014	1,155,000
May 15, 2015†	1,180,000

† Stated Maturity.

The 2003 Subseries C-3 Bonds due November 15, 2015 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:

Date	Amount
May 15, 2014	$2,365,000
November 15, 2014	2,270,000
May 15, 2015	2,155,000
November 15, 2015†	3,250,000

† Stated Maturity.

The 2003 Subseries C-3 Bonds due November 15, 2017 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:

Date	Amount
May 15, 2016	$3,170,000
November 15, 2016	3,100,000
May 15, 2017	3,955,000
November 15, 2017†	2,470,000

† Stated Maturity.

The 2003 Subseries C-3 Bonds due May 15, 2034 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:

Date	Amount	Date	Amount
November 15, 2029	$ 595,000	May 15, 2032	$1,595,000
May 15, 2030	2,160,000	November 15, 2032	1,400,000
November 15, 2030	2,100,000	May 15, 2033	100,000
May 15, 2031	2,085,000	November 15, 2033	100,000
November 15, 2031	2,070,000	May 15, 2034†	1,090,000

† Stated Maturity.

The 2003 Subseries C-4 Bonds due November 15, 2023 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:

Date	Amount	Date	Amount
May 15, 2018	$2,905,000	May 15, 2021	$2,510,000
November 15, 2018	2,845,000	November 15, 2021	2,565,000
May 15, 2019	2,790,000	May 15, 2022	2,620,000
November 15, 2019	2,740,000	November 15, 2022	2,680,000
May 15, 2020	2,690,000	May 15, 2023	2,735,000
November 15, 2020	2,645,000	November 15, 2023†	2,800,000

† Stated Maturity.

The 2003 Subseries C-4 Bonds due November 15, 2029 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:

Date	Amount	Date	Amount
May 15, 2024	$2,860,000	May 15, 2027	$3,265,000
November 15, 2024	2,925,000	November 15, 2027	3,340,000
May 15, 2025	2,990,000	May 15, 2028	3,415,000
November 15, 2025	3,055,000	November 15, 2028	3,490,000
May 15, 2026	3,125,000	May 15, 2029	3,685,000
November 15, 2026	3,195,000	November 15, 2029†	690,000

† Stated Maturity.

The 2003 Subseries C-5 Bonds due May 15, 2021 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:

Date	Amount	Date	Amount
May 15, 2014	$1,410,000	May 15, 2018	$280,000
November 15, 2014	220,000	November 15, 2018	295,000
May 15, 2015	220,000	May 15, 2019	300,000
November 15, 2015	235,000	November 15, 2019	315,000
May 15, 2016	240,000	May 15, 2020	325,000
November 15, 2016	255,000	November 15, 2020	340,000
May 15, 2017	260,000	May 15, 2021†	350,000
November 15, 2017	275,000		

† Stated Maturity.

The 2003 Series D Bonds due November 15, 2015 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:

Date	Amount
May 15, 2014	$2,265,000
November 15, 2014	2,305,000
May 15, 2015	2,360,000
November 15, 2015†	2,405,000

† Stated Maturity.

The 2003 Series D Bonds due November 15, 2017 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:

Date	Amount
May 15, 2016	$2,460,000
November 15, 2016	2,510,000
May 15, 2017	2,565,000
November 15, 2017†	2,625,000

† Stated Maturity.

The 2003 Series D Bonds due May 15, 2023 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:

Date	Amount	Date	Amount
May 15, 2018	$1,905,000	May 15, 2021	$2,250,000
November 15, 2018	1,970,000	November 15, 2021	2,145,000
May 15, 2019	2,025,000	May 15, 2022	2,225,000
November 15, 2019	2,100,000	November 15, 2022	2,305,000
May 15, 2020	2,175,000	May 15, 2023†	2,390,000
November 15, 2020	2,245,000		

† Stated Maturity.

The 2003 Series D Bonds due November 15, 2023 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:

Date	Amount	Date	Amount
May 15, 2018	$780,000	May 15, 2021	$ 850,000
November 15, 2018	780,000	November 15, 2021	1,030,000
May 15, 2019	780,000	May 15, 2022	1,030,000
November 15, 2019	780,000	November 15, 2022	1,030,000
May 15, 2020	780,000	May 15, 2023	1,030,000
November 15, 2020	780,000	November 15, 2023†	3,505,000

† 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 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."

Upon any purchase or redemption of Bonds of any Series or Subseries, as the case may be, and 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 directed 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."

Notice of Redemption

Unless otherwise provided in the applicable series resolution or waived by the registered owner, notice of any redemption will be mailed at least 15 days but no more than 90 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 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 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 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 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.

Book-Entry Only System

The Offered Bonds will be available in book-entry form only, in the principal amount of $5,000 or integral multiples 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 Series or Subseries of the Offered Bonds, as the case may be, as set forth on the inside cover page, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform

Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede. If less than all of a Series or Subseries, as the case may be, of the Offered Bonds 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. 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 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 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 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 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

2003 Series B Bonds

The 2003 Series B Bonds are expected to provide monies to be used, together with other available monies, (i) within 90 days of the date of issuance thereof, to refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by optional redemption, and (ii) to pay certain costs of issuance. The sources of funds and the uses thereof in connection with the 2003 Series B Bonds, exclusive of accrued interest, are expected to be approximately as set forth below:

2003 Series B Bond Sources

Principal Amount of 2003 Series B Bonds	$64,880,000
Plus Original Issue Premium	44,195
Available Monies under the Resolution	1,826,547
Total Sources	$66,750,742

2003 Series B Bond Uses

Redemption Account	$66,223,500
Costs of Issuance	113,226
Underwriters' Compensation, Placement Fee and Expenses	414,016
Total Uses	$66,750,742

2003 Subseries C-1, C-3 and C-4 Bonds

The 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds (collectively, the "2003 Subseries C-1, C-3 and C-4 Bonds") are expected to provide monies to be used, together with other available monies, (i) within 90 days of the date of issuance thereof, to refund certain current and future maturities of Outstanding Bonds to be redeemed by optional redemption, (ii) within 90 days of the date of issuance thereof, to replace and refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by special redemption, (iii) to provide monies for the financing of permanent home Mortgage Loans, (iv) to fund the Housing Mortgage Capital Reserve Fund, and (v) to pay certain costs of issuance. The sources of funds and uses thereof in connection with the 2003 Subseries C-1, C-3 and C-4 Bonds, exclusive of accrued interest, are expected to be approximately as set forth below:

2003 Subseries C-1, C-3 and C-4 Bond Sources

Principal Amount of 2003 Subseries C-1, C-3 and C-4 Bonds	$262,265,000
Available Monies under the Resolution	116,406,604
Total Sources	$378,671,604

2003 Subseries C-1, C-3 and C-4 Bond Uses

Redemption Account	$214,312,903
Bond Proceeds Account for Financing of Home Mortgage Loans	109,379,992
Housing Mortgage Capital Reserve Fund	52,716,775
Costs of Issuance	458,098
Underwriters' Compensation, Placement Fee and Expenses	1,803,836
Total Uses	$378,671,604

2003 Subseries C-5 Bonds

The 2003 Subseries C-5 Bonds are expected to provide monies to be used, together with other available monies, (i) within 90 days of the date of issuance thereof, to refund certain current and future maturities of Outstanding Bonds to be redeemed by optional redemption, and (ii) to pay certain costs of issuance. The sources of funds and uses thereof in connection with the 2003 Subseries C-5 Bonds, exclusive of accrued interest, are expected to be approximately as set forth below:

2003 Subseries C-5 Bond Sources

Principal Amount of 2003 Subseries C-5 Bonds	$53,045,000
Available Monies under the Resolution	5,685,675
Total Sources	$58,730,675

2003 Subseries C-5 Bond Uses

Redemption Account	$58,305,900
Costs of Issuance	59,936
Placement Fee and Expenses	364,839
Total Uses	$58,730,675

2003 Series D Bonds

The 2003 Series D Bonds are expected to provide monies to be used, together with other available monies, (i) to refund certain current and future maturities of Outstanding Bonds to be paid at maturity or to be redeemed by optional redemption, (ii) to fund the Housing Mortgage Capital Reserve Fund, and (iii) to pay certain costs of issuance. The sources of funds and the uses thereof in connection with the 2003 Series D Bonds, exclusive of accrued interest, are expected to be approximately as set forth below:

2003 Series D Bond Sources

Principal Amount of 2003 Series D Bonds	$79,300,000
Available Monies under the Resolution	21,816,148
Total Sources	$101,116,148

2003 Series D Bond Uses

Redemption Account	$80,886,000
Housing Mortgage Capital Reserve Fund	19,498,402
Costs of Issuance	138,676
Underwriters' Compensation, Placement Fee and Expenses	593,070
Total Uses	$101,116,148

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, 2002, the Authority had net assets in Other Funds of approximately \$3,498,000, including \$760,000 held pursuant to the Special Needs Housing Mortgage Finance Program Indenture. The remaining net assets in Other Funds was comprised of \$2,738,000 in the Housing Mortgage Insurance Fund and was funded primarily from amounts transferred from the Surplus Account to the Authority free and clear of the lien of the Resolution. Surplus balances are maintained at the discretion of the Authority and such balances may be applied for other purposes pursuant to the Act. In November 2000, the Authority transferred all net assets of \$331,081,000 from the Investment Trust Fund to the Housing Mortgage General Fund. See Part 2 - "Home Mortgage Loans". Between September 1990 and May 1991, the Authority transferred approximately \$54,992,000 of Other Funds to the State. See Part 2 "Other Activities — Transfer of Programs from Department of Housing."

On April 10, 2003, the Authority acquired various housing assets from the State (including various home acquisition, rehabilitation, repair and homeowner assistance loans), which assets were previously owned and serviced by the State. Pursuant to the provisions of Section 506(4) of the General Resolution, 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 actual market value of the assets acquired is difficult to calculate due to the widely varying asset quality in the portfolio. The par value of assets acquired by the Authority exceeds \$85 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. It is anticipated that the proceeds of such sale of assets to the Authority will be included by the State in the one-time transfer of funds from quasi-public agencies to the State's General Fund described in the current Annual Information Statement of the State.

Since July 1, 2003, the State has been operating without an approved budget for its fiscal 2004-2005 biennial pursuant to a series of executive orders from the Governor. The Governor's State budget proposed in February 2003 for biennial 2004-2005 included an item of revenues referenced as a transfer of funds from the resources of the Authority to the resources of State's General Fund in the amount of forty million dollars for each of the next two years. Subsequently, the State General Assembly passed a budget which did not include any such funds. The Governor vetoed that budget. The Governor then proposed a revised State budget which included a transfer of twenty million dollars from the Authority for each of the next two years. In response, the State General Assembly passed another revised budget which did not include any such funds. The

Governor also vetoed that budget. Since that time, negotiations about the State's budget have continued and are continuing. As of the date of this Official Statement, the Authority understood that the Governor was proposing a transfer of five million dollars from the Authority for each of the next two years. The Authority anticipates that any such funds, even if so included in an approved State budget, will only become available for such a transfer after compliance with the provisions of the Bond Resolution and after the Authority has been provided with legal authority for making such a transfer. However, no assurance can be given that the State budget will be adopted without such a transfer of funds from the Authority or of the impact on the Authority and its Bonds of any such transfer. See "Ratings" herein.

Subsequent to the date of this Official Statement, on July 31, 2003, the State General Assembly passed a State budget that the Governor has indicated he will sign. The budget includes a transfer of $2.5 million from the Authority for each of the next two years. The rules of the Legislature were not suspended so the budget cannot reach the Governor's desk for signature for at least 7 to 10 days after the date it was passed. It is the Authority's understanding that in exchange for the $2.5 million each year, the Authority will receive housing assets from the State Department of Economic and Community Development. Language to this effect may be included in one of the budget "implementer bills" that spell out the specifics of the budget and are expected to be passed by the State General Assembly within 7 to 10 days after the date the budget was passed. The Governor has stated he will sign the budget once the appropriate "implementer bills" have been completed.

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 Chairman 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, 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 respective dates 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. To date, the Authority has issued no such "Other Bonds." See Part 2 "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" herein.

The 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds are refunding Outstanding Bonds which are "qualified mortgage bonds" under the Code, and thus, requirements of the Code with respect to the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds are set forth under "Requirements of the Code Relating to Home Mortgage Loans." Such refunded Bonds and the 2003 Series B Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds are collectively referred to herein as the "Qualified Mortgage Bonds". The 2003 Subseries C-1 Bonds and the 2003 Series D Bonds are refunding Outstanding Bonds which trace to bonds issued prior to January 1, 1981 and to which the Mortgage Subsidy Tax Act of 1980 does not apply. Such refunded bonds and the 2003 Subseries C-1 Bonds and the 2003 Series D Bonds are collectively referred to herein as the "Pre-Ullman Bonds" and to which are allocated home Mortgage Loans and to which the Code provisions described herein do not apply unless otherwise so indicated.

Requirements of the Code Relating to Home Mortgage Loans

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 Tax-Exempt Bonds are expected to collectively constitute an "issue", in which case such requirements must be satisfied with respect to all of the Tax-Exempt Bonds in order that interest on each individual Series of such Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. For purposes of programmatic requirements, the Pre-Ullman Bonds are expected to collectively constitute an "issue" and the Qualified Mortgage Bonds are expected to collectively constitute an "issue".

Interest on qualified mortgage bonds that are issued to finance or to refund bonds issued to finance single family residences, 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"). Except as otherwise noted below, because all of the Outstanding Bonds being refunded by the Pre-Ullman Bonds were issued prior to, or refunded Bonds issued prior to, January 1, 1981 and certain transition rules have been and are being met, these requirements, except where explicitly so stated, do not apply to any home Mortgage Loans that may be financed with the proceeds of the Pre-Ullman Bonds.

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 and in certain limited, Federally-determined, disaster areas 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.

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 safeharbor limitations provided by the United States Internal Revenue Service or limitations different from such safeharbors 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, 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 mortgages 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 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, including the Pre-Ullman 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 requirement to pay such excess earnings to the United States will apply to the Pre-Ullman Bonds. 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 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.

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"). But see "Tax Matters - Proposed Federal Tax Legislation."

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 Internal Revenue 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.

Tax Certifications

The Authority's tax certifications, which will be delivered concurrently with the delivery of the Tax-Exempt Bonds, contain provisions and procedures relating to compliance with the requirements of the Code. The Authority, in executing its tax certifications, will certify with respect to the Tax-Exempt Bonds to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. The Authority has also covenanted in the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution that it shall 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 Tax-Exempt Bonds shall, for the purposes of the Federal income tax, be exempt from all income taxation under any valid provision of law. 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) 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 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 Tax-Exempt Bonds from gross income under applicable Federal tax law.

Opinions of Co-Bond Counsel with respect to the Tax-Exempt Bonds

In the opinions of Co-Bond Counsel, under existing statutes and court decisions, (i) interest on the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds, the 2003 Subseries C-4

Bonds and the 2003 Series D Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code; (ii) interest on the 2003 Subseries B-1 Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Series D Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the 2003 Subseries B-2 Bonds and the 2003 Subseries C-4 Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. In rendering such opinions, Co-Bond Counsel have assumed compliance by the Authority with and enforcement by the Authority of the Resolution, the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution. In the opinions of Co-Bond Counsel, under existing statutes, interest on the 2003 Series B Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds, the 2003 Subseries C-4 Bonds and the 2003 Series D 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.

Certain Covenants of the Authority

The Authority has included provisions in the 2003 Series B Resolution, the 2003 Series C Resolution, the 2003 Series D 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 Tax-Exempt Bonds. See "Requirements of the Code Relating to Home Mortgage Loans". The Authority has covenanted in the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D 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 Tax-Exempt Bonds will be applied in accordance with the requirements of the Code so as to assure that interest on such Series of Bonds will not be included in gross income for Federal income tax purposes.

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 Tax-Exempt Bonds. The following discussion does not apply to the Bondholders or Beneficial Owners of the Taxable 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 Tax-Exempt Bonds, as well as any tax consequences that may arise under the laws of any state or other taxing jurisdiction.

As noted above, interest on the 2003 Subseries B-1 Bonds, the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Series D Bonds must be taken into account in determining the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code and interest on the 2003 Subseries B-2 Bonds and the 2003 Subseries C-4 Bonds is a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code. Interest on the Tax-Exempt Bonds must also 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 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 not included in gross income for Federal income tax purposes.

Proposed Federal Tax Legislation

Legislation has been introduced in the United States House of Representatives, which among other things would repeal the Ten-Year Rule (as defined hereinabove) for principal payments and principal repayments received after the date of enactment of the proposed legislation (the "House Bill"). A bill identical to the House Bill has also been introduced in the United States Senate (the "Senate Bill"). The House Bill, the Senate Bill and another bill introduced in the House of Representatives would also amend the purchase price limits established under the Code. There can be no assurance that such legislation will be enacted or that it will be enacted in its present form, or that other legislation regarding the Ten-Year Rule or purchase price limits or other matters affecting the Code will not be introduced or enacted.

Legislation affecting municipal bonds is constantly being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Tax-Exempt Bonds will not have an adverse effect on the tax-exempt status or market price of such Bonds.

Taxable Bonds and Opinions of Co-Bond Counsel

Certain Federal Income Tax Consequences

The following is a general discussion of certain of the expected Federal income tax consequences of the purchase, ownership, and disposition of the Taxable Bonds. *Except* as otherwise indicated below, the discussion is based upon laws, regulations (final and proposed), rulings, and decisions now in effect, all of which are subject to change, and does not purport to deal with Federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. Investors should consult their own tax advisors in determining the Federal, state, local, and other tax consequences to them of the purchase, ownership, and disposition of the Taxable Bonds.

There are no regulations, published rulings or judicial decisions involving the characterization for Federal income tax purposes of securities with terms substantially the same as the Taxable Bonds. Co-Bond Counsel, however, have advised the Authority that, in their opinion, the Taxable Bonds will be treated for Federal income tax purposes as indebtedness of the Authority. Therefore, the Taxable Bonds will not (i) represent interests in "qualifying real property loans" within the meaning of Code Section 593(d); (ii) constitute "loans...secured by an interest in real property" within the meaning of Code Section 7701(a)(19)(C); or (iii) constitute "real estate assets" or "Government securities" within the meaning of the Code Section 851(b)(4)(A)(i). Interest on the Taxable Bonds will not be considered "interest on obligations secured by mortgages on real property or interests in real property" within the meaning of Code Section 856(c)(3)(B). Investors are advised to consult their tax advisors concerning the treatment of the Taxable Bonds as "obligations of a corporation which is an instrumentality of a State" for purposes of Code Section 7701(a)(19)(C).

In general, interest paid or accrued on the Taxable Bonds will be treated as ordinary income to the holders thereof, and principal payments on such Taxable Bonds will be treated as a return of capital to the extent of the holders' basis therein. The Trustee on behalf of the Authority will report annually (or more frequently if required) to Bondholders of record and to the Internal Revenue Service in respect of the interest paid on the Taxable Bonds.

An election will not be made to treat the Mortgage Loans or the arrangement by which the Taxable Bonds are issued as a "real estate mortgage investment conduit" ("REMIC") pursuant to Code Section 860D.

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

State Tax Status

In the opinions of Co-Bond Counsel, 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 Carmody & Torrance LLP, Waterbury, Connecticut, and New Haven, Connecticut, Hawkins, Delafield & Wood, Hartford, Connecticut, and Winston & Strawn LLP, New York, New York, Co-Bond Counsel in connection with the issuance of Offered Bonds. Copies of such approving opinions, in substantially the forms attached as Appendices A-1, A-2, A-3 and A-4 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 co-counsel, Tobin, Carberry, O'Malley, Riley & Selinger, P.C., Hartford, Connecticut, and Edwards & Angell, LLP, Hartford, Connecticut.

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 Offered Bonds, excluding the 2003 Subseries B-2 Bonds due May 15, 2034, the 2003 Subseries C-1 Bonds due May 15, 2017 and May 15, 2023, the 2003 Subseries C-3 Bonds due November 15, 2015, November 15, 2017 and May 15, 2034, the 2003 Subseries C-4 Bonds, the 2003 Subseries C-5 Bonds and the 2003 Series D Bonds due May 15, 2023, (the "Underwritten Bonds") at a price of $235,269,195.10 (representing the par amount of the Underwritten Bonds plus an original issue premium in the amount of $44,195.10). From available monies under the Resolution, the Underwriters will receive $1,678,795.97, which represents their fee and expenses for underwriting the Underwritten Bonds. The 2003 Subseries B-2 Bonds due May 15, 2034, the 2003 Subseries C-1 Bonds due May 15, 2017 and May 15, 2023, the 2003 Subseries C-3 Bonds, November 15, 2017 and May 15, 2034, the 2003 Subseries C-4 Bonds, the 2003 Subseries C-5 Bonds and the 2003 Series D Bonds due May 15, 2023 (the "Placed Bonds") are being sold directly by the Authority to institutional investors. From available monies under the Resolution, the Underwriters will receive $1,496,964.91, which represents their fee and expenses for placing the Placed Bonds.

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 Offered Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P").

Moody's and S&P have placed the current ratings on the Authority's Bonds on watchlist for possible downgrade and negative credit watch, respectively, due to the possible transfer of funds from the Authority to the State, as proposed in the Governor's fiscal year 2004-2005 budget. See "Sources of Payment" herein.

Any explanation of the significance of any such rating may only be obtained from Moody's or S&P, 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 Moody's or S&P 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 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 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D 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 Trustee) 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 Trustee 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/ Gary E. King
President-Executive Director

July 25, 2003

APPENDIX A-1

FORM OF PROPOSED APPROVING OPINIONS OF CO-BOND COUNSEL FOR THE 2003 SERIES B BONDS

Upon the delivery of the 2003 Series B Bonds, Co-Bond Counsel, Carmody & Torrance LLP, Hawkins, Delafield & Wood, and Winston & Strawn LLP, 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:

We have examined a record of proceedings relating to the issuance of $64,880,000 Housing Mortgage Finance Program Bonds, 2003 Series B, including Subseries B-1 (the "2003 Subseries B-1 Bonds") and Subseries B-2 (the "2003 Subseries B-2 Bonds"; and, together with the 2003 Subseries B-1 Bonds, the "2003 Series B Bonds") of 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.

The 2003 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 further resolution adopted by the Authority on March 26, 2003 (together with the General Resolution called the "Resolutions"). Housing Mortgage Finance Program Bonds, including the 2003 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 2003 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 2003 Series B Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the 2003 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 2003 Series B Bonds, for purposes of arbitrage and certain other Federal tax requirements, may be treated as a composite issue with certain of the Authority's Housing Mortgage Finance Program Bonds proposed for issuance on the date hereof. Applicable Federal tax law establishes certain requirements that must be met subsequent to the respective issuance of each such Series of Bonds in order that interest on the 2003 Series B Bonds not be included in gross income for Federal income tax purposes. We have examined the Resolutions and the procedural documents, including the operating manual, developed by the Authority to carry out the Housing Mortgage Finance Program (herein called the "Program Documents"), which, in our opinion, 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 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 2003 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 2003 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 2003 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 the 2003 Series B Bonds, to do all acts and things necessary to receive and collect the Pledged Receipts and Recoveries of Principal and to cause its Chairman 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 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 Chairman 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 2003 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 full 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, (i) interest on the 2003 Series B Bonds is not included in 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 2003 Subseries B-1 Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the 2003 Subseries B-2 Bonds is treated as a preference item to be involved in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporation.

8. Under existing statutes, interest on the 2003 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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series B Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined executed 2003 Series B Bonds numbered B1R-1 and B2R-1, respectively, and the forms of said Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX A-2

FORM OF PROPOSED APPROVING OPINIONS OF CO-BOND COUNSEL FOR THE 2003 SUBSERIES C-1, C-3 AND C-4 BONDS

Upon the delivery of the 2003 Subseries C-1 Bonds, the 2003 Subseries C-3 Bonds and the 2003 Subseries C-4 Bonds, Co-Bond Counsel, Carmody & Torrance LLP, Hawkins, Delafield & Wood, and Winston & Strawn LLP, 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:

We have examined a record of proceedings relating to the issuance of $315,310,000 Housing Mortgage Finance Program Bonds, 2003 Series C, including Subseries C-1 (the "2003 Subseries C-1 Bonds"), Subseries C-3 (the "2003 Subseries C-3 Bonds") and Subseries C-4 (the "2003 Subseries C-4 Bonds"; and, together with the 2003 Subseries C-1 Bonds and the 2003 Subseries C-3 Bonds, the "2003 Subseries C-1, C-3 and C-4 Bonds") of 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.

The 2003 Subseries C-1, C-3 and C-4 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 further resolution adopted by the Authority on March 26, 2003, as affected by resolutions adopted by the Authority on June 25, 2003 (together with the General Resolution called the "Resolutions"). Housing Mortgage Finance Program Bonds, including the 2003 Subseries C-1, C-3 and C-4 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 2003 Subseries C-1, C-3 and C-4 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 2003 Subseries C-1, C-3 and C-4 Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the 2003 Subseries C-1, C-3 and C-4 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 2003 Subseries C-1, C-3 and C-4 Bonds, for purposes of arbitrage and certain other Federal tax requirements, may be treated as a composite issue with certain of the Authority's Housing Mortgage Finance Program Bonds proposed for issuance on the date hereof. Applicable Federal tax law establishes certain requirements that must be met subsequent to the respective issuance of each such Series of Bonds in order that interest on the 2003 Subseries C-1, C-3 and C-4 Bonds not be included in gross income for Federal income tax purposes. We have examined the Resolutions and the procedural documents, including the operating manual, developed by the Authority to carry out the Housing Mortgage Finance Program (herein called the "Program Documents"), which, in our opinion, 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 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 2003 Subseries C-1, C-3 and C-4 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 2003 Subseries C-1, C-3 and C-4 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 2003 Subseries C-1, C-3 and C-4 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 the 2003 Subseries C-1, C-3 and C-4 Bonds, to do all acts and things necessary to receive and collect the Pledged Receipts and Recoveries of Principal and to cause its Chairman 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 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 Chairman 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 2003 Subseries C-1, C-3 and C-4 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 full 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, (i) interest on the 2003 Subseries C-1, C-3 and C-4 Bonds is not included in 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 2003 Subseries C-1 Bonds and the 2003 Subseries C-3 Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the 2003 Subseries C-4 Bonds is treated as a preference item to be included in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations.

8. Under existing statutes, interest on the 2003 Subseries C-1, C-3 and C-4 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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Subseries C-1, C-3 and C-4 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined executed 2003 Subseries C-1, C-3 and C-4 Bonds numbered C1R-1, C3R-1 and C4R-1, respectively, and the forms of said Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX A-3

FORM OF PROPOSED APPROVING OPINIONS OF CO-BOND COUNSEL FOR THE 2003 SUBSERIES C-5 BONDS (FEDERALLY TAXABLE)

Upon the delivery of the 2003 Subseries C-5 Bonds, Co-Bond Counsel, Carmody & Torrance LLP, Hawkins, Delafield & Wood, and Winston & Strawn LLP, 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:

We have examined a record of proceedings relating to the issuance of $315,310,000 Housing Mortgage Finance Program Bonds, 2003 Series C, including Subseries C-5 (the "2003 Subseries C-5 Bonds"), of 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.

The 2003 Subseries C-5 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 further resolution adopted by the Authority on March 26, 2003, as affected by resolutions adopted by the Authority on June 25, 2003 (together with the General Resolution called the "Resolutions"). Housing Mortgage Finance Program Bonds, including the 2003 Subseries C-5 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 2003 Subseries C-5 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 2003 Subseries C-5 Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the 2003 Subseries C-5 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.

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

2003 Subseries C-5 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 2003 Subseries C-5 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 2003 Subseries C-5 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 the 2003 Subseries C-5 Bonds, to do all acts and things necessary to receive and collect the Pledged Receipts and Recoveries of Principal and to cause its Chairman 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 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 Chairman 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 2003 Subseries C-5 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 full 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, interest on the 2003 Subseries C-5 Bonds is includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).

8. Under existing statutes, interest on the 2003 Subseries C-5 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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Subseries C-5 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

We have examined an executed 2003 Subseries C-5 Bond numbered C5R-1 and the form of said Bond and its execution are regular and proper.

Very truly yours,

APPENDIX A-4

FORM OF PROPOSED APPROVING OPINIONS OF CO-BOND COUNSEL FOR THE 2003 SERIES D BONDS

Upon the delivery of the 2003 Series D Bonds, Co-Bond Counsel, Carmody & Torrance LLP, Hawkins, Delafield & Wood, and Winston & Strawn LLP, 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:

We have examined a record of proceedings relating to the issuance of $79,300,000 Housing Mortgage Finance Program Bonds, 2003 Series D (the "2003 Series D Bonds") of 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.

The 2003 Series D 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 further resolution adopted by the Authority on June 25, 2003 (together with the General Resolution called the "Resolutions"). Housing Mortgage Finance Program Bonds, including the 2003 Series D 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 2003 Series D 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 2003 Series D Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the 2003 Series D 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 2003 Series D Bonds, for purposes of arbitrage and certain other Federal tax requirements, may be treated as a composite issue with certain of the Authority's Housing Mortgage Finance Program Bonds proposed for issuance on the date hereof. Applicable Federal tax law establishes certain requirements that must be met subsequent to the respective issuance of each such Series of Bonds in order that interest on the 2003 Series D Bonds not be included in gross income for Federal income tax purposes. We have examined the Resolutions and the procedural documents, including the operating manual, developed by the Authority to carry out the Housing Mortgage Finance Program (herein called the "Program Documents"), which, in our opinion, 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 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 2003 Series D 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 in accordance with their terms.

3. The 2003 Series D 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 2003 Series D 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 the 2003 Series D Bonds, to do all acts and things necessary to receive and collect the Pledged Receipts and Recoveries of Principal and to cause its Chairman 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 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 Chairman 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 2003 Series D Bonds do not constitute a debt or liability of the State of Connecticut 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 full 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, (i) interest on the 2003 Series D Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal

Revenue Code of 1986, as amended (the "Code"); and (ii) interest on the 2003 Series D Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

8. Under existing statutes, interest on the 2003 Series D 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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series D Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed 2003 Series D Bond numbered DR-1 and the form of said Bond and its execution are regular and proper.

Very truly yours,

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APPENDIX B

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, to be set forth in Article VI of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D 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, respectively, in the applicable Series 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 shall be set forth in Article VI of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D 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, 2002), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to Sections 602 and 603 hereof;

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

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

(iv) data reflecting the Housing Finance Mortgage Program consisting of (a) the Authority's single family Mortgage Loan portfolio, including tables describing closed Mortgage Loans, Commitments and Reservations, delinquencies and scheduled Recoveries of Principal and Recoveries of Principal actually received; 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 have been submitted to each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information that no longer can 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 Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

"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, if material, with respect to any Bonds under the Resolution:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(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 or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) Bond calls;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities; and
(xi) Rating changes.

"Listed Event Notice" means notice of a Listed Event required to be provided pursuant to Section 604 hereof.

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

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the respective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution are: Bloomberg Municipal Repository (Princeton, NJ), DPC Data Inc. (Fort Lee, NJ), Standard & Poor's J.J. Kenny Repository (New York, NY) and FT Interactive Data (New York, NY).

"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 respective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution, including any official interpretations thereof issued either before or after such date which are applicable to Article VI of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution.

"SEC" means the United States Securities and Exchange Commission.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the respective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution, there is no SID.)

"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 Trustee, when completed, Annual Financial Information with respect to each Fiscal Year of the Authority beginning on or after January 1, 2002, 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 Trustee 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 Trustee shall provide to each NRMSIR and the SID, if any, 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 Trustee by the Submission Date, then within three (3) Business Days of its receipt by the Trustee.

(B) It shall be sufficient if the Authority provides to the Trustee and the Trustee provides to each NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is an Official Statement, available from the MSRB.

Submission of Audited Financial Statements [Section 603]

The Authority shall submit to the Trustee by the Submission Date Audited Financial Statements for each Fiscal Year beginning on or after January 1, 2002, when and if available while any Bonds are Outstanding, whether as part of the Annual Financial Information or separately, which Audited Financial Statements the Trustee shall then provide to each NRMSIR and the SID, if any, by the Report Date. If Audited Financial Statements for any Fiscal Year are not so provided to the Trustee by the Submission Date, the Authority shall provide to the Trustee (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 hereof, and (ii) when available, Audited Financial Statements for such Fiscal Year, which Audited Financial Statements the Trustee shall provide to each NRMSIR and the SID, if any, 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 a Listed Event Notice to the Trustee in a timely manner, and the Trustee shall promptly provide to the SID, if any, and either to the MSRB or each NRMSIR, such 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 whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee identifies an occurrence which, if material, 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 shall not constitute a breach by the Trustee of any of its duties and responsibilities under Article VI or the Resolution.

Notification by Trustee 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, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in paragraph (A) of Section 602 hereof to the Trustee. Upon receipt of such notice, the Trustee shall provide, in a timely manner, notice of such failure of the Authority to provide the Annual Financial Information by such date to the SID, if any, and either to the MSRB or each NRMSIR.

(B) The Trustee shall, while any Bonds are Outstanding and without further direction or instruction from the Authority, provide in a timely manner to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide to each NRMSIR and such SID Annual Financial Information on or before the Report Date (whether caused by failure of the Authority to provide such information to the Trustee 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 Trustee shall be entitled conclusively to rely on the Authority's written representation made pursuant to paragraph (A) of Section 602 hereof.

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 Trustee 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 Trustee to provide such additional information to information repositories, upon which direction the Trustee shall provide such additional information in a timely manner to the SID, if any, and either to the MSRB or each NRMSIR.

Reference to Other Documents [Section 607]

It shall be sufficient for purposes of Section 602 hereof if the Authority provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR existing at the time of such reference and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it also must be available from the MSRB.

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 Trustee 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.

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 Trustee, which written notice the Trustee shall then promptly deliver to each NRMSIR and the SID, if any; *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 Trustee'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 Trustee a Counsel's Opinion, addressed to the Authority and the Trustee, 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 Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

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 respective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D 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 Trustee a Counsel's Opinion, addressed to the Authority and the Trustee, 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 respective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution. In the event the Authority delivers to the Trustee a Counsel's Opinion pursuant to sub-paragraph (3)(i) of this subsection 611(A), the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

(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 respective effective dates of the 2003 Series B Resolution, the 2003 Series C Resolution and the 2003 Series D Resolution which is applicable to Article VI and (2) the Authority shall have delivered to the Trustee a Counsel's Opinion, addressed to the Authority and the Trustee, to the effect that performance by the Authority and Trustee 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 Trustee of such Opinion, the Trustee shall promptly deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

(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 Trustee, upon receipt of which the Trustee shall promptly deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

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 Trustee 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 Trustee [Section 613]

The Trustee shall have only such duties under Article VI as are specifically set forth herein, and the Authority agrees to indemnify and save the Trustee, 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 Trustee's gross negligence or willful misconduct in the performance of its duties under this Section 613. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Resolution. The obligations of the Authority under this Section 613 shall survive resignation or removal of the Trustee 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 herein. 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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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

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 $750,000,000. 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 four 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 Chairman of the Board shall be appointed by the Governor, with the advice and consent of both Houses of the General Assembly. 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:

Name	Position	Occupation
Arthur H. Diedrick	Chairman	Chairman of the Board
Raymond J. Devlin, Jr.	Vice-Chairman	Attorney (Private Practice)
James F. Abromaitis	ex-officio director	Commissioner, State Department of Economic and Community Development
John P. Burke	ex-officio director	Commissioner, State Department of Banking
Orest T. Dubno	director	Chief Financial Officer, Lex Atlantic Corp.
Joseph H. Fisher	director	Retired (Former Managing Partner, KPMG Peat Marwick)
Thomas W. Hynes	director	Financial Counsel, Hynes, Himmelreich, Glennon & Associates
Keith D. McNamara	director	Vice President/Retail Sales, The McCue Mortgage Company
Steven A. Montesano	director	Owner/Broker, J.M. Montesano and Company
Denise L. Nappier	ex-officio director	Treasurer, State of Connecticut
Jorge L. Perez	director	Vice President, Commercial Lending, The Bank of Southern Connecticut and President, Board of Aldermen City of New Haven
Marc S. Ryan	ex-officio director	Secretary, Office of Policy and Management
Ronald L. Smoko	director	Owner, Smoko Insurance Agency

Each ex-officio director may designate his deputy or any member of his staff to represent him at meetings of the Authority with full power to act on his 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:

Name	**Position**	**Prior Background**
Gary E. King	President – Executive Director	1988-92, Vice President - Administration of the Authority; 1986-88, Director of Strategic Planning of the Authority; 1983-86, Under Secretary, Connecticut Office of Policy and Management; 1979-83, Executive Director, Conn. Occupational Information Coordinating Committee; 1976-79, Bureau Chief, Bureau of Occupational and Employment Research, and 1972-76, Supervising and Principal Labor Market Analyst, Division of Planning and Research, Department of Labor and Industry, Trenton, New Jersey.
John K. Craford	Vice President - Finance and Administration	1989-91, Vice President, Realty Resources, Camden, Maine; 1986-88, Vice President, Ariel Corporation, Augusta, Maine; 1984-86, Senior Vice President, Public Finance, Moseley Securities, Boston, Mass; 1981-84, Vice President, Public Finance, Bank of Boston; 1977-81, Deputy Director, Maine State Housing Authority; 1973-76, Legislative Assistant, U.S. Senator William D. Hathaway, Washington, D.C.; B.A. and M.A., Harvard University; J.D., University of Pennsylvania; member of the Maine, District of Columbia, and Pennsylvania bars.
William A. Dickerson	General Counsel	1992-93, General Counsel of the Authority; 1982-92, Assistant Counsel of the Authority; 1977-82, private practice of law; B.A., University of Connecticut; J.D., J. Reuben Clark Law School, Brigham Young University; member of the Connecticut bar.
Bruce H. Perry	Vice President-Programs and Operations	1991-93, Vice President – Special Assets, Derby Savings Bank/Burritt BankCorp; 1989-91, President, B.H. Perry Associates, Real Estate Investment Banking; 1988-89, Vice President - Asset Management Services, Halcyon Real Estate Advisors; 1986-88, Portfolio Management Consultant, Northeast Savings; 1985-86, Development and Finance Consultant, Kaleng Construction Company; 1968-84, Senior Vice President, Commercial Real Estate Investment Division Head, Society for Savings; 1976-84, President - Real Estate Development Subsidiary, High Point Equities, Inc; B.A., University of Virginia; M.B.A., University of Denver.

Name	Position	Prior Background
Elizabeth M. Vallera	Treasurer	1992-94, Controller; 1992, Acting Vice President - Finance of the Authority; 1989-92, Controller of the Authority; 1987-89, Accounting Manager of the Authority; 1985-87, Chief Accountant of the Authority; 1981-85, Accountant with the Authority.

The Authority has a permanent staff of approximately 99 persons including the officers listed above. The supporting staff includes the Controller, Investment and Debt Management Officer, Deputy General Counsel, administrators of: underwriting and technical services; planning, program development and customer service; human resources; and also the delinquency/foreclosure manager, mortgage underwriters, asset managers, field observers, 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 urban 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 to this Part 2.

As of December 31, 2002, the Authority held closed mortgage loans having an outstanding principal balance in the aggregate of $2,638,284,000 (of which $2,035,895,000 or 77.2% are federally insured by the Federal Housing Administration (the "FHA") or Rural Development Agency ("RDA"), guaranteed by the Veterans Administration (the "VA") or State of Connecticut, or insured/guaranteed by private mortgage insurance companies ("PMI")), had committed to finance $34,002,000 of additional mortgage loans (of which $23,546,000 or 69.2% will be similarly insured or guaranteed), and had taken applications for funds, as shown below:

Mortgage Loans, Commitments and Reservations
As of December 31, 2002

	Multifamily Developments Financed with Bond Proceeds		Home Mortgage Loans(1)			
	Closed Loans(2)	Firm Commitments(3)	Closed Loans(2)	Firm Commitments(3)	Total	Percent
FHA/RDA Insured	$ 56,331,000	$ -	$1,680,904,000	$15,806,000	$1,753,041,000	65.6%
VA-Guaranteed	-	-	102,702,000	163,000	102,865,000	3.8
PMI-Insured/ Guaranteed	40,142,000	-	154,915,000	7,577,000	202,634,000	7.6
State of Connecticut Guaranteed	-	-	901,000	-	901,000	0.0
Uninsured	425,569,000	6,608,000	158,512,000	3,848,000	594,537,000	22.3
Uninsured (originally PMI insured)(4)	-	-	18,308,000	-	18,308,000	0.7
Subtotals	$522,042,000	$6,608,000	$2,116,242,000	$27,394,000	2,672,286,000	100.0%
Uncommitted Bond Proceeds Designated for Multifamily Developments					6,000	
Available for Home Mortgage Loans(5)					154,884,000	
Total Closed Loans, Commitments, Applications and Available Bond Proceeds					$2,827,176,000	

(1) Excludes Reverse Annuity Mortgage Loans and Downpayment Assistance Mortgages which were transferred to the Housing Mortgage General Fund from the Investment Trust Fund in November 2000. See "Home Mortgage Loans" and "Other Activities" in this Part 2.

(2) Outstanding balances excluding balances classified as foreclosed real estate (with the exception of in-substance foreclosures) and/or including balances classified as due from component units in the financial statements.

(3) Includes unfunded portions of developments under construction. See "Multifamily Developments Financed with Bond Proceeds."

(4) See "Appendix C - Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in this Part 2.

(5) As of December 31, 2002, the Authority had received applications for $98,063,000 for the making of home mortgage loans (of which $27,394,000 had been firmly committed for purchase by the Authority).

Home Mortgage Loans

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, 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. The Authority has also reserved the right to distribute home mortgage funds by lottery.

Commencing with the issuance of the 1982 Series B Bonds and ending with the issuance of the 1992 Series A Bonds, the Authority had a home mortgage loan program to provide for "growing equity" home mortgage loans with a repayment schedule based initially on a 30-year term. Every two years the monthly mortgage payments required under such loans are increased by 60, 65, or 70 cents per original $1,000 of principal, depending upon the Series of Bonds from which the loan is financed. All such increases in monthly mortgage payments are applied to reduce the outstanding principal amount on such mortgage loans. As a result of this accelerated amortization of principal, such mortgage loans will be fully paid in less than eighteen years.

The Authority has offered to modify its insured growing equity Mortgage Loans by allowing (so long as each insurer of each Mortgage Loan consents to such modification) the mortgagor's repayments to remain at the monthly payment level as of December 31, 1995 until such Mortgage Loan balances are paid off, the effect of which is to extend the maturity dates of such Mortgage Loans. The United States Department of Housing and Urban Development ("HUD") has consented to such modification with respect to Mortgage Loans insured by HUD. Of 8,796 borrowers who were offered this opportunity in August 1996, 2,516 responded with a request to modify their Mortgage Loans and 2,368 (or approximately 27%) were approved.

Section 8-265d(a) of the Connecticut General Statutes mandates that the Authority, together with the State Department of Economic and Community Development, develop a pilot program to provide mortgages at an interest rate not to exceed 6%. 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.

Pursuant to Section 8-265mm of the Connecticut General Statutes, 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 in an aggregate amount not to exceed $10 million. It is anticipated that applicants will be eligible for downpayment assistance and grants from municipalities for closing costs.

In furtherance of its Home Mortgage Loan Program, the Authority has directed certain of its participating lenders to assign government insured Authority qualified single family mortgage loans to The Leader Mortgage Company of Cleveland, Ohio ("Leader Mortgage Company") for assembly into pools guaranteed by the Government National Mortgage Association ("GNMA") and issuance by Leader Mortgage Company of securities backed by the GNMA guaranteed qualified mortgages for purchase by the Authority. Prior to 2001, the Authority credited all such GNMA-guaranteed single family mortgage loans 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 other similar banking arrangements in the form of Acquired Program Mortgages assembled into pools guaranteed by GNMA. In order to assure sufficient resources for the timely payment of Principal Installments and interest due on each Interest Payment Date as required by Section 511 of the Resolution, 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, of which approximately $113,118,000 was deposited in the Investment Trust Subaccount, which assets were previously attributable to the Investment Trust Fund maintained outside the lien of the Resolution. For federal income tax purposes, all such GNMA 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 the chart headed "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal" under "THE HOUSING MORTGAGE FINANCE PROGRAM–Prior Financings and Recoveries of Principal," and "Appendix C-Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in this Part 2.

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 $86,710 to $127,305. 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 the institutions' (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 $145,000 to $400,000, 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 reviews the condominium documentation to ensure that the condominium was validly formed and currently operating under State law. 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.

Home mortgage loans are required by the Authority to be insured or guaranteed by either FHA, VA, PMI, or the Authority itself, unless the mortgagor's down payment is equal to 30% or more of the purchase price. Under FHA regulations, mortgagors must make a down payment of at least 3% of the first $25,000 plus closing costs and 5% of the amount over $25,000 up to the maximum insurable mortgage. VA loans may be made without a down payment. The Authority requires a down payment of at least 3% on PMI-insured home mortgage loans. The VA currently will guarantee the lesser of 40% to 50% of a home mortgage loan or $50,750 for one to four unit dwellings. Although seven private mortgage insurance companies are licensed to do business and underwrite mortgage insurance in the State, approximately 75% of the Authority's PMI-insured home mortgage loans are insured by Mortgage Guaranty Insurance Company. For a discussion of FHA, VA, and PMI mortgage insurance and guaranty programs and certain percentage limitations on the amount of the mortgage loans insured or guaranteed, see Appendix C to 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, 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 and assigned to the Authority, (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 it 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 but prior to the Authority's review of the loan documentation. The Authority requires the participating lender to furnish to the Authority, among other items, (i) the mortgage note, (ii) the mortgage deed, (iii) an assignment of the mortgage deed, (iv) the mortgage insurance or guaranty certificate, (v) the title insurance policy issued in the name of the Authority, and (vi) evidence that all taxes, insurance, assessments, and water and sewerage charges have been duly paid to the date of closing. 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.

The Authority's portfolio of home mortgage loans originated, as of December 31, 2002, consists of approximately 67% with original terms of 30 years, 3% with original terms of between 20 and 29 years, and 30% (primarily growing equity mortgage loans) with original terms of less than 20 years. As of December 31, 2002, the Authority had closed, made commitments for, or taken applications for funds for the purchase of home mortgage loans as shown below:

Home Mortgage Loans as of December 31, 2002[1]

Closed Mortgage Loans

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
FHA/RDA Insured	4.000%	1	$ 141,973	$ 106,497
	4.875	4	609,100	609,100
	4.990	22	2,516,100	2,516,100
	5.000	7	828,942	764,347
	5.125	119	13,602,900	13,602,648
	5.250	104	11,406,800	11,401,746
	5.375	186	19,613,960	19,566,760
	5.500	610	65,449,100	64,226,191
	5.625	148	15,768,350	15,440,929
	5.750	268	29,405,900	28,681,679
	5.875	843	87,728,729	85,524,330
	5.990	778	77,931,603	72,924,858
	6.000	2,329	202,546,651	140,530,908
	6.125	1,865	169,323,013	116,592,250
	6.250	540	49,751,050	35,820,717
	6.375	1,044	93,957,700	63,079,286
	6.500	2,118	188,045,448	117,938,425
	6.600	1,355	123,453,854	63,110,834
	6.625	1,732	157,015,600	95,507,624
	6.700	1,009	95,321,384	36,134,930
	6.750	1,290	112,435,800	58,991,640
	6.875	2,334	208,580,700	120,347,022
	6.900	2	155,500	74,905
	6.990	126	11,549,000	5,024,563
	7.000	3,125	216,498,366	102,615,024

Home Mortgage Loans[1]
Closed Mortgage Loans (Continued)

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
	7.125	1,246	111,335,450	53,823,745
	7.250	3,884	266,552,003	117,784,980
	7.375	2,114	187,531,201	64,019,115
	7.500	3,191	196,746,851	71,211,632
	7.625	523	45,776,553	17,565,042
	7.750	834	47,358,351	3,191,896
	7.875	846	69,014,148	3,993,532
	8.000	4,840	363,068,119	29,884,418
	8.150	944	102,627,910	7,949,275
	8.250	39	1,474,362	37,905
	8.375	853	82,731,904	4,058,229
	8.400	596	63,437,671	5,213,766
	8.500	1,616	136,319,184	16,010,985
	8.560	1,084	107,606,376	6,598,946
	8.750	646	23,295,107	1,256,181
	9.000	321	12,099,777	566,476
	9.250	2,735	208,847,859	1,977,164
	9.500	26	1,421,300	250,253
	9.750	146	5,924,950	169,867
	9.875	428	23,736,515	6,441
	10.500	290	12,184,955	527,326
	11.000	351	18,664,324	547,070
	11.250	1,881	102,804,746	10,764
	11.500	4	220,000	46,135
	11.750	46	2,650,400	0
	12.000	60	2,535,600	104,425
	13.000	211	8,380,700	783,184
	13.500	2,226	101,486,841	2,182,024
VA Guaranteed………………………………………	5.125	1	134,600	134,600
	5.250	1	122,000	122,000
	5.375	3	359,900	358,278
	5.500	12	1,388,900	1,372,549
	5.625	2	220,200	217,405
	5.750	5	695,900	691,259
	5.875	18	1,937,200	1,908,135
	5.990	18	2,060,020	2,020,962
	6.000	26	2,723,500	2,101,531
	6.125	53	5,330,800	3,850,085
	6.250	13	1,479,300	959,667
	6.375	61	6,507,800	4,361,390
	6.500	95	9,444,100	6,001,152
	6.600	80	7,993,100	3,848,107
	6.625	80	8,039,300	4,876,954
	6.700	66	7,028,600	2,729,203
	6.750	60	6,210,700	3,542,150
	6.875	157	16,437,700	9,647,616
	6.990	10	904,400	598,407
	7.000	485	22,514,348	8,357,816
	7.125	98	9,754,400	4,625,082
	7.250	2,367	98,491,464	12,826,385
	7.375	116	11,881,800	4,636,791
	7.500	1,732	65,102,399	7,326,381

Home Mortgage Loans[1]
Closed Mortgage Loans (Continued)

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
	7.625	52	5,311,800	2,068,691
	7.750	401	18,748,421	1,731,821
	7.875	100	8,736,900	484,933
	8.000	2,520	94,473,589	4,613,599
	8.150	96	11,423,863	1,375,812
	8.250	70	2,906,934	99,027
	8.375	32	3,307,800	154,354
	8.400	44	5,151,000	484,604
	8.500	757	30,225,513	1,453,148
	8.560	65	7,237,556	592,342
	8.750	377	16,272,634	1,184,668
	9.000	180	8,704,450	429,689
	9.250	425	34,787,700	235,678
	9.750	219	11,546,000	141,320
	9.875	201	11,814,900	17,775
	10.500	72	3,392,658	156,804
	10.625	119	6,473,500	0
	11.000	71	3,939,900	79,230
	11.250	392	22,756,578	0
	11.750	299	15,400,685	0
	12.000	18	830,900	0
	13.000	5	217,000	33,485
	13.500	493	23,551,900	250,693
PMI Insured…………………………………………	3.000	1	2,500	0
	4.000	1	12,700	0
	4.750	1	242,900	242,900
	4.875	6	651,800	651,800
	4.990	6	785,100	785,100
	5.000	12	1,695,600	1,695,383
	5.125	29	3,550,800	3,548,610
	5.250	32	3,463,300	3,448,047
	5.375	37	3,807,800	3,792,200
	5.500	79	8,241,065	8,113,833
	5.625	28	3,087,600	3,057,452
	5.750	53	5,916,600	5,883,586
	5.875	95	10,171,800	9,753,277
	5.990	60	5,481,000	5,315,195
	6.000	159	13,745,750	11,089,037
	6.125	100	9,316,500	7,969,722
	6.250	23	2,034,100	1,801,947
	6.375	60	5,562,675	3,397,757
	6.500	117	10,284,387	6,089,531
	6.600	25	1,797,900	1,198,675
	6.625	136	11,974,500	7,174,563
	6.700	36	3,006,700	1,399,354
	6.750	79	6,303,200	2,956,614
	6.875	210	18,260,300	10,663,337
	6.900	3	98,400	32,251
	6.990	14	1,260,500	512,057
	7.000	208	18,597,200	8,880,095
	7.125	134	12,425,200	5,493,116
	7.250	3,761	148,622,706	12,174,030

Home Mortgage Loans[1]
Closed Mortgage Loans (Continued)

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
	7.375	218	17,561,300	4,141,238
	7.500	2,130	81,206,381	5,598,164
	7.625	74	6,843,500	2,293,109
	7.750	594	23,898,378	565,081
	7.875	229	16,972,300	458,183
	8.000	1,027	73,371,678	5,178,289
	8.125	1	106,400	0
	8.150	124	11,989,527	941,396
	8.250	827	33,118,435	774,177
	8.375	144	12,119,400	838,985
	8.400	79	7,465,258	542,919
	8.500	152	11,052,894	883,644
	8.560	116	10,764,406	3,013,965
	8.625	1	99,000	0
	8.750	450	16,405,134	345,107
	9.000	457	18,136,300	238,660
	9.250	884	53,341,182	1,145,074
	9.500	2	31,000	0
	9.750	1,741	104,848,837	104,286
	9.875	1,610	82,919,410	120,293
	10.000	298	16,955,500	20,705
	10.250	27	6,255,600	0
	10.500	110	5,004,033	102,369
	10.625	770	37,914,400	17,204
	11.000	216	10,541,229	294,306
	11.250	1,035	51,340,383	0
	11.750	2,488	113,434,500	0
	12.000	80	2,972,700	65,379
	13.000	13	662,900	44,672
	13.500	944	39,873,750	67,904
State of Connecticut Guaranteed……………………	8.500	44	5,071,081	901,142
Uninsured ……………………………………………	0.000	1	23,292	23,292
	0.500	0	0	0
	1.000	1	36,400	18,133
	2.000	1	42,000	0
	3.000	5	202,600	84,006
	4.000	110	5,258,000	1,999,434
	4.875	2	249,000	249,000
	4.990	3	376,600	376,600
	5.000	34	1,599,500	462,805
	5.125	21	2,432,800	2,431,638
	5.250	24	2,263,900	2,256,596
	5.375	56	4,964,900	4,844,476
	5.500	130	12,173,900	11,755,207
	5.625	41	3,606,100	3,560,907
	5.750	71	6,692,500	6,554,666
	5.875	204	18,324,500	17,867,098
	5.990	126	10,125,700	9,358,760
	6.000	178	15,040,400	12,382,861
	6.125	137	10,048,600	8,761,528
	6.250	43	3,830,100	3,550,285
	6.375	69	4,511,400	4,052,126

Home Mortgage Loans[1]
Closed Mortgage Loans (Continued)

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
	6.500	186	13,414,032	10,665,549
	6.625	195	14,456,800	11,539,770
	6.750	60	3,649,300	2,248,699
	6.875	193	13,956,600	9,820,778
	6.990	10	752,900	491,421
	7.000	150	10,148,400	7,147,545
	7.125	68	5,390,200	3,747,087
	7.250	213	15,806,200	9,877,702
	7.375	135	10,225,300	6,658,288
	7.500	147	7,868,989	3,628,427
	7.625	20	1,326,800	459,837
	7.750	11	600,300	75,601
	7.875	39	2,524,900	174,515
	8.000	177	6,297,295	655,375
	8.150	1	56,000	46,900
	8.375	1	75,700	0
	8.400	1	76,000	0
	8.500	1	26,600	6,782
	8.560	2	179,897	55,994
	8.750	1	64,000	0
	9.250	14	756,500	16,352
	9.500	10	166,700	44,987
	9.750	33	4,422,100	363,759
	10.000	4	231,000	0
	10.500	14	862,500	197,561
	11.000	1	74,000	0
	11.250	2	136,300	0
	13.500	2	88,000	0
Uninsured (originally PMI Insured)[(4)]................	6.000	4	346,900	242,798
	6.375	4	281,400	257,052
	6.600	1	99,000	71,848
	6.625	3	330,800	295,663
	6.700	3	318,200	199,247
	6.750	2	149,400	137,182
	6.875	8	783,100	471,442
	7.000	6	515,000	352,279
	7.125	10	960,600	614,355
	7.250	392	13,635,274	3,776,389
	7.375	15	1,122,200	445,530
	7.500	237	8,176,722	2,260,461
	7.625	3	333,900	182,150
	7.750	110	4,421,185	1,193,691
	7.875	29	2,149,600	351,218
	8.000	112	8,510,900	2,370,427
	8.150	12	1,212,500	340,386
	8.250	111	4,353,942	1,189,742
	8.375	23	1,760,500	366,219
	8.400	7	717,889	245,336
	8.500	12	823,800	300,447
	8.560	12	1,038,800	296,571
	8.750	62	2,340,263	774,599
	9.000	41	1,588,200	520,705

Home Mortgage Loans[1]
Closed Mortgage Loans (Continued)

Type	Rate*	Number of Loans[2]	Original Principal Amount[2]	Outstanding Balance[3]
	9.250	56	3,108,600	139,558
	9.750	24	814,500	234,800
	9.875	4	234,400	29,274
	10.500	6	341,400	238,442
	11.000	6	264,600	78,507
	11.250	15	670,600	0
	12.000	2	42,500	28,450
	13.000	2	55,000	35,073
	13.500	11	420,100	268,475
Subtotal		93,190	$6,353,479,951	$2,116,242,050
Firm Commitments Outstanding				
FHA/RDA Insured	4.75 — 5.875	132	15,805,700	—
VA Guaranteed	4.75 — 5.875	1	163,000	—
PMI Insured	4.75 — 5.875	65	7,576,850	—
Uninsured	4.75 — 5.875	40	3,848,700	—
Subtotal		238	27,394,250	—
Total Loans Closed or Committed		93,428	$6,380,874,201	$2,116,242,050
Reservations				
Reservations	4.75 — 5.875	585	70,668,400	—
Grand Total		94,013	$6,451,542,601	$2,116,242,050

* At December 31, 2002, 12 loans with an aggregate outstanding balance of $868,400 were temporarily reclassified to a rate of 6% due to the Soldiers' and Sailors' Civil Relief Act of 1940.

(1) Excludes Reverse Annuity Mortgage Loans and Downpayment Assistance Mortgages which were transferred to the Housing Mortgage General Fund from the Investment Trust Fund in November 2000. See "Home Mortgage Loans" above and "Other Activities" in this Part 2.

(2) Includes mortgage loans prepaid in full or otherwise not outstanding.

(3) Excludes balances classified as foreclosed real estate in the financial statements.

(4) See "Appendix C—Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" 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, including some of the developments listed below, in conjunction with Federal mortgage insurance programs. The Authority currently participates in the HUD Risk Sharing Program and processes all developments through the Program to determine eligibility therein.

Multifamily Mortgage Loan Processing Procedures

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

Preliminary Evaluation. The Authority initially considers several aspects relating to each development. The Authority inspects 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. 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 walking distance 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. The experience of the sponsor is reviewed and an evaluation is made of the proposed development team including architects, management agent, and general contractor. Such evaluation includes a mortgage credit review and a review of the financial stability of the proposed mortgagor and general contractor.

Market Analysis. Developments expected to be financed by the Authority are analyzed and reviewed to determine marketability and adequacy of site. In addition, the Authority requires the sponsor to submit a specific development market study in form and content acceptable to the Authority.

Development Feasibility. After the preliminary evaluation and market analysis of a development have been completed, the Authority proceeds to determine acceptable design criteria, construction plans, 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 site conditions, construction type, the development of a construction budget, and compliance with equal opportunity requirements and the Americans with Disabilities Act requirements of the Authority. Prior to reviewing the operating budget, the Authority approves the design and construction proposal for the development, which includes an approved site and landscaping plan. A thorough 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 be sufficiently capitalized to support the construction costs reasonably.

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 management plan and 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 approval of a fair housing marketing plan based upon the Authority's guidelines.

The financial feasibility of the development is established by a review of operating expenses which must meet the Authority's project operation 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 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 submitted to a mortgage committee composed of Authority Directors and then to the Authority's Board of Directors for approval. This approval establishes the unit mix, financial parameters of allowable construction cost, and proposed mortgage interest rate. In the case of an insured development, the Authority receives a firm commitment for such insurance from HUD. Prior to the final decision of the Authority to finance a development, the Authority generally requires the submission of final working drawings, 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.

Construction Loan Closing. The initial closing takes place before the disbursement of any loan proceeds and involves the execution of the mortgage loan documents, including 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 estimated by the Authority. Up to ten percent 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. In the case of FHA-insured advances, no disbursements are made without the approval of HUD.

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 actual certified costs to a maximum contract amount. The contract also 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.

Final Closing and Development Cost Certification. 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 substantial completion letter is issued. Final closing consists of a review and approval by the Authority of cost certification by the developer 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 prescribed 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 to be executed between the mortgagor and the Authority. 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 five-year periods and to receive subsidy payments in amounts sufficient to make payments of principal and interest on the mortgage loan when due.

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.

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 monthly reports for the development to be submitted. Except for uninsured unsubsidized units, changes in rents must be within HUD guidelines and, except for automatic 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 Rental Housing Department.

The Authority requires a monthly report on each of its multifamily developments of twenty-five or more units (quarterly for developments of less than twenty-five units) that indicates occupancy rate, income received, expenses paid, accounts payable, accounts receivable, and cash on hand at the end of the month. Reports are analyzed by the Authority to discern any substantial change in the development's cash flow or occupancy level. Comparisons are made with similar developments to determine the extent to which variations may relate to local or seasonal factors. Any significant increase in the level of accounts receivable or accounts payable is investigated to determine the cause. As a result of such investigation, managing agents are contacted and requested to reduce these balances. The Authority regularly checks the status of escrow accounts and requires mortgagors to submit annual financial statements examined by public accountants.

In addition to these financial checks, each development is inspected at least once annually. An annual physical inspection is performed to evaluate the physical condition of buildings, grounds, equipment, and apartment interiors and the adequacy of preventive and corrective maintenance operation. Mortgagors and managing agents receive a written report of the physical inspection 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 inspection 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. The Authority has instituted a system of monthly and quarterly reports that is intended to formalize the findings of these visits and to identify more rapidly problem areas where particular action is required.

A further inspection is performed annually for all Section 8 developments on a scheduled basis to determine whether each unit remains in a decent, safe, and sanitary condition and whether the owner is providing required utilities and maintenance services. This inspection has been extended to include non-Section 8 developments. If the Authority has responsibility for administering the Section 8 program 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 a reserve for replacements account and escrow accounts for real estate taxes, FHA insurance premiums (if applicable), 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 where developments do not receive rent subsidies, 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.

Developments Financed with the Proceeds of Bonds

As of December 31, 2002, the Authority had financed with the proceeds of bonds 162 completed multifamily housing developments. Of these 162 developments, 75 are exclusively for the elderly, 1 is without tenant income limits in an eligible urban area, and 5 are Real Estate Owned (hereinafter defined) by the Authority. See the table entitled "Multifamily Real Estate Owned as of December 31, 2002." These mortgage loans have been sponsored by non-profit housing corporations or limited dividend housing organizations (including corporations, partnerships and individuals). Seventeen of the 162 multifamily housing developments receive annual subsidies from HUD pursuant to Section 236 of the National Housing Act, as amended ("Section 236"), and 95 receive subsidies pursuant to the Section 8 program. Thirty-six 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 to this Part 2. Forty-five of the developments are uninsured, unsubsidized or not guaranteed.

Multifamily Developments Financed with Bond Proceeds
Permanent Mortgage Loans as of December 31, 2002

Name	Location	Insurance Program/ Sponsor(1)	Federal Subsidy Program	Units	Type (2)	Principal Amount	Outstanding Balance	Rate%	Maturity	Occupancy Rate %
Armoury, The(4)	Windham	UNINS/LD	—	30	F	$ 410,583	$ 386,875	6.250	2028	100
Asylum West	Hartford	221(d)(4)/LD	Section 8	30	F	1,033,000	520,268	9.000	2022	97
Augustana Tower	Bridgeport	UNINS/LD	Section 8	180	E	9,000,000	6,367,293	11.500	2013	99
Augustus Manor	Stamford	UNINS/LD	Section 8	105	E	5,933,700	4,609,538	12.500	2014	100
Avery Heights(5)	Groton	UNINS/LD	Section 8	105	E	3,144,800	2,326,742	7.100	2019	97
Barnum House	Bridgeport	UNINS/LD	Section 8	84	E	3,860,000	2,106,574	8.250	2011	98
Berger Building	New Haven	UNINS/LD	Section 8	144	E	5,950,000	3,441,814	8.250	2012	100
Bigelow Commons(4)	Enfield	UNINS/LD	—	468	F	18,400,000	17,561,007	6.250	2029	99
Bradley Estates I(8)	Meriden	UNINS/LD	Section 8	74	F	1,430,000	307,124	6.750	2004	99
						1,205,000	1,136,219	7.500	2027	
Bradley Estates II(8)	Meriden	UNINS/LD	Section 8	42	F	836,000	216,935	6.750	2004	98
						733,000	691,159	7.500	2027	

Multifamily Developments Financed with Bond Proceeds
Permanent Mortgage Loans as of December 31, 2002 (Continued)

Name	Location	Insurance Program/ Sponsor(1)	Federal Subsidy Program	Units	Type (2)	Principal Amount	Outstanding Balance	Rate%	Maturity	Occupancy Rate%
Bridgeport Elderly(5)	Bridgeport	UNINS/LD	Section 8	85	E	3,338,000	2,245,073	7.500	2021	100
Brookside Apts	Pawcatuck	221(d)(4)/LD	Section 8	160	E,F	6,589,200	5,718,785	9.500	2022	95
Burritt House	New Britain	UNINS/LD	Section 8	66	E	3,035,300	2,178,769	10.200	2014	98
Burritt School Apts	New Britain	UNINS/LD	Section 8	110	E	4,784,500	3,445,144	10.200	2014	99
Byam Village(8)	Waterbury	UNINS/LD	Section 8	46	F	900,000	233,540	6.750	2004	100
						770,000	727,916	7.750	2027	
Canaan Parish	New Canaan	221(d)(3)/NP	Section 8	60	F	2,256,000	1,712,437	7.500	2019	99
Capitol Plaza	Ansonia	UNINS/LD	Section 8	20	E	866,500	639,618	12.500	2013	95
Castle Apts	Plainville	236/NP	236	46	F	1,031,600	706,796	8.000	2016	100
Chase Manor I(11)	Norwich	231/LD	Section 8	50	E	1,107,000	823,187	7.875	2018	100
Chase Manor II	Norwich	UNINS/LD	Section 8	53	E	1,609,300	835,288	8.000	2010	100
Cheshire Hillside Vil. I	Cheshire	231/LD	Section 8	50	E	1,195,300	892,214	7.900	2019	100
Cheshire Hillside Vil. II	Cheshire	UNINS/LD	Section 8	50	E	1,422,700	1,059,511	7.000	2020	100
Clifford House(11)	Bridgeport	231/LD	Section 8	101	E	2,721,000	2,087,588	7.900	2019	100
Clocktower Mill	Manchester	UNINS/LD	—	185	F	8,175,000	8,401,417	6.000	2024	100
Cornfield Apts	Ellington	UNINS/LD	—	216	F	10,320,000	9,462,639	6.250	2034	94
Country Place	Colchester	UNINS/LD	—	112	F	1,867,000	1,722,285	9.000	2024	100
Country Place II	Colchester	UNINS/LD	—	82	F	1,400,000	1,331,845	10.250	2026	100
Countryside Apts	Wolcott	UNINS/LD	Section 8	54	E	2,170,000	1,484,153	9.500	2013	98
Crossroads of Enfield	Enfield	UNINS/LD	—	90	F	3,460,000	2,594,434	10.500	2015	100
Danbury Commons	Danbury	UNINS/LD	Section 8	188	E,F	8,500,000	6,216,858	11.500	2013	97
Danbury Tower(5)	Danbury	UNINS/LD	Section 8	81	E	1,917,500	1,426,440	8.000	2018	100
Deer Meadow	Bloomfield	UNINS/LD	—	48	F	2,570,000	2,570,000	10.000	2023	98
Dewberry Heights	Waterbury	UNINS/LD	Section 8	42	F	1,475,000	70,197	7.500	2005	97
Eastgate II	Waterbury	231/LD	Section 8	44	E	1,034,400	828,745	8.000	2021	100
Elizabeth Street Apts(4)	Norwich	UNINS/NP	—	29	F	524,000	493,743	6.250	2028	97
Ella Grasso Gardens	Putnam	UNINS/LD	Section 8	72	E	2,537,500	1,895,332	12.500	2013	100
Elms Common	Rocky Hill	221(d)(4)/LD	—	156	F	5,007,600	3,948,634	7.750	2021	99
Eno Farms	Simsbury	UNINS/LD	—	50	F	1,495,000	1,366,257	8.875	2024	88
Essex Place(4)(6)	New Britain	UNINS/LD	—	150	F	2,984,165	2,811,851	6.250	2028	90
Exchange Place	Waterbury	UNINS/LD	Section 8	150	E	7,125,000	5,288,350	11.500	2014	99
Executive Square	Wethersfield	UNINS/LD	Section 8	240	E	12,838,000	9,114,728	9.500	2014	100
Federation Square	W. Hartford	UNINS/LD	Section 8	88	E	2,787,600	1,302,055	7.600	2010	100
Fellowship Housing	W. Hartford	UNINS/NP	—	70	E	1,095,000	743,081	7.500	2006	100
First Church Village	Wethersfield	UNINS/NP	Section 8	75	E	1,875,500	1,368,808	8.250	2017	100
Florence Mill	Vernon	UNINS/LD	Section 8	114	E	3,077,500	2,289,232	7.000	2020	100
Freshwater Pond(5)	Enfield	UNINS/LD	Section 8	75	F	2,366,100	1,772,382	7.250	2019	99
Frost Homestead	Waterbury	UNINS/NP	236	63	F	1,358,900	787,915	7.000	2013	94
Garden Street Apts	Hartford	236/LD	236	98	F	2,077,700	1,123,038	7.000	2012	100
Georgian Manor	Bristol	UNINS/LD	Section 8	49	E	1,546,900	1,028,723	11.000	2012	100
Glen, The	Winsted	UNINS/LD	—	48	E	1,778,506	1,776,670	6.000	2032	100
Glenbrook Road	Stamford	231/NP	Section 8	44	E	1,557,400	1,210,709	7.250	2021	100
Hamilton Park Apts	Norwich	UNINS/LD	Section 8	121	E,F	5,280,600	3,563,724	11.500	2012	100
Hanover Towers(8)	Meriden	UNINS/LD	Section 8	100	E	2,775,000	1,932,319	7.000	2011	94
						1,854,000	1,752,666	7.750	2027	
Harbor Towers(8)	Meriden	UNINS/LD	Section 8	202	E	7,000,000	5,429,074	7.000	2013	98
						5,300,000	5,019,280	7.930	2027	
Hart Street Gardens	New Britain	UNINS/LD	—	20	F	167,603	160,094	9.920	2026	100
Hartford East	E. Hartford	UNINS/LD	Section 8	120	E	5,509,800	4,030,807	10.200	2014	98
Heritage Commons	Middletown	UNINS/LD	—	90	E	6,851,195	6,315,823	6.650	2027	100
Heritage Glen(6)	Farmington	UNINS/LD	—	68	F	1,820,000	1,724,846	9.750	2026	100
Highwood Gardens	Hamden	UNINS/LD	Section 8	15	F	495,000	347,041	11.500	2012	100
Hill Central Homes	New Haven	221(d)(3)/NP	Section 8	72	F	2,329,200	1,712,847	7.000	2019	100
Historic Asylum Hill	Hartford	UNINS/LD	—	24	F	633,000	421,147	9.000	2020	100
Howard Apts	New Haven	UNINS/LD	Section 8	13	F	534,400	384,479	10.200	2014	92
Huntington Towers	New London	UNINS/LD	Section 8	121	E	4,960,400	3,788,090	12.500	2013	97
Huntington Woods	Bristol	UNINS/LD	—	280	F	5,009,392	4,461,214	9.000	2021	100
Ives Manor	Danbury	UNINS/NP	Section 8	98	E	2,002,600	1,510,842	9.000	2017	81
John B. Sliney House	Branford	UNINS/LD	Section 8	38	E	1,385,200	760,685	8.000	2011	100
Josephine Towers(5)	Waterbury	UNINS/LD	Section 8	125	E	3,231,200	2,373,176	7.900	2019	100
Kimberly Place	Danbury	UNINS/LD	Section 8	116	E	6,000,000	3,850,031	9.000	2013	100

Multifamily Developments Financed with Bond Proceeds
Permanent Mortgage Loans as of December 31, 2002 (Continued)

Name	Location	Insurance Program/ Sponsor(1)	Federal Subsidy Program	Units	Type (2)	Principal Amount	Outstanding Balance	Rate%	Maturity	Occupancy Rate%
Laurel Estates	Waterbury	UNINS/LD	Section 8	277	F	10,528,900	8,765,423	7.500	2023	99
						415,000	397,691	10.000	2023	
Legion Avenue Court	New Haven	UNINS/LD	Section 8	34	F	1,113,300	793,126	10.200	2014	93
Liberty Park I	Ansonia	236/LD	236	30	F	763,000	529,973	7.500	2017	100
Liberty Park II	Ansonia	221(d)(4)/LD	Section 8	8	F	208,500	156,444	7.900	2019	100
Liberty Street Apts	Stamford	221(d)(4)/LD	Section 8	8	F	366,000	332,265	10.000	2025	100
Linden Apts	Stamford	UNINS/LD	Section 8	6	F	265,100	163,987	9.000	2012	100
Ludlow Townhouses	Stamford	UNINS/NP	236	36	F	952,600	554,108	8.500	2012	97
Maple Hill Apts(8)	Meriden	UNINS/LD	Section 8	32	F	600,000	414,334	7.000	2010	97
						300,000	282,874	7.500	2027	
Mapleview Towers(11)	Stamford	231/LD	Section 8	101	E	3,176,300	2,391,793	7.500	2020	100
						450,000	396,813	12.000	2020	
Market Square(11)	Newington	231/LD	Section 8	75	E	1,986,500	1,476,204	7.900	2019	100
Meridian Tower	Bristol	UNINS/LD	Section 8	173	E	7,977,000	6,445,918	12.500	2015	100
Michael D. Fox School	Hartford	UNINS/LD	Section 8	90	E	3,548,000	2,157,972	9.000	2012	100
Mitchell School(9)	Wethersfield	UNINS/NP	—	45	E	2,500,000	2,311,041	7.000	2026	97
Mohegan Park	Norwich	236/LD	236	95	F	1,587,200	824,551	7.000	2012	96
Mohegan Village	Norwich	236/LD	236	87	F	1,512,000	956,877	7.000	2015	100
Mohican Apts	New London	UNINS/LD	Section 8	146	E	6,534,000	5,390,514	8.500	2021	99
Moosup Gardens	Moosup	236/LD	236	89	F	1,521,000	970,178	7.000	2016	100
Naubuc Green	Glastonbury	UNINS/LD	Section 8	110	E	4,317,600	3,224,948	12.500	2013	100
New Algiers	Stamford	UNINS/LD	Section 8	12	F	581,700	441,046	12.500	2013	100
Newbury Commons	Stamford	UNINS/LD	—	260	F	29,000,000	27,058,140	6.000	2017	98
Ninth Sq-Tax Exempt(7)	New Haven	CE/LD	—	258	F	31,800,000	30,141,612	6.500	2035	99
Ninth Sq-Taxable(7)	New Haven	CE/LD	—	77	F	10,000,000	10,000,000	7.125	2032	94
Normandy Heights(4)	New Britain	UNINS/LD	—	150	F	4,818,920	4,540,663	6.250	2028	97
Norwalk Elderly Apts(11)	Norwalk	231/LD	Section 8	52	E	1,405,000	615,981	7.900	2019	100
Number One Norton-NSA	New Haven	221(d)(4)/LD	Section 8	12	F	457,200	357,398	9.250	2022	100
Parish Court	Fairfield	UNINS/NP	Section 8	100	E	1,735,000	1,132,108	7.000	2016	100
Park Ridge II	New Haven	UNINS/LD	Section 8	28	E	1,114,000	883,419	8.000	2020	100
Park Ridge Towers	New Haven	UNINS/LD	Section 8	72	E	2,543,300	1,896,593	7.000	2020	100
Plaza on the Green	Waterbury	UNINS/LD	Section 8	157	E	6,395,000	3,430,441	7.250	2011	99
Poquonnock Village	Groton	UNINS/LD	Section 8	114	E,F	4,400,000	3,112,743	11.500	2013	97
Presidential Gardens	New Haven	UNINS/LD	Section 8	63	F	2,561,000	1,982,543	7.250	2021	100
Quarry Knoll II	Greenwich	231/NP	Section 8	40	E	1,358,300	1,067,464	8.000	2020	100
Quebec Square	Brooklyn	221(d)(3)/NP	Section 8	57	F	1,519,000	1,133,089	7.500	2019	93
Renaissance Hill	New Haven	UNINS/LD	Section 8	43	F	1,877,000	1,390,605	10.200	2015	88
Renaissance Plaza	Bridgeport	UNINS/LD	—	81	F	1,500,000	1,369,204	10.500	2022	100
Rippowam Manor	Stamford	UNINS/LD	Section 8	82	E	3,392,300	2,637,818	13.125	2013	94
River Commons	Norwalk	UNINS/LD	—	34	F	648,700	610,763	10.500	2025	100
River Run	New Haven	UNINS/LD	Section 8	140	E	7,154,900	5,818,338	12.500	2015	100
Robert N. Giaimo Hse	Branford	UNINS/LD	Section 8	44	E	1,615,200	1,197,038	12.500	2013	100
Robeson Elderly Housing	New Haven	UNINS/LD	Section 8	26	E	1,037,900	734,901	10.200	2014	77
Saranor Apartments	Milford	UNINS/LD	__	120	E	2,129,000	2,110,076	5.500	2041	100
School I	New Britain	231/LD	Section 8	127	E	3,324,100	2,647,045	8.000	2021	100
School II	New Britain	231/LD	Section 8	99	E	3,017,900	2,176,571	8.000	2020	100
Shepherd Park	Hartford	UNINS/LD	Section 8	373	E	17,295,000	9,290,125	7.500	2011	99
Shippan Place(5)	Stamford	UNINS/LD	Section 8	148	E	6,000,000	4,601,794	7.300	2020	100
Sigourney Square	Hartford	231/LD	Section 8	42	E	1,255,000	1,077,856	10.000	2021	99
South Green(5)	Middletown	UNINS/LD	Section 8	125	E	3,099,700	2,370,482	7.900	2019	99
Springville Mill(3)	Vernon	UNINS/LD	—	175	F	8,900,000	8,440,559	9.500	2018	96
Squire Village	Manchester	236/LD	236	374	F	6,919,700	4,066,124	7.000	2014	96
St. Mary Home	W. Hartford	UNINS/NP	—	100	E	6,825,000	5,585,498	9.500	2018	83
St. Mary's	E. Hartford	221(d)(4)/LD	Section 8	56	E	1,903,200	1,469,654	7.500	2020	100
St. Paul's	Norwalk	236/NP	236	86	F	2,119,900	1,367,866	7.000	2016	100
Stamford Green	Stamford	UNINS/LD	Section 8	91	E	5,162,200	4,013,940	12.500	2014	100
Station Place	No. Canaan	UNINS/LD	Section 8	37	F	1,352,500	1,077,023	8.000	2021	100
Summer Brook Apts	Southington	UNINS/LD	236	180	F	1,300,000	1,246,269	6.875	2014	19
Summitwoods	Norwich	UNINS/LD	—	120	F	5,400,000	4,709,881	7.000	2025	100
Sunset Ridge(6)	New Haven	INS/LD	—	312	F	10,950,000	10,501,244	7.000	2029	100
Torrant House	Plainville	UNINS/LD	Section 8	44	E,F	1,860,700	1,201,326	11.500	2013	93

Multifamily Developments Financed with Bond Proceeds
Permanent Mortgage Loans as of December 31, 2002 (Continued)

Name	Location	Insurance Program/ Sponsor(1)	Federal Subsidy Program	Units	Type (2)	Principal Amount	Outstanding Balance	Rate%	Maturity	Occupancy Rate%
Torringford West	Torrington	UNINS/LD	Section 8	79	E	3,337,800	2,557,946	12.500	2014	100
Tower II	Bridgeport	UNINS/LD	Section 8	137	E	6,336,500	4,804,355	12.500	2013	100
Truman Park	Bridgeport	UNINS/LD	Section 8	30	F	860,000	672,315	7.750	2020	100
Unity Heights	Bridgeport	UNINS/NP	236	50	F	1,724,500	1,213,818	7.000	2015	100
Velvet Mill, The	Manchester	UNINS/LD	—	210	F	10,950,000	10,235,788	6.000	2024	99
Village Apartments	S. Meriden	221(d)(4)/LD	Section 8	22	F	798,900	688,311	9.500	2022	100
Village Court(5)	Norwich	UNINS/LD	Section 8	75	E	1,808,700	1,360,597	7.900	2019	99
Village Green	Norwich	221(d)(4)/LD	Section 8	15	F	346,000	248,054	8.000	2017	100
Watertown Crossing(6)	Waterbury	UNINS/LD	—	108	F	2,239,000	2,151,663	10.380	2027	97
Wequonnoc Village	Taftville	UNINS/LD	Section 8	98	E	4,116,500	3,187,241	12.500	2014	100
Westar Apts	Vernon	UNINS/LD	—	65	F	2,250,000	1,756,848	10.000	2016	100
Westwood Village	New Haven	UNINS/LD	Section 8	48	F	1,880,000	1,269,221	11.000	2012	94
William H. Warner Village	Woodbridge	UNINS/LD	—	30	E	1,130,000	1,074,877	9.000	2021	100
Willow Arms(5)	E. Hartford	UNINS/LD	Section 8	96	E	3,420,000	1,827,264	8.000	2011	100
Windham Heights	Windham	236/LD	236	150	F	2,304,300	1,320,421	8.500	2012	100
Wintonbury Park II	Bloomfield	236/LD	236	84	E	1,432,100	985,044	7.500	2017	97
Woodgate at Vernon	Vernon	221(d)(4)/LD	—	148	F	3,932,800	3,064,280	7.000	2021	98
Woodgate II	Enfield	UNINS/LD	—	208	E,F	9,350,000	7,945,055	7.750	2026	100
Woodland Hills Apts	Torrington	UNINS/LD	236	176	F	1,150,000	1,093,698	6.875	2012	10
Woodrow Wilson(4)	Middletown	UNINS/LD	—	63	F	1,055,000	994,081	6.250	2028	100
Woodside Village(5)	Bloomfield	UNINS/LD	Section 8	176	E	4,800,000	3,573,459	7.100	2019	100
Woodview Apartments	Oakville	UNINS/LD	Section 8	81	E	3,015,000	1,856,168	9.250	2012	100
				14,597		$566,209,764	$449,268,898			

Multifamily Capitalization Loans Financed With Bond Proceeds(5)
Permanent Mortgage Loans as of December 31, 2002

Name	Principal Amount	Outstanding Balance	Rate	Maturity
Avery Heights	$ 1,352,700	$ 1,169,943	9.000	2019
Bridgeport Elderly	628,400	554,924	9.000	2020
Danbury Tower	1,143,700	962,561	9.000	2018
Freshwater Pond	227,350	197,377	9.000	2019
Josephine Towers	2,546,324	2,145,119	9.000	2018
Shippan Avenue	2,620,362	2,287,105	9.000	2020
South Green	1,597,392	1,375,459	9.000	2019
Village Court	942,100	803,758	9.000	2018
Willow Arms	575,549	373,627	9.000	2010
Woodside Village	3,007,700	2,573,361	9.000	2019
	$14,641,577	$12,443,234		

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Construction Mortgage Loans Financed with Bond Proceeds as of December 31, 2002

Name	Location	Insurance Program/ Sponsor(1)	Units	Type (2)	Amount To Be Advanced	Amount Advanced	Permanent Rate %	Maturity	Occupancy Rate % or Estimated Completion
Completed and Occupied									
Hedgewood Apts	Norwich	UNINS/LD	100	F	$1,988,285	$1,988,285	6.500	2042	96
Henry Place(10)	Stamford	UNINS/NP	28	F	1,900,000	1,900,000	9.000	2022	93
Kingswood Apts	Willimantic	UNINS/LD	110	F	3,120,000	3,120,000	6.500	2015/2042	100
Park Square West	Stamford	UNINS/LD	143	E,F	16,500,000	16,500,000	6.375	2036	95
Redstone Apts	Bristol	UNINS/LD	132	F	3,700,000	3,700,000	6.500	2042	89
Rolling Ridge Apts	West Haven	UNINS/LD	180	F	5,400,000	5,394,780	6.875	2041	100
Silver Pond Apts	Wallingford	UNINS/LD	160	E	3,000,000	3,000,000	6.500	2017/2042	92
Sleeping Giant Apts	Vernon	UNINS/LD	106	F	2,500,000	2,500,000	6.500	2042	83
Southford Park Apts	Waterbury	UNINS/LD	212	F	4,415,000	4,415,000	6.500	2042	91
Summer Brook Apts	(12)	(12)	(12)	(12)	6,300,000	3,525,535	(12)	2044	(12)
Willowcrest Apts	Middletown	UNINS/LD	151	F	4,175,000	4,175,000	6.500	2042	100
Woodland Hills Apts	(12)	(12)	(12)	(12)	6,370,000	2,541,412	(12)	2044	(12)
	Total		1,322		$59,368,285	$52,760,012			

(1) LD represents limited dividend sponsors with 90% mortgages and NP represents non-profit sponsors with 100% mortgages; 236 indicates loans insured and subsidized by FHA; 221(d)(3) and (4) indicate loans insured by FHA; 231 indicates loans insured by FHA for developments for the elderly; INS indicates loans insured or expected to be insured through HUD's Risk-Sharing Program; PMI means insured by private mortgage insurance company; UNINS means uninsured; ND means not determined; and, CE means credit enhanced.
(2) E represents elderly; F represents family.
(3) See "Delinquencies and Foreclosures" for further discussion of these projects.
(4) Represents a new Mortgage Loan as a result of the sale of real estate owned.
(5) See "Section 8 Affordable Housing Preservation Program."
(6) Heritage Glen also known as Hampton Court and Bridle Ridge @ East Farms, Watertown Crossing also known as Emerald City, Sunset Ridge also known as Blue Cliff Hills, Essex Place also known as Sandy Brook Apartments.
(7) Ninth Square, a mixed use project in New Haven was converted from a construction loan to permanent loan status in the third quarter of 1997. In connection with the conversion, the Authority and the owner have negotiated a mortgage modification.
(8) Refinanced with the proceeds of the 1996 Series G Bonds.
(9) Financed by a Mortgage Loan to a subsidiary from the proceeds of the Authority’s 1996 Series C-2 Bonds.
(10) The Authority commenced foreclosure proceedings against Henry Place on April 10, 2000.
(11) As of December 31, 2002, the Authority was in the process of terminating the FHA mortgage insurance.
(12) See the table entitled “Multifamily Developments Financed with Bond Proceeds Permanent Mortgage Loans as of December 31, 2002.” Substantial rehabilitation with expected completion in the third quarter of 2003.

Developments That May Be Financed by the Authority with Bond Proceeds

The following table sets forth multifamily housing developments that may be financed by the Authority with the proceeds of Bonds that have been issued previously or that may be issued. Since the developments listed below are in process, the information in the following table is subject to change and modification as such developments are processed and until final commitments for financing. See "Other Activities."

Multifamily Developments That May Be Financed With the Proceeds of Outstanding and/or Additional Bonds(1)

Name	Location	Bond Series	Insurance Program/ Sponsor	Units	Type	Estimated Mortgage Amount	Estimated Construction Mortgage Loan Closing Date	Estimated Date of Completion
Ninth Square	New Haven	2002 Series E	ND/LD	108	F	$ 8,900,000	10/03	02/05
Nottingham Towers	Waterbury	2002 Series E	ND/LD	165	E	5,532,000	10/03	04/05
				273		$14,432,000		

(1) Please refer to footnotes in immediately preceding table: "Construction Mortgage Loans Financed with Bond Proceeds as of December 31, 2002".

Although the Authority may finance the previously described developments, such developments are in various stages of processing and no assurance can be given as to the financing of any particular development. The Authority reserves the right to substitute the financing of other developments or home mortgage loans permitted under the Act, the Resolution, including its tax covenant, and the Code wholly or in part with the proceeds of the Outstanding Bonds if (i) consistent with the requirements imposed upon the Authority pursuant to the Resolution and (ii) such substitution becomes necessary due to delays in a development's processing, changes in a development's composition or use, or any other reason in the Authority's discretion. There can be no assurance that any of the completion dates set forth above may not be further revised or modified.

Construction financing by the Authority is subject to the risks generally associated with real estate construction lending. These risks include, among other things, increases in estimated construction costs, construction delays, and failure of construction to be completed in accordance with specifications. While no assurances can be given that unsubsidized developments will not experience increases in construction costs, construction delays, or failure of completion in accordance with specifications, the Authority will utilize underwriting procedures and guidelines and architectural review with appropriate construction monitoring to minimize such risks.

Section 8 Affordable Housing Preservation Program

The Authority adopted procedures on May 27, 1993 to establish criteria by which the Authority will consider applications from mortgagors (or their transferees) of certain multifamily rental housing developments financed by the Authority for participation in the Authority's Section 8 Affordable Housing Preservation Program. The program is designed to provide such mortgagors with incentives to maintain and extend the use of such multifamily developments as affordable housing. Eligible multifamily developments are those projects which receive housing assistance payments pursuant to Section 8, and such developments are not otherwise subject to restrictions on the limitations on distributions imposed by 24 CFR 883.306. Applications that are accepted for participation in the program undergo a determination of surplus in the development's residual receipts, operating and replacement reserve accounts. Any surplus in said accounts is the sole property of the Authority and distributed pursuant to the program procedures, including in the form of loans to mortgagors. Accruing loans as of December 31, 2002 amounted to $7,569,400, as a result of the distribution pursuant to the program procedures. In addition, if appropriate and feasible, applicants may request a capitalization loan from the Authority for current distribution, including to the Authority and the applicant, of the annual future cash flows as determined by the Authority.

See the table entitled "Multifamily Capitalization Loans Financed with Bond Proceeds" under "Multifamily Housing Mortgage Loans - Developments Financed with the Proceeds of Bonds."

Servicing Arrangements for Home Mortgage Loans

The Authority has entered into agreements with various banks and other financial institutions for the servicing of home mortgage loans for a servicing fee. In addition, the Authority services a small number of loans itself. The participating lender that originated the loan usually continues to service it. The Authority's annual servicing fee with respect to home mortgage loans at the present time is three-eighths of one percent (.00375) of the unpaid principal due on such loan.

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, and upon instructions from the Authority, 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.

Delinquencies, Foreclosures, and Multifamily Real Estate Owned

As of December 31, 2002, the Authority had a portfolio of closed mortgage loans of $2,638,284,000, of which $2,116,242,000 were home mortgage loans (excluding Reverse Annuity and Downpayment Assistance Mortgages) and $522,042,000 were multifamily mortgage loans financed with Bond proceeds. Of the multifamily mortgage loans, 3 loans were delinquent on December 31, 2002. The 3 delinquent loans have an aggregate outstanding principal balance of $11,415,000. Their cumulative arrearage was $9,240,000, of which $7,944,000 is attributable to Springville Mill discussed below. In addition, the Authority had 4 multifamily mortgage loans on its watchlist of potentially problem loans with an aggregate outstanding principal balance of $8,540,000.

Multifamily Housing Mortgage Loans Financed with Bond Proceeds

The Authority has adopted Troubled Debt Restructuring ("TDR") procedures 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 procedures. Proposals for mortgage restructuring are submitted to the Mortgage Committee of the Board of Directors for consideration.

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, 2002, the Authority or its subsidiaries owned 10 projects ("Real Estate Owned" or "REO") five of which were financed with bond proceeds. All are currently valued on the Authority's books according to the project's net operating income at the Authority's cost of funds. The Authority has created subsidiaries to own, operate and manage certain multifamily projects. With respect to one of the REO's, the Authority has made a Mortgage Loan to one such subsidiary and sold and transferred its title to such project to such subsidiary. The Authority has engaged an independent appraiser with respect to each such project. The Authority expects that each such appraisal will not approximate the outstanding mortgage balance but will be closer to its current carrying value as shown below. 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. See the table entitled "Multifamily Real Estate Owned Financed with Bond Proceeds as of December 31, 2002." Certain projects in litigation or workout with a material arrearage outstanding are more particularly described hereinafter.

The Authority has entered into a lockbox arrangement with the mortgagor of Springville Mill in Vernon. This development is deemed an in-substance-foreclosure and thus this loan is not accruing interest for accounting purposes. As of December 31, 2002, $4,300,000 of the $8,855,878 outstanding principal balance had been charged off. The remaining balance of $4,555,878 less payments received is classified as foreclosed real estate—multifamily in the Authority's financial statements. As of December 31, 2002 this mortgage was $7,944,000 in arrears.

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

Multifamily Real Estate Owned Financed with Bond Proceeds

The following is a list of the Authority's Multifamily Real Estate Owned financed with Bond Proceeds:

Multifamily Real Estate Owned(1)(4)
Financed with Bond Proceeds
as of December 31, 2002

Name	Location	Bond Series	Units	Type	Occupancy Rate %	Outstanding(2) Mortgage Balance	Current Carrying Value(3)
Chapel Street Housing	New Haven	1993F	12	E,F	100%	$ 346,000	$ 0
Diamond Court (5)	Waterbury	1990C	80	F	99	3,283,000	1,633,000
John Fitch Court (5)	Windsor	2002D-3	40	E	95	2,421,000	745,000
St. Mary's Residence (5)	New Britain	1990D	51	E	100	1,249,000	0
			183			$7,299,000	$2,378,000

(1) See footnotes to the table entitled "Multifamily Developments Financed with Bond Proceeds" under "Multifamily Housing Mortgage Loans-Developments Financed with the Proceeds of Bonds."
(2) As of the date the Authority took title.
(3) Net of reserve.
(4) Mitchell School is financed by a Mortgage Loan to a subsidiary from the proceeds of the Authority's 1996 Series C-2 Bonds. See table entitled "Multifamily Developments Financed with Bond Proceeds."
(5) The Authority foreclosed on John Fitch Court on January 6, 1999, on Diamond Court on September 8, 2000 and on St. Mary's Residence on July 24, 2001. Title to each property is currently held by a subsidiary of the Authority

Home Mortgage Loan Delinquencies and Foreclosures

The following table summarizes the home mortgage portfolio delinquencies and foreclosures in process:

As of December 31,	Outstanding Balance Of All Permanent Home Mortgage Loans*	DelinquentTwoPayments or More Outstanding Balance	DelinquentTwoPayments or More % of All Loans
1985	$1,278,225,000	$ 36,030,000	2.82%
1986	1,162,392,000	31,768,000	2.73
1987	1,173,865,000	25,926,000	2.21
1988	1,293,035,000	32,709,000	2.53
1989	1,476,030,000	44,091,000	2.99
1990	1,624,160,000	69,202,000	4.26
1991	1,737,102,000	100,173,000	5.77
1992	1,669,106,000	136,670,000	8.19
1993	1,523,649,000	134,697,000	8.84
1994	1,483,241,000	136,717,000	9.22
1995	1,711,583,000	117,261,000	6.85
1996	1,923,715,000	119,671,000	6.22
1997	2,148,042,000	120,278,000	5.60
1998	2,254,072,000	123,882,000	5.50
1999	2,178,259,000	99,815,000	4.58
2000	2,269,197,000	110,395,000	4.86
2001	2,238,032,000	116,745,000	5.22
2002	2,116,242,000	112,860,000	5.33

As of December 31, 2002, $32,429,000 or 1.5% of outstanding principal balances of home mortgage loans were in various stages of foreclosure proceedings. The Authority generally considers a mortgage loan in

* Includes loans in foreclosure. Excludes Reverse Annuity Mortgage Loans and Downpayment Assistance Mortgages which were transferred to the Housing Mortgage General Fund from the Investment Trust Fund in November 2000. See "Home Mortgage Loans" and "Other Activities" in this Part 2.

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 6 months.

In addition, the rights of property owners are protected in Connecticut foreclosure actions by Sections 8-265cc through 8-265kk of the Connecticut General Statutes. 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 36 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. Available funds for this program were exhausted as of December, 1994. It is not known whether additional funds will be made available for the continuation of this financial assistance program.

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 of 40% to 50% of the original principal amount of the mortgage up to a maximum of $50,750 ($46,000 in the case of guarantees issued prior to October 13, 1994 and $36,000 in the case of guarantees issued prior to December 18, 1989). For guarantees issued prior to February 1, 1988 the VA program generally provides a maximum guaranty of the lesser of up to 60% of the original principal amount of the mortgage or $27,500 ($25,000 in the case of guarantees issued prior to October 1, 1980, $17,500 prior to October 1, 1978 and $12,500 prior to December 31, 1974). 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 and VA programs, see Appendix C to this Part 2.

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.”

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, 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 and Foreclosures—Multifamily Housing Mortgage Loans."

Prior Financings and Recoveries of Principal

As of the date hereof, the amount of Bonds issued and the Outstanding Bonds of the Authority are as set forth in the table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal." Recoveries of Principal received are reflected as of December 31, 2002.

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. See the table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal." 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.

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 and (iv) annual cashflow balances between Bond debt service requirements and the scheduled Pledged Receipts or projected Recoveries of Principal on its Mortgage Loans. These factors are regularly being reviewed, 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. Set forth in the table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal" is a listing of the Outstanding Bonds by Series and the coupon ranges and the principal amounts thereof.

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.

The principal payments for certain Series of Bonds issued to finance home mortgage loans were scheduled in amounts that reflected the scheduled principal payments of the mortgage loans expected to be financed with the proceeds of such Bonds, without taking into account expected receipt of Recoveries of Principal. In establishing the maturity schedules for certain other bond issues the Authority assumed the availability of Recoveries of Principal to pay a portion of the principal due annually on such bonds based upon either 0%, 50%, 75%, or 100% of the incidence of termination of certain types of FHA-insured mortgage loans for any reason, including prepayments and defaults, based on FHA data published from time to time. The maturity schedules for the 1989 Series C Bonds and the 1990 Series A Bonds were structured on the assumption that no Recoveries of Principal would be received in the first ten years and then were assumed to be received at a rate of 50% of FHA termination experience thereafter. See table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal."

It should be noted that FHA statistics on which the Authority based its structuring of certain prior Bond issues relate entirely to 30-year fixed rate level payment mortgage loans insured by FHA, while the Authority's home mortgage portfolio includes "growing equity" loans and also contains mortgage loans guaranteed by VA, mortgage loans insured by private mortgage insurers, and mortgage loans that are not insured. There can be no assurance that the prepayment experience of the Authority will parallel that of FHA. Furthermore, certain of the mortgagors of "growing equity" Mortgage Loans have accepted the extension offer, as more particularly described under the caption "Home Mortgage Loans" above, and no assurance can be given as to the resulting effect upon Recoveries of Principal. Although factors affecting the prepayment of home mortgage loans may be such as to cause the amount of prepayments of such mortgage loans to exceed or fall below these estimates, the Authority believes that Recoveries of Principal ordinarily will be received in advance of the dates upon which they will be required to be used for the payment of principal of and sinking fund installments on the applicable Bonds and that prepayments from mortgage loans financed with proceeds of other series of Bonds will be available and may be prudently applied, if needed, to remedy any shortfall in expected prepayments. See the table entitled "Bonds Issued by the Authority, Outstanding Bonds and Recoveries of Principal."

To the extent that Recoveries of Principal are received at higher rates than the Authority's assumed rates, 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. Certain Series of Bonds require a payment of premiums upon redemption. Since home mortgage loans financed by the Authority do not provide for a prepayment penalty upon termination, such redemption premiums for the Outstanding Bonds would have to be provided from other sources. To the extent that any Mortgage Loans are insured by the United States Department of Housing and Urban Development ("HUD") under the Authority's Risk Sharing Agreement with HUD, the Housing and Community Development Act of 1992 and the regulations thereunder require that the Authority apply the proceeds of insurance thereunder to the redemption of the related Series of Bonds. See "Appendix C - Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs."

As of December 31, 2002, the Authority had received $3,116,457,000 in Recoveries of Principal on mortgage loans. Below is a table that summarizes various data pertaining to Bonds issued and Outstanding as of the date hereof and Recoveries of Principal reflected as of December 31, 2002.

The following table sets forth the Bonds subject to the Ten-Year Rule (as defined under "Tax Matters - Other Requirements" under Part 1). Bond issues set forth under "Ten-Year Rule" indicate that portions of Recoveries of Principal currently received with respect to such issues are required to be used in satisfaction of the Ten-Year Rule upon the 10-year dates of the respective issues to which they are attributable, increasing to 100% of the Recoveries of Principal as of the date shown. Dates are for general reference only, and such dates 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 I for the effect of the Ten-Year Rule on redemption of such Series of Bonds. The following table does not reflect mortgage loans that have been pooled into GNMA securities. As of December 31, 2002, the Authority had pooled $217,342,000 of its existing portfolio into GNMA securities. See also "Appendix C – Summary of Certain Federal Housing Subsidy and Mortgage Insurance or Guarantee Programs" in this Part 2.

BONDS ISSUED BY THE AUTHORITY, OUTSTANDING BONDS AND RECOVERIES OF PRINCIPAL
(in 000's)

Application of Bond Issue	Dated Date	Use (1)	Amount Issued	Recoveries of Principal (2)	Amount Outstanding	Maturities/ Sinking Funds (3)	Original NIC% (4)	Outstanding Principal Amounts by Coupon < 4.50%	> or = 4.50% & < 5.00%	> or = 5.00% & < 5.25%	> or = 5.25% & < 5.50%	> or = 5.50% & < 5.75%	> or = 5.75% & < 6.00%	> or = 6.00% & < 6.25%	> or = 6.25% & < 6.75%	> or = 6.75%	Recoveries of Principal Surplus Call (5)	Cross Call (5)	Ten-Year Rule (6)
Long-Term Tax Exempt Outstanding																			
90B-4	09/01/90	S	$ 98,775	$ 160,755	$ 1,000	N03	7.43	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000	S	-	Current
92A-1 (7)	05/14/92	S	37,855	40,466	37,855	N06-25	5.81	-	-	-	-	-	37,855	-	-	-	S	-	Current
92A-2 (7)	05/14/92	S	71,265	-	36,900	N03-25	5.81	-	-	-	-	8,115	-	28,785	-	-	S	-	Current
93A	01/15/93	M	76,015	-	49,375	N/M03-14	5.87	-	-	-	-	10,935	-	38,440	-	-	S	CC	N/A
93B	02/01/93	S	140,845	61,733	120,250	M04-24	6.03	-	-	-	7,985	17,315	9,405	56,505	29,040	-	S	CC	N/A
93E-1 (7)	07/22/93	S	55,000	3,512	1,175	M04-13	6.06	-	120	130	-	-	925	-	-	-	S	CC	Current
93F-1	11/15/93	S	136,175	19,844	90,265	M04-19	5.22	-	10,965	17,850	26,175	35,275	-	-	-	-	S	CC	N/A
93H-1 (7)	11/03/93	S	106,970	4,470	1,420	M04-09	6.07	-	-	460	480	480	-	-	-	-	S	CC	Current
94A	05/01/94	S	85,000	36,323	14,970	M04-08	5.99	-	-	-	3,000	10,110	1,860	-	-	-	S	CC	Current
95A-1	02/15/95	S	40,000	58,225	14,845	M06-11	6.31	-	-	-	1,590	5,160	8,095	-	-	-	S	CC	03/23/05
95A-2	02/15/95	S	85,000	-	4,270	M04-05	6.31	-	-	-	-	4,270	-	-	-	-	S	CC	03/23/05
95B-1	04/15/95	S	58,680	31,894	8,095	M04-08	6.19	-	-	-	3,170	3,525	1,400	-	-	-	S	CC	05/11/05
95D-1	06/15/95	S	38,800	24,834	7,555	M04-08	6.06	-	-	2,860	3,170	1,525	-	-	-	-	S	CC	08/08/05
95F-1	11/15/95	S	92,640	33,372	32,670	N/M03-10	5.84	-	3,715	8,645	9,605	10,705	-	-	-	-	S	CC	Current
96A-1	03/15/96	S	23,035	33,760	20,290	N/M09-17	6.07	-	-	-	-	-	20,290	-	-	-	S	CC	04/15/06
96A-2	03/15/96	S	71,965	-	10,220	N/M03-08	6.07	-	-	2,495	3,655	4,070	-	-	-	-	S	CC	04/15/06
96A-3 (7)	03/15/96	S	29,055	23,326	17,820	N/M09-17	5.80	-	-	-	-	-	17,820	-	-	-	S	CC	03/23/05
96A-4 (7)	03/15/96	S	45,945	-	11,300	N/M03-08	5.80	-	900	3,840	6,560	-	-	-	-	-	S	CC	03/23/05
96B-2	05/15/96	S	72,115	35,150	14,990	N/M03-10	6.14	-	-	-	4,330	3,905	6,755	-	-	-	S	CC	06/07/06
96C-1	07/01/96	M	47,300	-	41,060	N03-17	6.11	-	-	-	3,095	3,530	4,150	4,935	25,350	-	S	CC	N/A
96C-2	07/01/96	M	46,120	-	39,715	N03-18	6.07	-	-	-	2,935	3,470	4,005	4,765	24,540	-	S	CC	N/A
96D-1	08/01/96	S	35,200	32,770	24,775	N/M03-16	6.07	-	1,145	3,590	1,875	-	18,165	-	-	-	S	CC	09/05/06
96E-1	10/01/96	S	13,610	23,573	11,640	N/M12-17	6.11	-	-	-	-	-	11,640	-	-	-	S	CC	11/06/06
96E-2	10/01/96	S	56,390	-	11,395	N/M03-12	6.11	-	325	2,270	-	-	8,800	-	-	-	S	CC	11/06/06
96F-1	12/01/96	S	6,930	25,172	6,930	N/M13-17	5.94	-	-	-	-	-	6,930	-	-	-	S	CC	01/16/07
96F-2	12/01/96	S	73,070	-	63,955	N/M03-28	5.94	-	665	4,315	1,590	5,315	9,695	42,375	-	-	S	CC	01/16/07
96G	12/01/96	M	35,500	-	28,495	N/M03-27	5.85	-	725	3,325	1,145	3,865	6,770	12,665	-	-	S	CC	N/A
97A-1	03/01/97	S	9,685	4,477	2,210	N/M03-08	5.83	-	675	1,535	-	-	-	-	-	-	S	CC	04/10/07
97B-1	06/01/97	S	14,125	16,680	14,125	N/M11-28	5.95	-	-	-	-	14,125	-	-	-	-	S	CC	07/24/07
97B-2	06/01/97	S	50,875	-	38,690	N/M03-28	5.95	-	2,825	2,495	-	4,980	28,390	-	-	-	S	CC	07/24/07
97C-1	08/15/97	S	27,285	17,368	25,950	N/M03-28	5.86	-	5,445	4,495	-	16,010	-	-	-	-	S	CC	09/30/07
97C-2	08/15/97	S	45,185	-	28,060	N/M17-28	5.86	-	-	-	-	2,215	25,845	-	-	-	S	CC	09/30/07
97D-1	11/15/97	S	29,150	14,147	29,150	N/M11-28	5.70	-	-	-	10,780	18,370	-	-	-	-	S	CC	12/18/07
97D-2	11/15/97	S	40,850	-	24,580	N/M03-21	5.70	620	7,035	4,205	-	12,720	-	-	-	-	S	CC	12/18/07
98A	03/01/98	M	6,750	-	2,190	N/M03-29	5.46	60	450	85	895	700	-	-	-	-	S	CC	N/A
98B-1	03/01/98	S	19,085	10,789	17,690	N/M08-28	5.29	-	3,190	3,255	11,245	-	-	-	-	-	S	CC	04/07/08
98B-2	03/01/98	S	40,915	-	31,135	N/M03-28	5.29	550	5,585	-	25,000	-	-	-	-	-	S	CC	04/07/08
98C	05/15/98	M	17,855	-	17,360	N/M03-35	5.47	325	1,555	625	9,080	5,775	-	-	-	-	S	CC	N/A
98D-1	05/15/98	S	5,000	12,022	5,000	N/M08-10	5.36	-	5,000	-	-	-	-	-	-	-	S	CC	07/01/08
98D-2	05/15/98	S	40,000	-	28,050	N/M03-28	5.36	1,605	3,680	-	22,765	-	-	-	-	-	S	CC	07/01/08
98E-1	05/15/98	S	46,455	-	46,455	N/M19-26	5.25	-	-	46,455	-	-	-	-	-	-	S	CC	N/A
98E-2	05/15/98	M	9,400	-	8,505	N03-21	5.25	1,145	2,045	5,315	-	-	-	-	-	-	S	CC	N/A
98E-3	09/15/98	S	19,145	2,462	19,145	N/M26-28	5.29	-	-	-	19,145	-	-	-	-	-	S	CC	N/A
98G-1	08/15/98	S	15,340	13,659	11,375	N/M13-28	5.22	-	-	11,375	-	-	-	-	-	-	S	CC	09/15/08
98G-2	08/15/98	S	48,985	-	41,450	N/M03-29	5.22	2,905	7,030	5,515	26,000	-	-	-	-	-	S	CC	09/15/08
98H-1	11/15/98	S	34,440	18,197	27,210	N/M13-28	5.10	-	-	27,210	-	-	-	-	-	-	S	CC	12/17/08
98H-2	11/15/98	S	65,560	-	49,860	N/M03-25	5.10	9,210	11,945	28,705	-	-	-	-	-	-	S	CC	12/17/08
98I	11/15/98	M	4,970	-	2,460	N03-40	5.27	125	190	315	1,830	-	-	-	-	-	S	CC	N/A
99A-1	04/01/99	S	14,640	11,367	14,640	N/M12-28	5.14	-	-	14,640	-	-	-	-	-	-	S	CC	05/06/09
99A-2	04/01/99	S	65,360	-	55,850	N/M03-30	5.14	10,440	3,970	41,440	-	-	-	-	-	-	S	CC	05/06/09
99B (7)	08/19/99	M	5,500	-	5,470	N/M03-31	6.04	-	170	105	170	-	-	5,025	-	-	S	CC	N/A
99C-1 (7)	11/15/99	S	5,895	6,458	845	N/M13	6.09	-	-	-	845	-	-	-	-	-	S	CC	N/A
99C-2 (7)	11/15/99	S	34,105	-	15,605	N/M03-20	6.09	-	870	1,945	3,135	-	-	9,655	-	-	S	CC	N/A
99D-1	12/01/99	M	2,355	-	2,155	N03-17	6.05	-	455	370	145	-	1,185	-	-	-	S	CC	N/A
99D-2	12/01/99	M	23,115	-	23,055	N/M03-42	6.05	-	1,005	625	1,095	-	10,270	10,060	-	-	S	CC	N/A
99E-1	12/01/99	S	4,875	9,179	3,670	N/M13-19	5.94	-	-	-	-	-	3,670	-	-	-	S	CC	12/08/09
99E-2	12/01/99	S	45,125	-	38,595	N/M03-30	5.94	-	2,750	1,810	3,105	-	25,970	4,960	-	-	S	CC	12/08/09
00A-1	05/01/00	S	11,065	4,417	8,425	N/M12-28	5.99	-	-	-	1,545	1,665	2,805	2,410	-	-	S	CC	05/11/10
00A-2	05/01/00	S	16,785	-	16,100	N/M03-31	5.99	-	565	1,255	2,020	230	-	12,030	-	-	S	CC	05/11/10
00B-1	09/01/00	S	32,230	15,960	32,230	N/M06-28	5.72	2,785	15,365	3,030	-	11,050	-	-	-	-	S	CC	10/04/10
00B-2	09/01/00	S	66,045	-	55,015	N/M03-31	5.72	915	5,335	-	-	-	48,765	-	-	-	S	CC	10/04/10
01A-1	02/01/01	S	57,360	4,403	55,590	N/M03-28	5.17	20,970	7,655	14,065	12,900	-	-	-	-	-	S	CC	03/07/11
01A-2	02/01/01	S	22,640	-	17,515	N/M13-32	5.17	-	-	-	17,515	-	-	-	-	-	S	CC	03/07/11
01B-1	06/01/01	S	19,705	1,633	19,705	N/M08-28	5.16	7,340	5,955	3,495	2,915	-	-	-	-	-	S	CC	07/11/11
01B-2	08/20/01	S	21,985	-	16,835	N/M03-13	5.16	15,785	1,050	-	-	-	-	-	-	-	S	CC	08/20/11
01B-3	06/01/01	S	39,760	-	38,950	N/M03-32	5.16	4,910	-	-	34,040	-	-	-	-	-	S	CC	07/11/11
01C	10/01/01	M	15,270	-	15,270	N03-43	5.35	2,985	260	1,520	10,505	-	-	-	-	-	S	CC	N/A
01D-1	10/01/01	S	7,850	2,014	7,850	N/M13-28	4.80	3,945	2,265	1,640	-	-	-	-	-	-	S	CC	11/08/11
01D-2	10/01/01	S	101,295	-	100,445	N/M03-33	4.80	25,165	1,950	35,270	38,060	-	-	-	-	-	S	CC	11/08/11
02A-1	05/01/02	S	36,890	197	36,890	N/M12-28	5.41	-	11,785	-	25,105	-	-	-	-	-	S	CC	05/02/12
02A-2	05/01/02	S	42,760	-	42,195	N/M03-28	5.41	9,910	8,655	-	-	23,630	-	-	-	-	S	CC	05/02/12
02B-1	08/01/02	S	15,000	-	15,000	N/M12-28	5.18	6,545	-	8,455	-	-	-	-	-	-	S	CC	08/01/12
02B-2	08/01/02	S	55,000	-	54,970	N/M03-33	5.18	20,315	-	10,145	24,510	-	-	-	-	-	S	CC	08/01/12
02E-1	12/19/02	M	14,725	-	14,725	N/M05-45	4.56	1,435	180	5,015	8,095	-	-	-	-	-	S	CC	N/A
02F-1	12/19/02	S	60,000	-	60,000	N/M04-33	4.94	22,595	1,065	18,990	17,350	-	-	-	-	-	S	CC	12/19/12
			$3,107,645	$814,608	$1,961,475			$172,585	$146,515	$355,180	$410,155	$243,040	$321,460	$232,610	$78,930	$ 1,000			

BONDS ISSUED BY THE AUTHORITY, OUTSTANDING BONDS AND RECOVERIES OF PRINCIPAL (Continued)
(in 000's)

Application of Bond Issue	Dated Date	Use (1)	Amount Issued	Recoveries of Principal (2)	Amount Outstanding	Maturities/ Sinking Funds (3)	Original NIC% (4)	Outstanding Principal Amounts by Coupon: < 4.50%	> or = 4.50% & < 5.00%	> or = 5.00% & < 5.25%	> or = 5.25% & < 5.50%	> or = 5.50% & < 5.75%	> or = 5.75% & < 6.00%	> or = 6.00% & < 6.25%	> or = 6.25% & < 6.75%	> or = 6.75%	Recoveries of Principal: Surplus Call (5)	Cross Call (5)	Ten-Year Rule (6)
Long-Term Federally Taxable Outstanding																			
93D	04/19/93	M	$ 10,000	$ -	$ 10,000	N/M06-27	7.13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,000	-	-	N/A
93G	11/15/93	M	24,400	-	20,435	M04-21	7.50	-	-	-	-	-	-	-	-	20,435	S	CC	N/A
94F	10/15/94	M	2,880	-	2,615	M04-27	9.28	-	-	-	-	-	-	-	-	2,615	S	CC	N/A
95C	04/15/95	M	1,620	-	1,505	M04-26	8.62	-	-	-	-	-	-	-	-	1,505	S	CC	N/A
95H	11/15/95	M	2,730	-	2,560	N/M03-26	7.88	-	-	-	-	-	-	-	-	2,560	S	CC	N/A
97A-3	03/01/97	S	35,000	11,294	31,880	N/M03-27	7.23	-	-	-	-	-	-	-	-	31,880	S	CC	N/A
97B-3	06/01/97	S	25,000	6,507	17,750	N/M03-27	6.96	-	-	-	-	-	-	-	-	17,750	S	CC	N/A
97C-3	08/15/97	S	16,530	4,102	16,530	N05-06	6.81	-	-	-	-	-	-	-	-	16,530	S	CC	N/A
97D-3	11/15/97	S	20,000	4,712	20,000	N04-11	6.51	-	-	-	-	-	-	-	8,500	11,500	S	CC	N/A
98G-3	09/15/98	S	12,500	2,103	11,700	N/M03-18	5.96	-	-	-	-	-	11,700	-	-	-	S	CC	N/A
98H-3	11/15/98	S	12,500	2,278	11,700	N/M03-18	5.39	-	-	-	11,700	-	-	-	-	-	S	CC	N/A
00A-3	05/01/00	S	2,150	336	2,050	N03-10	6.20	-	-	-	-	250	750	1,050	-	-	S	CC	N/A
00B-4	09/01/00	S	1,725	215	1,000	N03	6.42	-	-	-	-	-	-	1,000	-	-	S	CC	N/A
01B-5	06/01/01	S	1,550	534	1,300	N03-07	5.34	50	-	500	750	-	-	-	-	-	S	CC	N/A
01D-4	10/01/01	S	855	342	855	N/M03-04	3.93	855	-	-	-	-	-	-	-	-	S	CC	N/A
02A-4	05/01/02	S	350	49	350	N04-07	5.51	50	-	-	300	-	-	-	-	-	S	CC	N/A
02E-2	12/19/02	M	2,570	-	2,570	N07-22	6.00	-	-	-	-	-	2,570	-	-	-	S	CC	N/A
02F-3	12/19/02	S	5,400	-	5,400	M03-10	3.98	5,400	-	-	-	-	-	-	-	-	S	CC	N/A
			$ 177,760	$ 32,472	$ 160,200			$ 6,355	$ -	$ 500	$ 12,750	$ 250	$ 15,020	$ 2,050	$ 8,500	$114,775			
Variable Rate Tax Exempt Outstanding																			
89D	12/28/89	M	$ 52,000	$ -	$ 33,305	N03-24	-	$ 33,305	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	-	N/A
90C	12/20/90	M	16,620	-	7,840	N03-22	-	7,840	-	-	-	-	-	-	-	-	S	-	N/A
			$ 68,620	$ -	$ 41,145			$ 41,145	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Variable Rate Federally Taxable Outstanding																			
02C-3	11/14/02	S	$ 40,605	$ -	$ 39,785	N03-23	-	$ 39,785	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	S	CC	N/A
			$ 40,605	$ -	$ 39,785			$ 39,785	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Variable Rate Tax Exempt Outstanding with Interest Rate Swap Executed at the Fixed Rates Shown																			
98D-3	07/01/98	S	$ 20,000	$ -	$ 20,000	N/M11-28	4.87	$ -	$ 20,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	S	CC	07/01/08
00B-3	10/04/00	S	25,000	-	25,000	N/M17-31	5.40	-	-	-	25,000	-	-	-	-	-	S	CC	10/04/10
01A-3	03/07/01	S	20,000	-	20,000	N/M13-32	4.12	20,000	-	-	-	-	-	-	-	-	S	CC	03/07/11
01B-4	07/11/01	S	17,000	-	17,000	N/M22-32	4.31	17,000	-	-	-	-	-	-	-	-	S	CC	07/11/11
01D-3	12/20/01	S	40,000	-	40,000	N/M22-33	4.09	40,000	-	-	-	-	-	-	-	-	S	CC	12/20/11
02A-3	06/05/02	S	20,000	-	20,000	N/M17-33	4.34	20,000	-	-	-	-	-	-	-	-	S	CC	06/05/12
02B-3	08/01/02	S	45,000	-	45,000	N/M15-33	3.98	45,000	-	-	-	-	-	-	-	-	S	CC	08/01/12
02B-3	08/01/02	S	10,000	-	10,000	N/M15-33	4.23	10,000	-	-	-	-	-	-	-	-	S	CC	08/01/12
02D-1	11/15/02	M	148,100	-	148,100	N03-23	4.63	-	148,100	-	-	-	-	-	-	-	S	CC	N/A
02D-2	11/15/02	M	26,205	-	26,205	N03-23	4.63	-	26,205	-	-	-	-	-	-	-	S	CC	N/A
02D-3	11/15/02	M	48,565	-	46,865	M04-18	6.09	-	-	-	-	-	-	46,865	-	-	S	CC	N/A
02F-2	12/19/02	S	10,000	-	10,000	N/M15-33	3.99	10,000	-	-	-	-	-	-	-	-	S	CC	12/19/12
02F-2	12/19/02	S	30,000	-	30,000	N/M15-33	3.82	30,000	-	-	-	-	-	-	-	-	S	CC	12/19/12
			$ 459,870	$ -	$ 458,170			$192,000	$194,305	$ -	$ 25,000	$ -	$ -	$ 46,865	$ -	$ -			
Variable Rate Federally Taxable Outstanding with Interest Rate Swap Executed at the Fixed Rates Shown																			
98D-4	07/01/98	S	$ 25,000	$ 4,778	$ 25,000	N/M20-25	6.32	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,000	$ -	S	CC	N/A
98F-1	09/09/98	S	57,900	20,059	54,600	N/M03-16	6.05	-	-	-	-	-	-	54,600	-	-	S	CC	N/A
98F-2	09/09/98	S	58,000	-	54,700	N/M03-16	6.05	-	-	-	-	-	-	54,700	-	-	S	CC	N/A
99A-3	05/06/99	S	40,000	2,200	40,000	N/M14-18	6.25	-	-	-	-	-	-	40,000	-	-	S	CC	N/A
01A-4	03/07/01	S	25,000	1,079	25,000	N/M18-32	5.48	-	-	-	25,000	-	-	-	-	-	S	CC	N/A
01B-6	07/11/01	S	25,000	-	25,000	N/M12-27	5.82	-	-	-	-	-	25,000	-	-	-	S	CC	N/A
01D-5	12/20/01	S	25,000	-	25,000	N/M12-27	5.36	-	-	-	25,000	-	-	-	-	-	S	CC	N/A
02A-5	06/05/02	S	25,000	-	25,000	N/M23-33	5.73	-	-	-	-	25,000	-	-	-	-	S	CC	N/A
			$ 280,900	$ 28,116	$ 274,300			$ -	$ -	$ -	$ 50,000	$ 25,000	$ 25,000	$149,300	$ 25,000	$ -			
Convertible Option Bonds Outstanding																			
03A-1	02/11/03	S	$ 60,000	$ -	$ 60,000	08/11/03	1.40	$ 60,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	S	CC	02/11/13
03A-2	04/16/03	S	115,000	-	115,000	12/10/03	1.40	115,000	-	-	-	-	-	-	-	-	S	CC	04/16/13
			$ 175,000	$ -	$ 175,000			$ 175,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Series No Longer Outstanding			$5,115,395	$2,241,261	$ -			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Total			$9,425,795	$3,116,457	$3,110,075			$626,870	$340,820	$355,680	$497,905	$268,290	$361,480	$430,825	$112,430	$115,775			

(1) S represents Single Family; M represents Multifamily.
(2) As of December 31, 2002. Represents amounts received on entire issue inclusive of all subseries within tax status. Does not include amounts received as a result of loan sales related to GNMA securitization.
(3) Indicates Maturities/Sinking Funds due November 15 ("N"), May 15 ("M") or November 15 and May 15 ("N/M"), and the earliest and latest years of either the scheduled maturity or remaining sinking fund installments.
Represents Initial Mandatory Tender Date for Convertible Option Bonds.
(4) Represents original net interest cost for entire issue inclusive of all long-term subseries within tax status. Represents interest rate to Initial Mandatory Tender Date for Convertible Option Bonds.
(5) "S" or "CC" denotes surplus call or cross call is applicable; several Series are also subject to optional redemption during certain periods and at declining premiums, as described in the respective series resolutions and official statements.
(6) Date Ten-Year Rule becomes 100% effective.
(7) Originally issued as Convertible Option Bonds.

BONDS ISSUED BY THE AUTHORITY, NO LONGER OUTSTANDING
(in 000's)

Bond Issue	Dated Date	Amount Issued	Recoveries of Principal	Original NIC
72A	09/15/72	$ 26,450	$ 20,668	5.39
74A	01/15/74	44,000	37,302	5.70
74B	05/15/74	54,700	25,022	6.77
74C	11/15/74	55,000	35,522	7.20
75A	06/15/75	35,000	20,375	7.00
75B	11/15/75	35,000	22,176	7.63
76A	07/15/76	20,000	13,874	6.96
76B	11/15/76	36,110	-	6.41
77A	07/15/77	68,255	40,283	5.45
77B	11/15/77	113,930	69,040	5.51
78A	05/15/78	180,000	94,924	5.89
78B	11/15/78	120,000	45,829	6.11
79A	04/25/79	158,285	59,484	6.57
79B	11/15/79	61,400	-	7.59
80A	01/15/80	100,000	42,261	7.82
80B	06/15/80	41,660	-	8.47
80C	06/15/80	44,000	29,248	8.47
80D	12/15/80	50,000	23,236	10.97
81A	06/15/81	50,000	196	11.01
81B	12/15/81	200,000	143,585	12.89
82A	04/15/82	51,270	-	12.62
82B	09/01/82	150,000	106,520	11.06
82C	11/15/82	50,000	30,146	9.74
83A	07/15/83	75,000	53,734	8.94
83B	09/01/83	125,000	88,360	9.31
84A	04/15/84	30,315	4	9.70
84B	06/15/84	200,000	147,904	10.68
84C	12/18/84	32,400	-	7.63
85A	03/19/85	37,200	8,747	7.63
85B	04/15/85	100,000	70,241	8.33
85C	08/15/85	30,000	10,774	7.13
85D	08/15/85	125,000	82,380	8.42
85E	11/15/85	75,000	1,230	8.70
85F	12/19/85	37,000	-	7.13
86A	04/15/86	30,000	18,495	7.06
86B	08/01/86	70,000	43,519	7.10
86C	10/15/86	66,000	40,054	6.63
87A	04/15/87	87,000	57,118	7.23
87B	10/15/87	80,000	62,229	8.38
88A	04/15/88	100,000	69,669	7.51
88B	10/01/88	115,000	120,346	7.17
88C	10/01/88	80,000	Part of 88B	7.17
89A	03/01/89	134,000	91,648	7.65
89B	10/01/89	82,785	89,749	7.09
89C	10/01/89	50,000	Part of 89B	7.09
90A	06/01/90	83,795	55,932	7.23
90B-1	09/01/90	115,370	-	7.43
90B-2	09/01/90	14,060	-	7.43
90B-3	09/01/90	50,000	-	7.43
90D	12/01/90	9,260	4,535	9.72
91A	05/01/91	98,455	58,135	6.91
91B	04/01/92	2,570	-	9.50
91C	11/14/91	164,765	66,706	6.42
92B	10/15/92	233,050	12,922	6.56
92D	11/13/92	64,130	2,183	6.23
92G	12/02/92	65,000	2,158	6.20
93C	02/01/93	26,500	10,674	5.62
93E-2	07/22/93	30,000	-	6.06
93F-2	11/15/93	32,645	-	5.22
93H-2	11/03/93	54,145	-	6.07
94B	06/15/94	60,000	24,986	6.39
94C	08/15/94	60,000	27,664	6.19
94D	10/15/94	71,680	31,692	6.63
94E	11/15/94	58,500	10,933	5.98
95B-2	04/15/95	22,650	-	6.19
95D-2	06/15/95	28,000	-	6.06
95E	11/11/95	37,120	12,318	6.31
95F-2	11/15/95	20,245	-	5.84
95G	11/15/95	57,965	-	6.30 (1)
96B-1	05/15/96	22,885	-	6.14
96D-2	08/01/96	44,800	-	6.07
97A-2	03/01/97	5,315	-	5.83
98B-3	04/07/98	25,000	4,531	6.45 (1)
02C-1	11/14/02	9,055	-	1.71 (2)
02C-2	11/14/02	41,675	-	1.71 (2)
		$5,115,395	$2,241,261	

(1) Represents fixed rate on interest rate swap.
(2) Convertible Option Bonds tendered on Initial Mandatory Tender Date.

Connecticut Housing Finance Authority
Swap Exposure
As of July 1, 2003

Counterparty	Bond Series	Notional Amount Outstanding	Termination Date	Index Rate	Fixed Rate	Option Call Date
Morgan Guaranty Trust Company						
	1995G	$48,565,000	05/15/18	67% of 3M LIBOR	6.0900%	
		$48,565,000				
Merrill Lynch Capital Services, Inc.						
	1998 D-3	$20,000,000	11/15/28	BMA	4.8700%	
	1998D-4	25,000,000	11/15/25	3M LIBOR	6.3200%	
	2001B-4	17,000,000	05/15/32	67% of 1M LIBOR	4.3100%	
	2001B-6	25,000,000	11/15/27	1.67% of 1M LIBOR - BMA	5.8200%	
	2002F-2	10,000,000	11/15/33	67% of 1M LIBOR	3.9900%	11/15/07 and semi-annually thereafter until 11/15/33
	2002F-2	30,000,000	11/15/33	67% of 1M LIBOR	3.8200%	11/15/12 and semi-annually thereafter until 11/15/33
		$127,000,000				
CDC Financial Products, Inc.						
	1998F-1	$54,600,000	11/15/16	3M LIBOR	6.0525%	
	1998F-2	54,700,000	11/15/16	3M LIBOR	6.0525%	
		$110,100,000				
PaineWebber Trading Incorporated						
	2000B-3	$25,000,000	11/15/31	BMA	5.3970%	
		$25,000,000				
Goldman Sachs Mitsui Marine Derivatives Products, L.P.						
	1999A-3	$40,000,000	11/15/18	3M LIBOR – 0.05%	6.2460%	
	2001A-3	20,000,000	05/15/32	67% of 1M LIBOR	4.1200%	
	2001A-4	25,000,000	05/15/32	1.67% of 1M LIBOR - BMA	5.4750%	
	2002B-3	45,000,000	05/15/33	67% of 1M LIBOR	3.9810%	
	2002B-3	5,000,000	05/15/33	67% of 1M LIBOR	4.2320%	11/15/12 and each 5/15 and 11/15 thereafter until 5/15/33
	2002B-3	5,000,000	05/15/33	67% of 1M LIBOR	4.2320%	11/15/12 and each 5/15 and 11/15 thereafter until 5/15/33
	2002D-1	140,100,000	11/15/23	BMA	4.6300%	
	2002D-2	26,205,000	11/15/23	BMA	4.6300%	
		$306,305,000				
UBS AG[1]						
	2001D-3	$40,000,000	05/15/33	67% of 1M LIBOR	4.0900%	
	2001D-5	25,000,000	11/15/27	1.67% of 3M LIBOR - BMA	5.3600%	
		$65,000,000				
Citibank, N.A.						
	2002A-3	$20,000,000	05/15/33	67% of 1M LIBOR	4.3420%	
	2002A-5	25,000,000	05/15/33	1.67% of 1M LIBOR - BMA	5.7300%	
		$45,000,000				
TOTAL		**$726,170,000**				

[1] Subject to novation provisions of the ISDA Master Agreement and Schedule between the Authority and Ambac Assurance Corporation.

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 review of cash flows based upon a receipt of Recoveries of Principal on home mortgage loans based on various prepayment assumptions. 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 and second for debt service. During 2002, operating costs (exclusive of servicing fees) were approximately $12,735,000, and the Authority's budget for such costs for 2003 is $13,232,000.

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 as of the date hereof 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 at an estimated annual rate of 2.50% 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 at an estimated annual rate of 2.50%, 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 at an estimated annual interest rate of approximately 2.50%;

(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, 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:

Multifamily Construction Loans. From time to time, the Authority has made loans for the construction and rehabilitation of multifamily developments for which permanent financing was provided from another source.

The Authority made a $2,715,300 construction mortgage from its Investment Trust Fund to finance a congregate condominium complex known as Chestnut Grove in New Milford. The non-profit mortgagor has been unable to sell the units as planned, although it is currently permitted to rent the units. The Authority has waived interest payments effective June 1, 1990 and has extended the term of the construction mortgage note through course of dealing.

Common Interest Community Common Element Repair Loan Program. The Authority has developed a program to finance with taxable bond proceeds repairs to common elements of eligible common interest communities upon a finding by the Board of Directors that such financing is not readily available and that it is appropriate and in the public interest. Repairs eligible for financing under this Program are limited to significant capital repairs of common elements, including, but not limited to, roof or roadway repair or repairs of heating plants.

Downpayment Assistance Mortgages. 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 Department of Economic and Community Development ("DECD") transferred all performing loan assets and equity interests, in an approximate par amount of $72,000,000, 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 downpayment assistance for low and moderate income first-time home buyers in Connecticut. See Note 5 to the Authority's Financial Statements contained in Appendix B to this Part 2.

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 group homes and assisted living demonstration projects. 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 first issue of such bonds was sold on June 26, 1996 and was delivered on July 25, 1996 in the aggregate principal amount of $6,890,000 and is 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. Such bonds are also insured by a municipal bond insurance policy issued by MBIA Insurance Corporation. The Authority issued its second issue of bonds under the Special Needs Housing Indenture of Trust in the principal amount of $6,085,000 on July 15, 1997. Such bonds are insured by Ambac Assurance Corporation. The Authority issued its third issue of bonds under the Special Needs Housing Indenture of Trust in the principal amount of $7,920,000 on August 17, 2000. Such bonds are insured by Ambac Assurance Corporation. The Authority issued its fourth issue of bonds under the Special Needs Housing Indenture of Trust in the principal amount of $9,295,000 on December 10, 2002. Such bonds are insured by Ambac Assurance Corporation. The Authority issued its fifth and sixth issues of bonds under the Special Needs Housing Indenture of Trust in the principal amounts of $15,445,000 and $1,870,000, respectively, on December 19, 2002. Such bonds are insured by Ambac Assurance Corporation.

Assisted Living Demonstration Project. Public Act No. 98-239 authorizes the Commissioner of Social Services, in collaboration with the Commissioner of Economic and Community Development ("DECD") and the Authority, to establish a demonstration project to provide subsidized assisted living services for persons residing in affordable housing. Assisted living communities provide an option for many frail seniors to maintain a degree of health, dignity and safety not possible to sustain in an independent living environment. This demonstration project is limited to a maximum of three hundred assisted dwelling units.

Following a competitive application process, applicants were invited to enter into negotiations with the Authority and the Department of Social Services to develop a subsidy and financing package for their proposed facilities. To date, the Authority has entered into loan commitments to finance three of such projects under the Special Needs Housing Indenture of Trust in conjunction with 4% Low-Income Housing Tax Credits. The Authority is also reserving $3,000,000 in Investment Trust Subaccount financing to support this initiative. The State, through DECD, is providing $12,000,000 in PRIME funding and three hundred rental subsidy certificates to sustain affordability for very low income individuals. Assisted living services to maintain independence are to be provided to three hundred occupants through the Connecticut Home Care Program for Elders, administered by the Department of Social Services.

Reverse Annuity Mortgage (RAM) Program. As of December 31, 2002, 23 loans were active under this program with a mortgage amount of $3,315,000. The Authority has targeted senior citizen centers, municipal geriatric social services staff, and other service providers to promote the RAMs. Additional funding of approximately $1,300,000 to expand the RAM program in 2003 was approved by the Board of Directors and subsequently loaned to qualified mortgagors. Due to the exhaustion of available funds, the Authority is presently not accepting applications for this program.

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 (now by such act, the Department of Economic and Community Development (the "Department")) have been transferred to, and will be administered in accordance with such Public Act by, the Authority. These programs are (i) the Home Ownership Loan Program (see "Downpayment Assistance Mortgages," described above), (ii) the Private Rental Investment Mortgage and Equity Program, and (iii) the Rental Housing Assistance Trust Fund Program.

Public Act No. 95-250 provides, among other things, that the Commissioner of Economic Development, with the approval of the State Treasurer and the Secretary of the Office of Policy and Management, has the power and duty to transfer to the Authority any revenues received by or any loan assets or equity interest held by the Department in connection with any program or project of the Department; such act further provides that the Authority has the power to accept from the Department such revenues, loan assets or equity interests and may transfer to the Department financial assistance, revenues, loan assets or equity interests in connection with any program under the supervision of the Authority, provided the transfer of such financial assistance, revenues, rights, assets or interests is practicable, within the constraints and not inconsistent with the fiduciary obligations of the Authority imposed upon or established upon the Authority by any provision of the general statutes, the Authority's bond resolutions or any other agreement or contract of the Authority.

Acquisition of Housing Assets from the State. On April 10, 2003, the Authority acquired various housing assets from the State (including various home acquisition, rehabilitation, repair and homeowner assistance loans), which assets were previously owned and serviced by the State. Pursuant to the provisions of Section 506(4) of the General Resolution, 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 actual market value of the assets acquired is difficult to calculate due to the widely varying asset quality in the portfolio. The par value of assets acquired by the Authority exceeds $85 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. It is anticipated that the proceeds of such sale of assets to the Authority will be included by the State in the one-time transfer of funds from quasi-public agencies to the State's General Fund described in the current Annual Information Statement of the State.

Proposed Transfer of Authority Resources to the State. Since July 1, 2003, the State has been operating without an approved budget for its fiscal 2004-2005 biennial pursuant to a series of executive orders from the Governor. The Governor's State budget proposed in February 2003 for biennial 2004-2005 included an item of revenues referenced as a transfer of funds from the resources of the Authority to the resources of State's General Fund in the amount of forty million dollars for each of the next two years. Subsequently, the

State General Assembly passed a budget which did not include any such funds. The Governor vetoed that budget. The Governor then proposed a revised State budget which included a transfer of twenty million dollars from the Authority for each of the next two years. In response, the State General Assembly passed another revised budget which did not include any such funds. The Governor also vetoed that budget. Since that time, negotiations about the State's budget have continued and are continuing. As of the date of this Official Statement, the Authority understood that the Governor was proposing a transfer of five million dollars from the Authority for each of the next two years. The Authority anticipates that any such funds, even if so included in an approved State budget, will only become available for such a transfer after compliance with the provisions of the Bond Resolution and after the Authority has been provided with legal authority for making such a transfer. However, no assurance can be given that the State budget will be adopted without such a transfer of funds from the Authority or of the impact on the Authority and its Bonds of any such transfer. See Part 1"Ratings".

Subsequent to the date of this Official Statement, on July 31, 2003, the State General Assembly passed a State budget that the Governor has indicated he will sign. The budget includes a transfer of $2.5 million from the Authority for each of the next two years. The rules of the Legislature were not suspended so the budget cannot reach the Governor's desk for signature for at least 7 to 10 days after the date it was passed. It is the Authority's understanding that in exchange for the $2.5 million each year, the Authority will receive housing assets from the State Department of Economic and Community Development. Language to this effect may be included in one of the budget "implementer bills" that spell out the specifics of the budget and are expected to be passed by the State General Assembly within 7 to 10 days after the date the budget was passed. The Governor has stated he will sign the budget once the appropriate "implementer bills" have been completed.

Loan Fund Guarantee Pilot Program. A consortium of lenders has agreed to make short term construction loans to qualified developers to develop or renovate affordable one to four family owner occupied residential properties in eligible communities. Under certain conditions, the Authority has agreed to guarantee that amount of any loan that is greater than 85% of the appraised value of any project financed up to a maximum of the lesser of 130% of the appraised value of the completed project or 95% of the total development costs. In no event will the obligation of the Authority to provide guarantees exceed $4,500,000 in the aggregate.

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. Eligible law enforcement officers residing in the state's 20 largest municipalities are eligible for mortgage loans with a reduced interest rate. Since the program's inception in 1997 through June 30, 2003, 80 officers have purchased homes. 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.

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 to 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:

Fund	Held by
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 hereinbelow 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. 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 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.

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[*]The estimates referred to in (i) and (ii) of (e) above shall be made without the inclusion of any monies that may be received by the Authority as a result of a future certification pursuant to subdivision (a) of Section 8-258 of the Act and Section 713 of the Resolution.

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 year ended December 31, 2002, have been audited by Whittlesey & Hadley, P.C., independent auditors, as set forth in their report included therein. Such financial statements are included herein in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

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 non-profit corporation, or cooperative or by a resident-owner of a structure containing not more than four 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 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 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 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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REPORT OF WHITTLESEY & HADLEY, P.C.
INDEPENDENT AUDITORS

To the Board of Directors
Connecticut Housing Finance Authority

We have audited the accompanying combined balance sheets of Connecticut Housing Finance Authority (a political subdivision of the State of Connecticut) as of December 31, 2002, and the related combined statements of revenues, expenses and changes in fund balances, and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2001 financial statements and, in our report dated March 28, 2002, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Housing Finance Authority at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 for the year ended December 31, 2002, the Authority implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

The accompanying Management's Discussion and Analysis is not a required part of the basic combined financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying financial information, contained in Exhibits I and II is presented for the purpose of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

WHITTLESEY & HADLEY, P.C.

Hartford, Connecticut
March 31, 2003
(except for Note 12, as to which date is April 9, 2003)

CONNECTICUT HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2002

This section of the Connecticut Housing Finance Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance for the year ended December 31, 2002. Please read this section in conjunction with the financial statements and accompanying notes.

Financial Highlights

- Total net assets increased $69.5 million (or 11.2%)
  - $15.9 million of which is attributable to certain non-recurring income received as a result of rental housing related modifications executed to preserve the Authority's multifamily mortgage loans and long-term housing affordability.
  - $27.7 million of which is attributable to the effect of GASB Statement No. 31, which requires the Authority to present its investments at fair value. See Note 2 of the audited financial statements.

- Investments in mortgage loans decreased $112 million (or 3.8%)
  - This decrease is largely offset by a portion of the increase in cash and investments in securities. The Authority's home mortgage program is partially supported by the issuance of GNMA securities which are collateralized with Authority eligible home mortgage loans. The Authority purchases these GNMA mortgage-backed securities which are categorized as "investments in securities" (GNMA Program Assets). See Notes 3 and 4 of the audited financial statements.

- Cash and investments in securities increased $232.5 million (or 24.2%)
  - $108.3 million of which is attributable to the Authority's on-going investment in GNMA Program Assets in support of its home mortgage program (see Note 3 of the audited financial statements).
  - $27.7 million of which is attributable to the effect of GASB Statement No. 31 (see Note 2 of the audited financial statements).

- Bonds payable increased $72.9 million (or 2.3%)
  - To support the Authority's home mortgage, rental housing and special needs housing programs.

- Operating revenues decreased $5.9 million (or 2.3%)
  - This decrease is substantially attributable to the decrease in mortgage loan interest resulting from the excess of non-GNMA home mortgage loan prepayments over originations.

- Operating expenses increased $8.4 million (or 3.9%)
  - $6.5 million of this increase is related to an increase in the provision for losses (see Notes 2 and 4 of the audited financial statements).
  - $1.4 million of this increase is attributable to the amortization of bond expense. During 2002, the Authority refinanced $256.3 million of its existing bond debt into lower interest rate bonds. Expenses of the refinanced debt, previously capitalized, are required to be written off (see Note 2 of the audited financial statements).
  - The balance of this increase is largely attributable to general administrative costs of the Authority.

Overview of the Financial Statements

This annual financial report consists of three parts: *Management's Discussion and Analysis* (this section), the *Basic Financial Statements 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 Connecticut. 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 rental housing and special needs housing real estate development.

Financial Analysis of the Authority

The following table summarizes the changes in Net Assets between December 31, 2002 and 2001:

	(in millions) 2002	(in millions) 2001	% Increase/ (Decrease)
Current assets	$ 652.0	$ 551.0	18.3%
Capital assets	2.7	2.5	8.0
Noncurrent assets	3,475.6	3,454.9	0.6
Total assets	4,130.3	4,008.4	3.0
Long-term debt	3,194.4	3,137.4	1.8
Other liabilities	248.7	253.2	-1.8
Total liabilities	3,443.1	3,390.6	1.6
Net Assets			
Invested in capital assets (net)	2.7	2.5	8.0
Restricted	684.5	615.3	11.3
Total net assets	$ 687.2	$ 617.8	11.2%

The home mortgage, rental housing and special needs housing loan portfolios are the Authority's primary assets.

New loans financed under the Authority's home mortgage programs (including GNMA Program Assets) exceeded payoffs for the years ended December 31, 2002 and 2001 as follows:

	(in millions) New Loans Financed	(in millions) Payoffs
2002	$ 470.3	$ 380.5
2001	$ 396.1	$ 263.3

Growth in the rental housing and special needs housing portfolios is summarized as follows:

	(in millions) 2002	(in millions) 2001	% Increase/ (Decrease)
Construction loan balances	$ 132.4	$ 125.9	5.2%
Permanent loan balances	557.5	549.8	1.4
Special needs housing permanent loan balances	25.7	17.4	47.7
Total multifamily mortgage loans	$ 715.6	$ 693.1	3.3%

Mortgage loan earnings, including earnings on GNMA Program Assets which are included in "interest on investments", represent the Authority's major source of operating revenue. The Authority also charges various fees that may include an application fee, commitment fee, financing fee and servicing released fee. The following table summarizes the changes in operating income between December 31, 2002 and 2001. Please refer to the "Financial Highlights" section of this analysis for further explanation of these changes.

	(in millions) 2002	2001	% Increase/ (Decrease)
Operating Revenues:			
Interest on mortgage loans	$ 198.9	$ 204.9	-2.9%
Interest on investments	41.2	42.2	-2.4
Fees and other income	8.6	7.5	14.7
Total operating revenues	248.7	254.6	-2.3
Operating Expenses:			
Interest	183.2	182.5	0.4
Amortization of bond discount and expense	6.1	4.7	29.8
Servicer fees	8.7	8.8	-1.1
Administrative	15.1	13.9	8.6
Foreclosure costs and provision for losses	9.7	4.5	115.6
Total operating expenses	222.8	214.4	3.9
Operating income	25.9	40.2	-35.6
Nonoperating Revenues			
Net increase in the fair value of investments	27.7	0.7	3,857.1
Other	15.9	0.6	2,550.0
Total nonoperating income	43.6	1.3	3,253.9
Capital transfer in	-	0.6	-100.0
Change in net assets	$ 69.5	$ 42.1	65.1

Debt Administration

At December 31, 2002 the Authority's outstanding bond principal was $3,299.4 million, an increase of 2.3% over December 31, 2001 as shown below. More detailed information related to the Authority's outstanding bond debt obligations is presented in Note 5 of the audited financial statements.

The following table summarizes the changes in bonds payable between December 31, 2002 and 2001:

	(in millions) 2002	2001	% Increase/ (Decrease)
Bonds payable	$ 3,299.4	$ 3,226.5	2.3%

New Business

During the calendar year 2002, the Authority issued six series of Housing Mortgage Finance Program Bonds totaling $686.9 million and three series of Special Needs Housing Mortgage Finance Program Special Obligation Bonds totaling $26.6 million. Of the total $713.5 million bonds issued, $256.3 million relates to the refinancing of existing bonds into lower interest rate bonds. The remaining funds are being used to provide mortgage financing for the Authority's home mortgage, rental housing and special needs housing related programs.

Subsequent to December 31, 2002, one series of bonds was issued in the amount of $60 million and various series were partially called in the amount of $90.3 million. Based on legislation that was passed during calendar year 2002, on April 9, 2003, the Authority acquired housing assets from the State's Department of Economic and Community Development from a reallocation of $85 million of its available cash resources. Further details related to these transactions are described in the notes to the audited financial statements.

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
COMBINED BALANCE SHEETS
(in 000's)

	December 31, 2002	December 31, 2001
Assets		
Restricted Current Assets		
Cash (Note 3)	$ 1,688	$ 3,101
Investments in mortgage loans (Note 4)	83,606	92,351
Investments in securities (Note 3)	488,706	377,363
Accrued interest receivable on:		
Investments in mortgage loans	19,620	19,658
Investments in securities	2,769	2,327
Accounts receivable and other assets	10,162	8,967
Funds held under Special Needs Housing Renewal and Replacement Fund (Note 3)	861	677
Funds held under Capital Reserve Funds Requirements (Note 3)	44,545	46,515
Total current assets	651,957	550,959
Restricted Noncurrent Assets		
Investments in mortgage loans (Note 4)	2,774,408	2,877,689
Investments in securities (Note 3)	296,480	214,497
Accounts receivable and other assets	250	250
Building (Note 9)	2,710	2,523
Foreclosed real estate - single family (Note 4)	5,249	7,180
Foreclosed real estate - multifamily (Note 4)	8,628	8,399
Unamortized bond discount and expense	28,715	27,360
Funds held under Capital Reserve Funds Requirements (Note 3)	361,935	319,526
Total noncurrent assets	3,478,375	3,457,424
Total assets	$ 4,130,332	$ 4,008,383
Liabilities and Net Assets		
Current Liabilities		
Escrow deposits	$ 18,122	$ 26,195
Accrued interest payable	21,696	23,509
Accounts payable and accrued liabilities	4,718	4,775
Bonds payable (Note 5)	104,925	89,075
Total current liabilities	149,461	143,554
Noncurrent Liabilities		
Escrow deposits	99,212	109,644
Bonds payable (Note 5)	3,194,440	3,137,430
Total noncurrent liabilities	3,293,652	3,247,074
Total liabilities	3,443,113	3,390,628
Net Assets (Note 6)		
Invested in capital assets (net)	2,710	2,523
Restricted	684,509	615,232
Total net assets	687,219	617,755
Total liabilities and net assets	$ 4,130,332	$ 4,008,383

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

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
(in 000's)

	Year Ended December 31, 2002	Year Ended December 31, 2001
Operating Revenues		
Interest on mortgage loans	$ 198,850	$ 204,843
Interest on investments	41,199	42,245
Fees and other income	8,636	7,507
Total operating revenues	248,685	254,595
Operating Expenses		
Interest	183,148	182,537
Amortization of bond discount and expense	6,118	4,717
Servicer fees	8,723	8,806
Administrative	15,113	13,840
Foreclosure costs and provision for losses	9,739	4,504
Total operating expenses	222,841	214,404
Operating income	25,844	40,191
Nonoperating Revenues (Expenses)		
Net increase in the fair value of investments	27,720	691
Affordable housing preservation income	15,900	-
Bond redemption premium	-	(21)
Realized gain on sale of REO's	-	217
Sale of mortgage loans	-	405
Nonoperating income	43,620	1,292
Income before transfers	69,464	41,483
Capital transfer in	-	575
Change in net assets	69,464	42,058
Net assets, beginning of year	617,755	575,697
Net assets, end of year	$ 687,219	$ 617,755

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

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
Year Ended December 31, 2002
(in 000's)

Cash Flows from Operating Activities	
Cash received from interest on mortgage loans	$ 198,888
Cash received from scheduled mortgage principal payments	86,202
Cash received from mortgage principal prepayments	371,352
Cash received from fees and other income	7,134
Cash received from housing preservation income	15,900
Cash payments to purchase mortgage loans	(353,245)
Cash payments to employees	(9,843)
Cash payments to suppliers	(14,920)
Net cash provided by operating activities	301,468
Cash Flows from Non-Capital Financing Activities	
Decrease in escrow deposits	(18,505)
Retirement of bonds and notes payable	(640,685)
Proceeds from sales of bonds	713,339
Interest paid	(183,702)
Bond issuance costs	(8,560)
Capital Reserve Funds transfers	(21,883)
Net cash used by non-capital financing activities	(159,996)
Cash Flows from Capital and Related Financing Activities	
Building improvements	(299)
Net cash used by capital and related financing activities	(299)
Cash Flows from Investing Activities	
Proceeds from sales of and maturities of investment securities	283,372
Purchase of investment securities	(467,754)
Interest received on investments	41,796
Net cash used by investing activities	(142,586)
Decrease in cash	(1,413)
Cash balances, beginning of year	3,101
Cash balances, end of year	$ 1,688
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 25,844
Adjustments to reconcile to net cash provided by operating activities:	
Affordable housing preservation income	15,900
Amortization of bond discount and expense	7,333
Amortization of investment premiums/discount	74
Depreciation	112
Provision for losses	9,454
Interest on investments	(41,199)
Interest expense	183,148
Decrease in accrued interest on mortgage loans	38
Increase in accrued interest on investments	(480)
Increase in accounts receivable and other assets	(1,195)
Decrease in accrued interest payable	(1,813)
Decrease in accounts payable and other accrued liabilities	(57)
Mortgage principal scheduled payments	86,202
Mortgage principal prepayments	371,352
Investments in mortgage loans	(353,245)
Net cash provided by operating activities	$ 301,468

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

CONNECTICUT HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1—Authority Legislation

Connecticut Housing Finance Authority (the Authority) is a public instrumentality and political subdivision of the State of Connecticut. It was created 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).

Note 2—Accounting Policies

The Funds of the Authority and similar component units are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The generally accepted accounting principles ("GAAP") used for proprietary funds are generally those applicable to similar businesses in the private sector (accrual basis accounting). GAAP hierarchy applicable to state and local governmental entities consist of Governmental Accounting Standards Board (GASB) pronouncements. The Authority is following Paragraph No. 6 of GASB Statement No. 20 which states that proprietary funds should follow all GASB pronouncements as well as pronouncements, issued on or before November 30, 1989, of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and the Committee on Accounting Procedure (ARB) unless those pronouncements conflict with GASB pronouncements. For the year ended December 31, 2002, the Authority has implemented a new format for its financial statements to comply with GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34).

The following changes have been made to the Authority's financial statements to conform with the requirements of GASB 34:

- The addition of the Authority's Management Discussion and Analysis (MD&A);
- The Balance Sheet reclassification of Fund Balances into the following categories of Net Assets:

  Invested in capital assets (net)
  Restricted

- The Balance Sheet separation of assets and liabilities into current and non-current classifications;
- The Statement of Revenues, Expenses and Changes in Net Assets separation of revenues and expenses into operating and non-operating classifications; and
- The presentation of the Statement of Cash Flows using the direct method.

Significant accounting policies consistently followed by the Authority in preparing its financial statements follow:

Fund Accounting

Primary Government Funds

Under the Act and the 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. Also included in other funds are the (i) Special Needs Housing Fund, (ii) Special Needs Housing Capital Reserve Fund and (iii) Special Needs Housing Renewal and Replacement Fund which the Authority is authorized to maintain under the Act and the Special Needs Housing Mortgage Finance Program Indenture (formerly know as the Group Home Mortgage Finance Program Indenture of Trust) (the Indenture). The Authority has also issued conduit debt obligations. As of December 31, 2002 two series totaling $14,509,000 of Multifamily Housing Revenue 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.

Component Units

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"). The Connecticut Housing Authority had issued mortgage revenue bonds. As of December 31, 2002 one series totaling $10,705,000 of mortgage revenue bonds was outstanding. The issuance of these obligations did not create or imply any indebtedness on the part of the Corporation. 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.

Diamond Court - CHFA, Inc., Fitch Court - CHFA, Inc., Mitchell School - CHFA, Inc., St. Mary's Residence – CHFA, Inc. and Small Properties - CHFA, Inc. are tax exempt organizations and subsidiaries of the Authority. These organizations operate pursuant to Section 8 - 244(c)(1) of the Connecticut General Statutes and were created to provide distinct accountability for foreclosed real estate awaiting sale.

Information regarding the above component units is available at the following address:

Connecticut Housing Finance Authority
Finance Department
999 West Street
Rocky Hill, CT 06067

Cash

The carrying amount reported in the combined balance sheets as cash is comprised of accounts on deposit with financial institutions. Cash equivalents such as repurchase agreements are reported as part of investments in securities.

Investments in Mortgages

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 and in management's opinion is deemed uncollectable as to principal or interest. When interest accruals are discontinued, unpaid interest previously credited to income is reversed and subsequently recognized as income only when received.

Investments in Securities

The Authority is limited under the Act to investment obligations issued or guaranteed by the United States Government or the State of Connecticut and to participation certificates for the combined investment pool administered by the State Treasurer and to 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 fair value with the exception of those investments maturing within one year, which are carried at amortized cost, excluding accrued interest, pursuant to GASB 31 which became effective for financial statements issued for periods beginning after June 15, 1997. The Bond Resolution requires valuation of investments of (i) the Housing Mortgage Capital Reserve Fund at the lowest of par, actual cost or market value, and (ii) the Housing Mortgage General Fund at par. The Indenture requires valuation of investments of the Special Needs Housing Capital Reserve Fund 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. This information is provided in Note 3.

Building

The building and all capital improvements are carried at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

Amortization of Bond Discount and Expense

Discount and issuance expenses on bonds are deferred and amortized, on a level yield method, over the term of the related issue. Pursuant to GASB 23, effective for financial statements issued for periods beginning after June 15, 1994, differences between the reacquisition price and the net carrying amount of refunded debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old or the new debt.

Allowance for Losses

The allowance for losses is maintained at a level believed adequate by management to absorb potential losses in the loan and foreclosed real estate portfolios. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, past experience and current economic conditions. The allowance is increased by provisions for losses charged against income.

Foreclosed Real Estate

Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported separately in foreclosed real estate. 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 foreclosed real estate and recorded at the lower of cost or fair market value. Loan losses arising from the acquisition of such property are charged against the allowance for losses. An allowance for losses on foreclosed real estate is maintained for subsequent valuation adjustments on a specific property basis.

Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for losses and the valuation of foreclosed real estate.

Reclassifications

Certain 2001 amounts have been reclassified to conform to 2002 financial statement presentation.

Note 3—Cash and Investments in Securities

GASB Statement No. 3 requires governmental organizations to categorize their cash deposits and investments into three levels of risk. Category 1 includes amounts which are insured or registered in the Authority's name or collateralized with securities and held in the Authority's name by the Authority or its agent. Category 2 includes amounts which are uninsured and unregistered for which collateral or securities are held by a counterparty's trust department or agent in the name of the Authority. Category 3 includes amounts that are uninsured or unregistered for which collateral or securities may be held by the counterparty, its trust department or agent but not in the name of the Authority.

Cash Deposits (in 000's)

At December 31, 2002 the carrying amount reported as cash on the combined balance sheets of the Authority represents deposits (including checking accounts and escrow accounts) of $1,688. All of this amount is on deposit in independent financial institutions with a financial institution balance of $2,088 categorized as follows:

Category 1	$1,116
Category 2	-
Category 3	
Collateralized	152
Uncollateralized	820
Total	$2,088

Included in the $1,688 carrying amount reported as cash, $1,123 represents deposits held in escrow by the Authority.

Investments in Securities (in 000's)

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. GNMA Program Assets are carried at fair value pursuant to GASB 31. 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 assets held in the Investment Trust Fund to the Housing Mortgage General Fund.

As more fully described in Note 2, the Authority's investments are limited to (i) United States Government obligations, including its agencies or instrumentalities, (ii) investments guaranteed by the State of Connecticut, (iii) participation certificates for the combined investment pool administered by the State Treasurer or (iv) other obligations which are legal investments for savings banks in Connecticut. Repurchase agreements, Investment agreements and the Federated Treasury Obligations Fund are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities (MBS's) and Collateralized Mortgage Obligations (CMO's) are fully collateralized by the Federal National Mortgage Association (FNMA) or the US Department of Housing and Urban Development (HUD) mortgage pools. Structured Securities are fully collateralized by Home Improvement Contracts, Home Equity Contracts and/or Manufactured Housing Sales Contracts and Installment Loan Agreements. Corporate Finance Bonds and the Guaranteed Investment Contract meet Investment Grade rating standards. All investments exist in book entry form and are held by the Trustee or other financial institution in the Authority's name or insured (Category 1 - Carrying Amount - $728,879) with the exception of the Berkshire Hathaway Guaranteed Investment Contract which is an Investment Grade unsecured senior debt obligation of Berkshire Hathaway Inc. (Category 3 - Carrying Amount - $1,937) and the State of Connecticut Short Term Investment Fund (Uncategorized - Carrying Amount - $459,947) which is a participation certificate for the combined investment pool administered by the State Treasurer that is not required to be classified by risk category. At December 31, 2002 the Authority held the following investments bearing interest at annual rates ranging from 0.57% to 8.38% (which includes escrows with a carrying amount of $116,211):

	Face Value	Actual Cost	Amortized Cost	Market Value	Carrying Amount
Collateralized Mortgage Obligations (CMO's)	$ 7,097	$ 7,145	$ 7,123	$ 7,428	$ 7,428
Corporate Finance Bonds	7,155	7,782	7,549	7,825	7,825
Corporate Notes	10,300	10,425	10,369	10,938	10,938
Federated Funds	7,334	7,334	7,334	7,334	7,334
Fidelity Tax Exempt Fund	8,192	8,192	8,192	8,192	8,192
GNMA Program Assets	512,747	512,747	512,747	529,148	529,148
Guaranteed Investment Contract	1,937	1,937	1,937	1,937	1,937
Investment Agreements	2,126	2,126	2,126	2,126	2,126
Mortgage Backed Securities (MBS's)	20,294	20,306	20,305	21,334	21,334
Repurchase Agreements	109,481	109,481	109,481	109,481	109,481
State of CT Short Term Investment Fund (STIF)	459,947	459,947	459,947	459,947	459,947
Structured Securities	5,500	5,544	5,537	5,592	5,592
U.S. Government Securities	19,300	19,321	19,319	19,481	19,481
Total investments held by all funds and component units	$1,171,410	$1,172,287	$1,171,966	$1,190,763	$1,190,763
Restricted Current Assets					
Capital Reserve Funds	$ 42,781	$ 42,781	$ 42,781	$ 42,781	$ 42,781
Renewal and Replacement Fund	861	861	861	861	861
All other funds and component units	488,706	488,706	488,706	488,706	488,706
Total Restricted Current Assets	532,348	532,348	532,348	532,348	532,348
Restricted Noncurrent Assets					
Capital Reserve Funds	349,221	349,241	349,240	361,935	361,935
All other funds and component units	289,841	290,698	290,378	296,480	296,480
Total Restricted Noncurrent Assets	639,062	639,939	639,618	658,415	658,415
Total investments held by all funds and component units	$1,171,410	$1,172,287	$1,171,966	$1,190,763	$1,190,763

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 ($277,169 at December 31, 2002) 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 ($281,873 at December 31, 2002) 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.

Indenture Capital Reserve Fund (in 000's)

The Indenture Capital Reserve Fund is established pursuant to the Act and the 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 ($2,876 at December 31, 2002) on all bonds of the Authority then outstanding under the Indenture. Further, the Authority may not issue additional bonds under the Indenture unless the amount in the 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 ($3,225 at December 31, 2002) on all bonds of the Authority then outstanding under the Indenture. For purposes of satisfying these requirements, the Act and the Indenture require that investments of the 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.

At December 31, 2002, restricted funds of the Bond Resolution and Indenture Capital Reserve Funds consisted of the following:

	Bond Resolution	Indenture	Total
Carrying amount	$401,146	$ 3,570	$404,716
Accrued interest receivable	1,756	8	1,764
Total Capital Reserve Funds	$402,902	$ 3,578	$406,480
Restricted Current Assets			
Carrying amount of investments	$ 40,876	$ 1,905	$ 42,781
Accrued interest receivable	1,756	8	1,764
Total Restricted Current Assets	42,632	1,913	44,545
Restricted Noncurrent Assets			
Carrying amount of investments	360,270	1,665	361,935
Total Restricted Noncurrent Assets	360,270	1,665	361,935
Total Capital Reserve Funds	$402,902	$ 3,578	$406,480

Special Needs Housing Renewal and Replacement Fund

The Special Needs Housing Renewal and Replacement Fund is established pursuant to the Act and the Indenture to provide funding for capital repairs and replacements exceeding $2,500 for group homes financed with the proceeds of bonds issued under the Indenture. At December 31, 2002, the carrying amount of restricted funds of the Special Needs Housing Renewal and Replacement Fund was $861,000.

Note 4—Investments in Mortgage Loans and Foreclosed Real Estate

The Authority grants single family and multifamily loans to borrowers located in Connecticut. All such loans are collateralized by real estate located in Connecticut. The majority of the Authority's loan portfolio is comprised of residential mortgages. Residential mortgage loans totaled $2,191,660,000 at December 31, 2002. Multifamily and construction mortgage loans totaled $715,573,000 at December 31, 2002.

Investments in mortgage loans consisted of the following (in 000's):

Home mortgage loans:	
Insured by the Federal Housing Administration or guaranteed by the Veterans Administration	$ 1,783,606
Insured by private mortgage insurance companies	155,567
Guaranteed by the State of Connecticut	901
Uninsured reverse annuity mortgage loans	15,827
Uninsured, not guaranteed	235,759
Total home mortgage loans	2,191,660
Multifamily mortgage loans:	
Completed developments:	
Insured by the Federal Housing Administration or guaranteed by private insurer	91,747
Partially insured by the Federal Housing Administration	15,605
Uninsured, federally subsidized	191,814
Uninsured, State of Connecticut subsidized group home mortgage loans	25,673
Uninsured, unsubsidized, not guaranteed	258,289
Total completed developments	583,128
Construction mortgage loans:	
Subsidized or partially subsidized by the Federal Housing Administration	2,420
Uninsured	130,025
Total construction mortgage loans	132,445
Total multifamily mortgage loans	715,573
Less: Allowance for losses	(49,219)
Total investments in mortgage loans	$ 2,858,014
Restricted current assets	$ 83,606
Restricted noncurrent assets	2,774,408
Total investments in mortgage loans	$ 2,858,014

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 twenty-year debentures which may have an interest rate less than that of the insured mortgage. The Veterans Administration (VA) mortgage program guarantees from 25% to 50% of the original principal amount of the mortgage up to a maximum guaranty amount of $50,750. For guarantees issued prior to February 1, 1988, the VA guarantees the lesser of up to 60% of the original principal amount of the mortgage or $27,500 ($25,000 in the case of guarantees issued prior to October 1, 1980, $17,500 prior to October 1, 1978 and $12,500 prior to December 31, 1974). The State of Connecticut has guaranteed the repayment of up to $5,000,000 for the Authority's Residential Mortgage Guarantee Program.

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.

The Authority has made mortgage loans to finance community based residential facilities for mentally retarded persons ("Group Homes") through the issuance of bonds under the Indenture. The mortgage loans will be repaid by Group Home owners through tenant rent subsidies received from the State of Connecticut Department of Social Services.

Permanent loans earn interest at rates ranging from 0% to 13.5%, and have initial terms of 9 to 40 years.

Construction loans earn interest at rates ranging from 0% to 9%. Upon completion of each development, the related permanent mortgage loan will generally be provided by the Authority, and will generally be payable over 30 to 40 years at interest rates ranging from 0% to 9%.

Nonperforming loans were 0.71% of total assets at December 31, 2002. Information with respect to such loans is as follows (in 000's):

Nonaccrual single family loans	$13,433
Nonaccrual multifamily loans	15,787
Total	$29,220

Interest income that would have been recorded in the year ended December 31, 2002 on nonaccrual loans under the original terms was approximately $2,294,000.

At December 31, 2002, the multifamily loan portfolio included 19 restructured loans with an aggregate outstanding principal balance of $86,388,000. The gross interest income that would have been recorded in 2002, if these loans had been current in accordance with the original terms was $6,906,000. The interest received on these loans in 2002 was $5,358,000.

Foreclosed Real Estate (in 000's)

Foreclosed real estate	$15,464
Allowance for losses	(1,587)
Foreclosed real estate (carrying amount)	$13,877
Foreclosed real estate – single family	$ 5,249
Foreclosed real estate – multifamily	8,628
Foreclosed real estate (carrying amount)	$13,877

With respect to foreclosed real estate - single family, since 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 foreclosed real estate - multifamily, the Authority is holding such assets for subsequent sale in a manner that will allow maximization of value. As of December 31, 2002, 11 properties were classified as foreclosed real estate - multifamily, including 1 in-substance foreclosure. During 2002, the Authority completed foreclosure on 1 of its multifamily developments.

Note 5—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.

Bond Resolution

Housing Mortgage Finance Program Bonds issued under the Bond Resolution bear interest at rates ranging from 1.37% to 9.36%, are subject to certain redemption provisions and mature in years through 2045.

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.

Indenture

Special Needs Housing Mortgage Finance Program Bonds issued under the Indenture bear interest at rates ranging from 2.00% to 7.70%, are subject to certain redemption provisions and mature in years through 2042.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Indenture: (1) the proceeds derived from the sale of bonds issued under the 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 and the Special Needs Housing Capital Reserve Fund.

Changes in bonds payable for the year ended December 31, 2002 were as follows (in 000's):

Description of Original Long Term Issuance	Balance at 12/31/01	Issued	Retired	Balance at 12/31/02	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds					
1989 Series D, variable rate demand bonds $52,000 due from November 15, 1993 to November 15, 2024	$ 33,900	$ -	$ (595)	$ 33,305	$ 635
1990 Series B, 6.50%-7.75% (net interest cost 7.43%), $72,885 due serially, annually, from November 15, 1991 to November 15, 2000, $39,950 term bonds due November 15, 2003; $115,370-2008; $25,000-2009; $25,000-2022	1,000	-	-	1,000	1,000
1990 Series C, variable rate demand bonds $16,620 due from November 15, 1996 to November 15, 2022	7,995	-	(155)	7,840	170
1991 Series B, 9.50% (net interest cost 9.50%) due November 15, 2022	2,570	-	(2,570)	-	-
1991 Series C, 3.00%-6.70% (net interest cost 6.42%), $46,745 due serially, annually, from November 15, 1992 to November 15, 2007, $14,600 term bonds due November 15, 2011; $22,415-2013; $43,540-2022; $37,465-2023	58,810	-	(54,340)	4,470	4,470
1992 Series A, 3.50%-6.05% (net interest cost 5.81%), $10,970 due serially, annually, from November 15, 1995 to November 15, 2002, $8,115 term bonds due November 15, 2006; $33,300-2016; $56,735-2025	88,155	-	(7,070)	81,085	1,835
1992 Series B, 5.10%-6.75% (net interest cost 6.56%), $87,195 due serially, annually, from November 15, 1998 to November 15, 2006, $79,595 term bonds due November 15, 2012; $66,260-2023	174,305	-	(174,305)	-	-
1992 Series D, 5.75%-6.30% (net interest cost 6.23%), $1,345 term bonds due November 15, 2008; $3,815-2016; $1,840-2025	1,060	-	(780)	280	-
1992 Series G, 6.00%-6.20% (net interest cost 6.20%), $1,795 term bonds due November 15, 2011; $5,205-2016	1,545	-	(760)	785	-
1993 Series A, 3.00%-6.20% (net interest cost 5.87%), $37,575 due serially, annually, from May 15, 1994 to May 15, 2006, $38,440 term bonds due May 15, 2014	55,755	-	(3,110)	52,645	3,270
1993 Series B, 4.35%-6.30% (net interest cost 6.03%), $52,140 due serially, annually, from May 15, 1997 to May 15, 2024, $20,585 term bonds due May 15, 2009; $35,920-2012; $32,200-2024	135,015	-	(7,195)	127,820	7,570
1993 Series D, 7.125% (net interest cost 7.125%), $10,000 due November 15, 2007	10,000	-	-	10,000	-
1993 Series E, 3.75%-6.20% (net interest cost 6.06%), $1,860 due serially, annually, from May 15, 1996 to May 15, 2005, $1,385 term bonds due May 15, 2013; $1,535-2017; $4,980-2021; $170-2024	7,060	-	(3,650)	3,410	70
1993 Series F, 3.75%-5.60% (net interest cost 5.22%), $154,375 due serially, annually, from May 15, 1996 to May 15, 2011, $5,065 term bonds due May 15, 2004; $9,380-2019	115,980	-	(13,170)	102,810	12,545
1993 Series G, 4.50%-7.625% (net interest cost 7.50%), $7,325 due serially, annually, from May 15, 1995 to May 15, 2008, $4,750 term bonds due May 15, 2013; $12,325-2021	21,500	-	(520)	20,980	545
1993 Series H, 3.75%-6.25% (net interest cost 6.07%), $3,590 due serially, annually, from May 15, 1996 to May 15, 2011, $3,470 term bonds due May 15, 2014; $6,140-2022	5,865	-	(1,740)	4,125	225
1994 Series A, 3.30%-6.10% (net interest cost 5.99%), $41,920 due serially, annually, from May 15, 1995 to May 15, 2009, $25,845 term bonds due May 15, 2013; $17,235-2017	49,675	-	(25,900)	23,775	2,840
1994 Series B, 3.60%-6.75% (net interest cost 6.39%), $16,695 due serially, annually, from May 15, 1995 to May 15, 2008, $11,000 term bonds due May 15, 2011; $14,425-2015; $12,365-2018; $5,515-2022	4,995	-	(4,995)	-	-

Description of Original Long Term Issuance	Balance at 12/31/01	Issued	Retired	Balance at 12/31/02	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds (Continued)					
1994 Series C, 3.85%-6.45% (net interest cost 6.19%), $29,175 due serially, annually, from May 15, 1995 to May 15, 2009, $29,235 term bonds due May 15, 2017; $1,590-2024	$ 13,420	$ -	$ (10,020)	$ 3,400	$ 1,980
1994 Series E, 3.80%-6.30% (net interest cost 5.98%), $18,480 due serially, annually, May 15, 1997 to May 15, 2009, $14,565 term bonds due May 15, 2014; $6,955-2017	6,960	-	(4,630)	2,330	1,380
1994 Series F, 9.20%-9.25% (net interest cost 9.28%), $765 term bonds due May 15, 2014; $2,115-2027	2,675	-	(30)	2,645	30
1995 Series A, 4.60%-6.50% (net interest cost-6.31%), $32,675 due serially, annually, from May 15, 1996 to May 15, 2011, $10,950 term bonds due May 15, 2014; $13,230-2017; $28,440-2022; $39,705-2027	43,125	-	(15,085)	28,040	1,940
1995 Series B, 4.35%-6.44% (net interest cost 6.19%), $31,490 due serially, annually, from May 15, 1997 to May 15, 2013, $18,610 term bonds due May 15, 2018; $17,650-2022; $8,580-2025; $5,000-2026	39,765	-	(24,330)	15,435	1,465
1995 Series C, 7.375%-8.60% (net interest cost 8.62%), $55 term bonds due May 15, 2000; $110-2005; $395-2015; $1,060-2026	1,550	-	(20)	1,530	25
1995 Series D, 3.50%-6.25% (net interest cost 6.06%), $18,655 due serially, annually, from May 15, 1996 to May 15, 2009, $8,090 term bonds due May 15, 2014; $10,810-2017; $18,250-2022; $1,245-2024; $9,750-2025	32,295	-	(7,490)	24,805	1,325
1995 Series E, 3.80%-6.50% (net interest cost 6.31%), $9,850 due serially, annually, from May 15, 1997 to May 15, 2010, $4,490 term bonds due May 15, 2014; $4,160-2017; $13,620-2020; $5,000-2023	5,795	-	(4,255)	1,540	665
1995 Series F, 4.00%-6.20% (net interest cost 5.84%), $46,095 due serially, semi-annually, from May 15, 1997 to November 15, 2010, $41,225 term bonds due May 15, 2017; $3,265-2018; $16,980-2022; $5,320-2025	85,765	-	(13,620)	72,145	2,385
1995 Series G, variable rate demand bonds due from May 15, 1996 to May 15, 2018 converted by contract with J.P. Morgan Securities Incorporated in the "1994 Morgan Swap Transaction" into a fixed rate of 6.30% (net interest cost 6.80%), $27,300 due serially, annually, from May 15, 1996 to May 15, 2010, $13,300 term bonds due May 15, 2014; $17,365-2018	50,165	-	(50,165)	-	-
1995 Series H, 7.875% (net interest cost 7.88%), due November 15, 2026	2,615	-	(35)	2,580	40
1996 Series A, 3.60%-6.20% (net interest cost 6.07%), $39,175 due serially, semi-annually, from November 15, 1997 to November 15, 2008, $18,095 term bonds due November 15, 2015; $31,075-May 15, 2017; $49,075-November 15, 2022; $2,920-November 15, 2026; $29,660-November 15, 2027	143,630	-	(72,070)	71,560	3,380
1996 Series B, 4.35%-6.25% (net interest cost 6.14%), $22,165 due serially, semi-annually, from November 15, 1998 to November 15, 2010, $15,900 term bonds due November 15, 2015; $6,985-May 15, 2018; $49,950-November 15, 2027	40,215	-	(8,660)	31,555	1,620
1996 Series C-1, 4.00%-6.30% (net interest cost 6.11%), $17,015 due serially, annually, from November 15, 1997 to November 15, 2008, $4,935 term bonds due November 15, 2010; $25,350-2017	42,370	-	(1,310)	41,060	1,470
1996 Series C-2, 3.95%-6.25% (net interest cost 6.07%), $16,815 due serially, annually, from November 15, 1997 to November 15, 2008, $4,765 term bonds due November 15, 2010; $24,540-2018	41,065	-	(1,350)	39,715	1,445
1996 Series D, 3.90%-6.20% (net interest cost 6.07%), $9,705 due serially, semi-annually, from November 15, 1997 to November 15, 2008, $20,060 term bonds due May 15, 2016; $12,505-May 15, 2027; $37,730-November 15, 2027	65,700	-	(35,575)	30,125	725
1996 Series E, 3.80%-6.15% (net interest cost 6.11%), $5,305 due serially, semi-annually, from November 15, 1997 to November 15, 2006, $8,800 term bonds due May 15, 2012; $7,415-May 15, 2015; $4,225-May 15, 2017; $1,970-May 15, 2027; $42,285-November 15, 2027	61,125	-	(14,585)	46,540	635
1996 Series F, 4.15%-6.00% (net interest cost 5.94%), $18,235 due serially, semi-annually, from May 15, 1998 to November 15, 2010, $7,745 term bonds due November 15, 2016; $6,930-May 15, 2017; $1,950-November 15, 2017; $39,140-November 15, 2027; $6,000 November 15, 2028	74,585	-	(2,115)	72,470	1,310
1996 Series G, 4.15%-6.00% (net interest cost 5.85%), $16,065 due serially, semi-annually, from May 15, 1998 to November 15, 2010, $6,770 term bonds due November 15, 2017; $12,665-2027	30,575	-	(1,370)	29,205	1,435

Description of Original Long Term Issuance	Balance at 12/31/01	Issued	Retired	Balance at 12/31/02	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds (Continued)					
1997 Series A, 3.75%-7.21% (net interest cost 6.79%), $3,455 due serially, semi-annually, from May 15, 1998 to November 15, 2008, $6,230 term bonds due May 15, 2021; $35,000-May 15, 2027; $5,315-November 15, 2028	$ 43,520	$ -	$ (2,670)	$ 40,850	$ 2,455
1997 Series B, 3.80%-6.96% (net interest cost 5.95%), $8,300 due serially, semi-annually, from November 15, 1998 to November 15, 2008, $10,000 term bonds due November 15, 2007; $17,505-May 15, 2017; $15,000-May 15, 2027; $39,195-November 15, 2028	80,055	-	(5,330)	74,725	2,820
1997 Series C, 4.30%-6.90% (net interest cost 5.86%), $12,735 due serially, semi-annually, from November 15, 1998 to November 15, 2011, $10,000 term bonds due November 15, 2005; $6,530-November 15, 2006; $14,030-November 15, 2017; $45,705-November 15, 2028	81,015	-	(5,990)	75,025	780
1997 Series D, 3.90%-6.88% (net interest cost 5.70%), $16,875 due serially, semi-annually, from May 15, 1999 to May 15, 2011, $8,500 term bonds due November 15, 2004; $8,500-November 15, 2008; $3,000-November 15, 2011; $10,780-November 15, 2017; $15,270-November 15, 2021; $6,660-November 15, 2025; $2,045-November 15, 2026; $18,370-November 15, 2028	82,755	-	(5,190)	77,565	1,230
1998 Series A, 4.05%-5.50% (net interest cost 5.46%), $765 due serially, annually, from November 15, 2000 to November 15, 2010, $895 term bonds due November 15, 2018; $5,090-2029	6,640	-	(4,450)	2,190	60
1998 Series B Subseries B-1 and B-2, 3.90%-5.40% (net interest cost 5.29%), $17,510 due serially, semi-annually, from May 15, 1999 to November 15, 2012,$13,660 term bonds due November 15, 2018; $28,830-November 15, 2028;Subseries B-3, variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, LP into a fixed rate of 6.45%, $25,000 term bonds due November 15, 2018	55,605	-	(4,010)	51,595	1,090
1998 Series C, 4.15%-5.50% (net interest cost 5.49%), $3,000 due serially, semi-annually, from May 15, 2001 to November 15, 2012, $2,320 term bonds due November 15, 2018; $6,760-November 15, 2029; $5,775-November 15, 2035	17,670	-	(205)	17,465	210
1998 Series D, 3.80%-5.45% (net interest cost 5.66%), $14,330 due serially, semi-annually, from May 15, 1999 to November 15, 2010, $3,525 term bonds due November 15, 2018; $17,145-May 15, 2024; $10,000-November 15, 2028 ......Subseries D-3, variable rate demand bonds converted by contract . with Merrill Lynch Capital Services, Inc. into a fixed rate of 4.87%, $20,000 term bonds due November 15, 2028 Subseries D-4, variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc. into a fixed rate of 6.32%, $25,000 term bonds due November 15, 2025	85,635	-	(4,040)	81,595	1,025
1998 Series E, 3.70%-5.25% (net interest cost 5.28%), $4,085 due serially, annually, from November 15, 1999 to November 15, 2011, $14,655 term bonds due May 15, 2021; $31,800-May 15, 2026; $5,315-November 15, 2021; $19,145-November 15, 2028	74,345	-	(240)	74,105	250
1998 Series F, variable rate demand bonds converted by contract with CDC Financial Products Inc. into a fixed rate of 6.0525%, $115,900 term bonds due November 15, 2016	111,800	-	(1,700)	110,100	1,700
1998 Series G, 3.60%-5.92% (net interest cost 5.33%), $17,235 due serially, semi-annually, from November 15, 1999 to November 15, 2012, $1,080 term bonds due November 15, 2013; $1,230-November 15, 2015; $6,575-May 15, 2017; $15,940-November 15, 2018; $8,765-November 15, 2028; $26,000-May 15, 2029	71,925	-	(5,465)	66,460	1,290
1998 Series H, 3.25%-5.34% (net interest cost 5.13%), $25,935 due serially, semi-annually, from November 15, 1999 to November 15, 2011, $12,330 term bonds due May 15, 2017; $23,420-November 15, 2018; $20,000-November 15, 2023; $8,705-May 15, 2025; $22,110-November 15, 2028	103,965	-	(10,075)	93,890	2,025
1998 Series I, 3.85%-5.35% (net interest cost 5.27%), $2,825 due serially, annually, from November 15, 2001 to November 15, 2013, $315 term bonds due November 15, 2020; $690-November 15, 2030; $1,140-November 15, 2040	2,480	-	(20)	2,460	25

Description of Original Long Term Issuance	Balance at 12/31/01	Issued	Retired	Balance at 12/31/02	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds (Continued)					
1999 Series A, 3.30%-5.20% (net interest cost 5.14%), $18,390 due serially, annually, from November 15, 2000 to May 15, 2012, $11,860 term bonds due May 15, 2017; $4,895-November 15, 2018; $9,060-November 15, 2021; $2,780-November 15, 2028; $23,015-November 15, 2029; $10,000-May 15, 2030 Subseries, A-3 variable rate demand bonds converted by contract with Goldman, Sachs & Co. into a fixed rate of 6.246%, $40,000,000 term bonds due November 15, 2018	$ 116,770	$ -	$ (3,945)	$ 112,825	$ 1,400
1999 Series B, 4.40%-6.10% (net interest cost 6.04%), $475 due serially, annually, from November 15, 2002 to November 15, 2011, $600 term bonds due May 15, 2019; $4,425-November 15, 2031	5,500	-	(30)	5,470	40
1999 Series C, convertible option bonds due September 5, 2000	39,620	-	(2,805)	36,815	555
1999 Series D, 3.80%-6.20% (net interest cost 6.05%), $3,955 due serially, annually, from November 15, 2000 to November 15, 2011; $1,185 term bonds due November 15, 2017; $10,270-November 15, 2032; $3,000-November 15, 2041; $7,060-May 15, 2042	25,340	-	(130)	25,210	290
1999 Series E, 4.20%-6.10% (net interest cost 5.94%), $9,355 due serially, semi-annually, from May 15, 2001 to November 15, 2011, $25,970 term bonds due November 15, 2027; $9,800-November 15, 2030	49,210	-	(2,325)	46,885	720
2000 Series A, 4.40%-6.00% (net interest cost 5.98%), $6,905 due serially, semi-annually, from November 15, 2001 to May 15, 2012, $1,545 term bonds due November 15, 2014; $1,665-May 15, 2017; $2,030-May 15, 2020; $2,805-November 15, 2022; $5,050-November 15, 2028; $10,000-May 15, 2031	29,735	-	(1,565)	28,170	610
2000 Series B, 4.35%-6.00% (net interest cost 5.68%), $31,780 due serially, semi-annually, from May 15, 2002 to November 15, 2014, $8,010 term bonds due May 15, 2019; $13,805-November 15, 2021; $3,040-November 15, 2028; $40,865-May 15, 2031; $2,500-November 15, 2031; Subseries B-3, variable rate demand bonds converted by contract with PaineWebber Trading Inc. into a fixed rate of 5.397%, $25,000 term bonds due November 15, 2031	124,225	-	(5,060)	119,165	2,815
2001 Series A, 3.15%-5.475% (net interest cost 5.15%), $30,395 due serially, semi-annually, from November 15, 2002 to November 15, 2015, $26,550 term bonds due November 15, 2022; $12,900-November 15, 2028; $2,500-November 15, 2031; $52,655-May 15, 2032; Subseries A-3 and A-4, variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products LP into fixed rates of interest of 4.12% And 5.475% respectively	125,000	-	(3,125)	121,875	1,820
2001 Series B, 2.75%-5.82% (net interest cost 5.15%), $42,550 due serially, semi-annually, from May 15, 2002 to November 15, 2015, $3,495 term bonds due May 15, 2019; $7,615-May 15, 2021; $4,145-November 15, 2021; $25,000-November 15, 2027; $2,915-November 15, 2028; $20,690-November 15, 2031; $18,590-May 15, 2032; Subseries B-4 and B-6, variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc. into fixed rates of interest of 4.31% and 5.82% respectively	125,000	-	(3,865)	121,135	3,730
2001 Series C, 2.50%-5.45% (net interest cost 5.35%), $3,245 due serially, annually, from November 15, 2003 to November 15, 2013, $1,520 term bonds due November 15, 2022; $3,595-November 15, 2033; $6,910-November 15, 2043	15,270	-	-	15,270	280
2001 Series D, 2.50%-5.36% (net interest cost 4.88%), $32,950 due serially, semi-annually, from November 15, 2003 to May 15, 2016, $35,270 term bonds due November 15, 2022; $1,230-November 15, 2023; $25,000-November 15, 2027; $1,640-November 15, 2028; $78,910-May 15, 2033; Subseries D-3 and D-5, variable rate demand bonds converted by contract with UBS AG (an affiliate of UBS PaineWebber Inc.) into fixed rates of interest of 4.09% and 5.36% respectively	175,000	-	(305)	174,695	1,295

Description of Original Long Term Issuance	Balance at 12/31/01	Issued	Retired	Balance at 12/31/02	Amount Due Within 1 Year
Housing Mortgage Finance Program Bonds (Continued)					
2002 Series A, 2.45%-5.73% (net interest cost 5.30%), $30,700 due serially, semi-annually, from November 15, 2003 to November 15, 2016, $21,860 term bonds due November 15, 2022; $3,000-May 15, 2028; $24,440-November 15, 2028; Subseries A-3 variable rate demand bonds converted by contract with Citibank, N.A. into a fixed rate of 4.342%, $20,000 term bonds due May 15, 2033; Subseries A-5 variable rate demand bonds converted by contract with Citibank, N.A. into a fixed rate of 5.73%, $25,000 term bonds due May 15, 2033	$ -	$ 125,000	$ (160)	$ 124,840	$ 785
2002 Series B, 1.75%-5.35% (net interest cost 4.57%), $26,860 due serially, semi-annually, from November 15, 2003 to November 15, 2014, $17,495 term bonds due November 15, 2023; $5,000-May 15, 2026; $1,105-November 15, 2028; $8,000-November 15, 2032; $11,540-May 15, 2033; Subseries B-3 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, L.P. into fixed rates as follows: $10,000 term bonds due May 15, 2033-4.232%; $45,000 term bonds due May 15, 2033-3.981%	-	125,000	-	125,000	855
2002 Series C, Subseries C-1 and C-2 variable rate demand bonds, $50,730 due May 15, 2003, Subseries C-3, variable rate demand bonds $40,605 due from May 15, 2003 to November 15, 2023	-	91,335	-	91,335	2,170
2002 Series D, (net interest cost 5.06%) Subseries D-1 and D-2 variable rate demand bonds converted by contract with Goldman Sachs Mitsui Marine Derivative Products, L.P. into a fixed rate of 4.63%. $174,305 term bonds Due November 15, 2023; Subseries D-3 variable rate demand bonds converted by contract with JPMorgan Chase Bank into fixed rate of 6.09%, $48,565 term bonds due May 15, 2018	-	222,870	-	222,870	12,685
2002 Series E, 2.10%-5.85% (net interest cost 5.28%), $1,615 due serially, annually, from November 15, 2005 to November 15, 2017, $3,645 term bonds due November 15, 2022; $3,940-November 15, 2033; $8,095-May 15, 2045	-	17,295	-	17,295	-
2002 Series F, 1.70%-5.25% (net interest cost 4.48%), $29,060 due serially, semi-annually, from November 15, 2003 to November 15, 2015, $18,990 term bonds due November 15, 2021; $9,925-May 15, 2033; $7,425-November 15, 2033; Subseries F-2 variable rate demand bonds converted by contract with Merrill Lynch Capital Services, Inc. into fixed rates as follows: $10,000 term bonds due November 15, 2033-3.99%; $30,000 term bonds due November 15, 2033-3.82%	-	105,400	-	105,400	1,000
Total Housing Mortgage Finance Program Bonds	3,206,660	686,900	(640,270)	3,253,290	104,440
Special Needs Housing Mortgage Finance Program Special Obligation Bonds					
Series GH-1, 4.00%-6.125% (net interest cost 6.20%), $1,325 due serially, annually, from June 15, 1997 to June 15, 2009, $1,545 term bonds due June 15, 2016; $3,710-2026	6,225	-	(85)	6,140	90
Series GH-2, 6.30%-7.70% (net interest cost 7.50%), $310 due serially, annually, from June 15, 1997 to June 15, 2006	180	-	(30)	150	35
Series GH-3, 4.50%-5.625% (net interest cost 5.73%), $1,270 due serially, semi-annually, from June 15, 2001 to June 15, 2010, $1,375 term bonds due June 15, 2017; $3,130-2027	5,670	-	(105)	5,565	110
Series GH-5, 4.70%-5.85% (net interest cost 5.83%), $1,615 due serially, annually, from June 15, 2004 to June 15, 2013, $1,760 term bonds due June 15, 2020; $4,065-June 15, 2030	7,440	-	-	7,440	-
Series GH-6, 6.91%-7.01% (net interest cost 7.23%), $480 due serially, annually, from June 15, 2001 to June 15, 2003	330	-	(160)	170	170
Series SNH-1, 2.00%-5.00% (net interest cost 4.98%), $1,810 due serially, annually, from June 15, 2003 to June 15, 2012; $2,850 term bonds due June 15, 2022; $4,635-2032	-	9,295	-	9,295	80
Series SNH-2, 2.00%-5.25% (net interest cost 5.18%), $1,225 due serially, annually, from June 15, 2005 to June 15, 2012, $1,985 term bonds due June 15, 2012; $2,270-2022; $3,745-2032; $6,220-2042	-	15,445	-	15,445	-
Series SNH-3, 3.10% (net interest cost 3.15%), $1,870 due June 15, 2032 subject to mandatory tender on December 1, 2005	-	1,870	-	1,870	-
Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds	19,845	26,610	(380)	46,075	485
Total Bonds Payable	$3,226,505	$ 713,510	$ (640,650)	$3,299,365	$ 104,925

Future debt service payments are as follows (in 000's):

Year Ending	Bond Resolution			Indenture			
December 31,	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Total
2003	$ 104,440	$ 171,760	$ 276,200	$ 485	$ 2,391	$ 2,876	$ 279,076
2004	116,035	167,166	283,201	550	2,319	2,869	286,070
2005	117,055	161,465	278,520	935	2,289	3,224	281,744
2006	118,809	155,581	274,390	960	2,253	3,213	277,603
2007	113,675	149,375	263,050	1,005	2,213	3,218	266,268
2008 – 2012	655,701	646,309	1,302,010	5,690	10,363	16,053	1,318,063
2013 – 2017	649,096	465,888	1,114,984	6,000	8,917	14,917	1,129,901
2018 – 2022	512,259	304,506	816,765	7,800	7,061	14,861	831,626
2023 – 2027	529,055	166,678	695,733	9,660	4,647	14,307	710,040
2028 – 2032	290,615	59,114	349,729	6,770	2,429	9,199	358,928
2033 – 2037	30,260	7,168	37,428	2,715	1,291	4,006	41,434
2038 – 2042	13,135	2,900	16,035	3,505	479	3,984	20,019
2043 – 2045	3,155	221	3,376	-	-	-	3,376
Total	$ 3,253,290	$2,458,131	$5,711,421	$ 46,075	$ 46,652	$ 92,727	$5,804,148

The Authority has issued the following refunding bonds under the Bond Resolution:

Refunded Issue(s)	Refunding Issue	Cashflow Savings/(Loss)	Economic Gain
1985 Series E	1995 Series G	$ 18,947,000	$ 7,782,000
1984 Series C, 1985 Series A	1996 Series C Subseries C-1	8,052,000	4,411,000
1985 Series C, 1985 Series F	1996 Series C Subseries C-2	6,028,000	3,389,000
1972 Series A, 1977 Series B 1974 Series A, 1978 Series A 1977 Series A, 1979 Series B 1990 Series B Subseries B-4	1998 Series E	(55,904,000)	2,399,000
1986 Series A, 1987 Series B 1986 Series B, 1988 Series A 1986 Series C, 1988 Series B 1987 Series A	1998 Series F	(82,783,000)	1,987,000
1985 Series A	1999 Series D Subseries D-1	574,000	410,000
1989 Series B	2001 Series B Subseries B-2	(2,131,000)	1,077,000
1991 Series B	2002 Series E Subseries E-2	1,450,438	898,253
1991 Series C	2002 Series C Subseries C-3	(1,148,371)	5,018,012
1992 Series B	2002 Series D Subseries D-1 and D-2	24,828,953	18,666,805
1995 Series G	2002 Series D Subseries D-3	-	-

The Authority has entered into fully amortizing interest rate swap agreements under the Bond Resolution in which the Authority owes interest at fixed rates to the counterparties of the swaps. In return, the counterparties owe the Authority interest based on variable rates which either match or are comparable to the rates required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparties. The Authority will continue to pay interest to the bondholders at the variable rates provided by the bonds. However, during the term of the swap agreements, the Authority effectively pays a fixed rate on the debt. The Authority will be exposed to variable rates if the counterparties to the swaps default or if the swaps are terminated. The payment of principal and interest on the variable rate bonds when due (other than by reason of special or optional redemption or acceleration thereof) is insured by municipal bond insurance policies. Termination of the swap agreements may also result in the Authority making or receiving termination payments. The bond principal related to these swaps will not be exchanged; it is only the basis on which interest payments are calculated.

Outstanding interest rate swap agreements as of December 31, 2002 were as follows:

Agreement Date	Maturity Date	Bond Series	Original Principal Amount	Amount Outstanding @ 12/31/02	Authority's Fixed Rate
07/01/98	11/15/2028	1998 Series D Subseries D-3	$ 20,000,000	$ 20,000,000	4.8700%
07/01/98	11/15/2025	1998 Series D Subseries D-4	25,000,000	25,000,000	6.3200
09/09/98	11/15/2016	1998 Series F	115,900,000	110,100,000	6.0525
05/06/99	11/15/2018	1999 Series A Subseries A-3	40,000,000	40,000,000	6.2460
09/07/00	11/15/2031	2000 Series B Subseries B-3	25,000,000	25,000,000	5.3970
02/09/01	05/15/2032	2001 Series A Subseries A-3	20,000,000	20,000,000	4.1200
02/09/01	05/15/2032	2001 Series A Subseries A-4	25,000,000	25,000,000	5.4750
06/13/01	05/15/2032	2001 Series B Subseries B-4	17,000,000	17,000,000	4.3100
06/13/01	11/15/2027	2001 Series B Subseries B-6	25,000,000	25,000,000	5.8200
10/12/01	05/15/2033	2001 Series D Subseries D-3	40,000,000	40,000,000	4.0900
10/12/01	11/15/2027	2001 Series D Subseries D-5	25,000,000	25,000,000	5.3600
06/05/02	05/15/2033	2002 Series A Subseries A-3	20,000,000	20,000,000	4.3420
06/05/02	05/15/2033	2002 Series A Subseries A-5	25,000,000	25,000,000	5.7300
08/01/02	05/15/2033	2002 Series B Subseries B-3	10,000,000	10,000,000	4.2320
08/01/02	05/15/2033	2002 Series B Subseries B-3	45,000,000	45,000,000	3.9810
11/15/02	11/15/2023	2002 Series D Subseries D-1 and D-2	174,305,000	174,305,000	4.6300
11/15/02	11/15/2018	2002 Series D Subseries D-3	48,565,000	48,565,000	6.0900
12/19/02	11/12/2033	2002 Series F Subseries F-2	10,000,000	10,000,000	3.9900
12/19/02	11/12/2033	2002 Series F Subseries F-2	30,000,000	30,000,000	3.8200

Note 6—Net Assets

The Authority's net assets are categorized as follows:

- Invested in capital assets (net)
- Restricted

Pursuant to GASB 34, restricted net assets include amounts that are restricted in use in accordance with debt covenants or enabling legislation. All funds and component units of the Authority are restricted by the Bond Resolution, Indenture and/or the Act.

At December 31, 2002, net assets consisted of the following (in 000's):

General and Capital Reserve Funds:	
Invested in capital assets (net)	$ 2,710
General and Capital Reserve Funds	676,290
Other Funds:	
Investment Trust Fund	-
Housing Mortgage Insurance Fund	2,738
Special Needs Housing, Special Needs Housing Capital Reserve, and Special Needs Housing Renewal and Replacement Funds	760
Component Units:	
Diamond Court – CHFA, Inc.	1,633
Fitch Court – CHFA, Inc.	748
Mitchell School – CHFA, Inc.	500
St. Mary's Residence – CHFA, Inc.	-
Small Properties – CHFA, Inc.	909
State Housing Authority	931
	$687,219

Note 7—Pension Plan

Most employees of the Authority participate in the Connecticut State Employees' Retirement System (SERS) which is administered by the State Employees' Retirement Commission. The Authority has no liability for pension costs other than the annual contribution as determined by SERS. An actuarial study was performed on the Plan as a whole and does not provide separate information for employees of the Authority. Therefore, certain pension disclosures required by generally accepted accounting principles are omitted. Information about the total Plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

Plan Description

SERS is a single-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. Employees are covered under one of three tiers. Tier I requires an employee contribution of either 2% or 5% of salary, depending on the plan. Tier II is a noncontributory plan. Tier IIA requires an employee contribution of 2% of salary. The Authority's contribution is determined by applying a state mandated percentage to eligible salaries and wages. Members who joined the retirement system prior to July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system after July 1, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier IIA unless the application of SERS Service bridging provisions mandates their placement in either Tier I or Tier II. Tier I employees who retire at or after age 65 with 10 years of credited service or at or after age 55 with 25 years of service are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service). In most cases this is reduced to 1% for the first $4,800 of salary upon receipt of social security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service are entitled to a reduced benefit. Tier II and Tier IIA employees who retire at or after age 60 with 25 years of service, or at age 62 with 5 years of service, or at age 70 with 5 years of service or at age 55 with 10 years of service with reduced benefits are entitled an annual retirement benefit payable monthly for life, in an amount of one and one third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent. All Tier I members are vested after 10 years of service. Effective July 1, 1997, all Tier II and Tier IIA members are vested after 5 years, and may retire at age 62 with 5 years of actual state service. All plans provide for death and disability benefits. The total payroll for the year ended December 31, 2002 was $7,178,000 and the payroll for employees of the Authority covered by SERS for the year ended December 31, 2002 was $7,178,000.

Contributions Made (in 000's)

The Authority's contribution is determined by applying a State mandated percentage to eligible salaries and wages.

Contributions Made:

By employees	$	78
% of current year covered payroll		1.09%
By the Authority	$	1,551
% of current year covered payroll		21.61%

Note 8—Commitments, Contingencies and Litigation

The Authority is a party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. These expose the Authority to credit risk in excess of the amount recognized in the balance sheet. 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 on-balance-sheet instruments. Total credit exposure is summarized below (in 000's):

Mortgage Loan Commitments:	
Home Mortgage Purchases	$ 27,394
Multifamily Developments	44,381
Reverse Annuity Mortgages	1,656
	$ 73,431

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 property. Interest rates on approved mortgage loan commitments are a combination of fixed and variable. Interest rates on unadvanced portions of construction loans are a combination of fixed and variable; such loans generally mature within eighteen months.

The Authority sold its in-house serviced portfolio to Webster Bank in November 1996. A portion of that portfolio consisted of loans the Authority serviced for FNMA. Pursuant to FNMA rules, the Authority remains liable to FNMA with respect to the mortgage servicing.

The Authority is involved in litigation arising from its normal operating practices. After reviewing all significant matters with counsel, management believes that the resolution of these matters will not materially affect the Authority's financial position.

Note 9—Purchase of Building

In July 1993, the Authority purchased a building for office space use. The estimated useful life of this acquisition is 31.5 years. Subsequent improvements are depreciated over its remaining useful life. Additional information with respect to this acquisition and subsequent improvements through December 31, 2002 is as follows (in 000's):

	Cost	Accumulated Depreciation	Net Book Value
Purchase	$ 2,851	$ 860	$ 1,991
Improvements	824	105	719
	$ 3,675	$ 965	$ 2,710

Note 10—Subsequent Events

On February 11, 2003, the Authority issued its 2003 Series A Subseries A-1 Bonds in the amount of $60,000,000 under the Bond Resolution for the financing of its home mortgage program.

On February 14, 2003, the Authority called by special redemption $90,250,000 of various Series of outstanding bonds held under the Bond Resolution.

On March 13, 2003, the Authority's mortgage for Trumbull Centre in the amount of $8,340,000 was converted to an equity position and is held in a subsidiary of the Authority. Trumbull Centre is a 100-unit market rate rental housing development including a 600 space parking garage with a commercial/retail component of 7,100 square feet located in Hartford, Connecticut.

Note 11—Proposed Legislation

The Governor's proposed budget for the State's fiscal years ending June 30, 2004 and June 30, 2005 includes a $40,000,000 transfer in each year from the Authority to the General Fund of the State. Prior to June 30, 2003, legislation must be adopted and signed by the Governor to provide a balanced budget, although the Legislature can be called into session after that date.

Note 12—Acquisition of State Residential Real Estate Loan Portfolio

On April 9, 2003, the Authority acquired various home acquisition, rehabilitation, repair and homeownership assistance loans from the State's Department of Economic and Community Development for $85,000,000. The Authority currently estimates that an allowance for losses of $20,000,000 may be needed as a result of this acquisition.

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING BALANCE SHEET
December 31, 2002
(in 000's)

		Other Funds		Component Units			
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Special Needs Housing Funds	Multifamily Foreclosed Real Estate	State Housing Authority	Eliminations	Combined Total
Assets							
Restricted Current Assets							
Cash	$ 1,160	$ -	$ 12	$ 451	$ 65	$ -	$ 1,688
Investments in mortgage loans	83,242	-	353	-	11	-	83,606
Investments in securities	469,265	2,750	16,267	76	348	-	488,706
Accrued interest receivable on:							
Investments in mortgage loans	19,513	-	89	-	18	-	19,620
Investments in securities	2,767	-	2	-	-	-	2,769
Due from component units	39	-	-	-	-	(39)	-
Accounts receivable and other assets	10,159	-	-	-	3	-	10,162
Funds held under Special Needs Housing Renewal and Replacement Fund	-	-	861	-	-	-	861
Funds held under Capital Reserve Funds Requirements	42,632	-	1,913	-	-	-	44,545
Total current assets	628,777	2,750	19,497	527	445	(39)	651,957
Restricted Noncurrent Assets							
Investments in mortgage loans	2,748,538	-	25,320	-	550	-	2,774,408
Investments in securities	296,136	-	344	-	-	-	296,480
Due from component units	2,272	-	-	-	-	(2,272)	-
Accounts receivable and other assets	-	-	-	250	-	-	250
Building	2,710	-	-	-	-	-	2,710
Foreclosed real estate – single family	5,249	-	-	-	-	-	5,249
Foreclosed real estate – multifamily	2,841	-	-	5,787	-	-	8,628
Unamortized bond discount and expense	27,410	-	1,305	-	-	-	28,715
Funds held under Capital Reserve Funds Requirements	360,270	-	1,665	-	-	-	361,935
Total noncurrent assets	3,445,426	-	28,634	6,037	550	(2,272)	3,478,375
Total assets	$ 4,074,203	$ 2,750	$ 48,131	$ 6,564	$ 995	$ (2,311)	$4,130,332
Liabilities and Net Assets							
Current Liabilities							
Escrow deposits	$ 17,462	$ -	$ 147	$ 449	$ 64	$ -	$ 18,122
Due to General Fund	-	-	-	39	-	(39)	-
Accrued interest payable	21,526	-	156	14	-	-	21,696
Accounts payable and accrued liabilities	4,706	12	-	-	-	-	4,718
Bonds payable	104,440	-	485	-	-	-	104,925
Total current liabilities	148,134	12	788	502	64	(39)	149,461
Noncurrent Liabilities							
Escrow deposits	98,219	-	993	-	-	-	99,212
Due to General Fund	-	-	-	2,272	-	(2,272)	-
Bonds payable	3,148,850	-	45,590	-	-	-	3,194,440
Total noncurrent liabilities	3,247,069	-	46,583	2,272	-	(2,272)	3,293,652
Total liabilities	3,395,203	12	47,371	2,774	64	(2,311)	3,443,113
Net Assets							
Invested in capital assets (net)	2,710	-	-	-	-	-	2,710
Restricted	676,290	2,738	760	3,790	931	-	684,509
Total net assets	679,000	2,738	760	3,790	931	-	687,219
Total liabilities and net assets	$ 4,074,203	$ 2,750	$ 48,131	$ 6,564	$ 995	$ (2,311)	$4,130,332

CONNECTICUT HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2002
(in 000's)

		Other Funds		Component Units		
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Special Needs Housing Funds	Multifamily Foreclosed Real Estate	State Housing Authority	Combined Total
Operating Revenues						
Interest on mortgage loans	$ 197,530	$ -	$ 1,210	$ -	$ 110	$ 198,850
Interest on investments	41,066	52	76	2	3	41,199
Fees and other income	7,419	38	248	787	144	8,636
Total operating revenues	246,015	90	1,534	789	257	248,685
Operating Expenses						
Interest	181,800	-	1,185	163	-	183,148
Amortization of bond discount and expense	6,037	-	81	-	-	6,118
Servicer fees	8,722	-	-	-	1	8,723
Administrative	14,450	-	-	663	-	15,113
Foreclosure costs and provision for losses	9,454	285	-	-	-	9,739
Total operating expenses	220,463	285	1,266	826	1	222,841
Operating income (expense)	25,552	(195)	268	(37)	256	25,844
Nonoperating Revenues						
Net increase (decrease) in the fair value of investments	27,641	-	79	-	-	27,720
Affordable housing preservation income	15,900	-	-	-	-	15,900
Nonoperating income	43,541	-	79	-	-	43,620
Income before transfers	69,093	(195)	347	(37)	256	69,464
Operating transfers in (out)	(1,261)	1,000	-	261	-	-
Change in net assets	67,832	805	347	224	256	69,464
Net assets, beginning of year	611,168	1,933	413	3,566	675	617,755
Net assets, end of year	$ 679,000	$ 2,738	$ 760	$ 3,790	$ 931	$ 687,219

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. Recent legislation also 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 contact 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 between $25 and $50 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 will 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 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 can not 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.

Recent Developments. In recent years there have been numerous proposals and pronouncements from Members of Congress, the Clinton 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."

After a series of interim legislative acts and demonstration programs, HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, was signed into law by the President on October 27, 1997. This legislation includes within it the "Multifamily Assisted Housing Reform and Affordability Act of 1997" (the "1997 Act"). The 1997 Act implemented a new Mark to Market program beginning in fiscal year 1999 by which many FHA-insured Section 8 projects with expiring HAPC's and above-market rents are eligible for restructuring plans, and, upon restructuring, will receive continuing Section 8 assistance. These restructuring plans may include partial prepayment of mortgage debt intended to reduce Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance, and in many cases is designed to result in a change from "project-based" to "tenant-based" Section 8 payments. The 1997 Act provides, however, that no restructuring or renewal of HAPC's will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner.

The 1997 Act contains distinct mortgage restructuring and HAPC renewal and contract rent determination standards for Section 8 projects for which the primary financing or mortgage insurance was provided by a state or local government or a unit or instrumentality of such government. Such projects are, under the 1997 Act, excluded from restructuring and instead are eligible for renewals at the least of (i) existing rents, adjusted by an operating cost adjustment factor established by HUD, (ii) a budget-based rent, or (iii) in the case of certain "moderate rehabilitation" Section 8 assistance contracts, the least of (x) existing rents, adjusted by an operating cost adjustment factor established by HUD, (y) existing fair market rents (less any amounts allowed for tenant purchased utilities), or (z) comparable market rents for the market area. Uninsured mortgages have HAPC terms roughly coterminous with the related bonds.

Congress passed the "Preserving Affordable Housing for Senior Citizens and Families in the 21st Century Act" as part of HUD's Year 2000 Appropriations Act (the "1999 Act"), which amends portions of the 1997 Act. Under the 1999 Act, as interpreted by HUD in its implementing guidelines, Section 8 developments with FHA insured mortgages for which the primary financing was provided by a unit of state or local government are subject to the Mark to Market program unless the implementation of a mortgage restructuring plan is in conflict with applicable law or agreements governing such financing. The 1999 Act also provides for a new program for preservation of Section 8 developments that allows increases in Section 8 rent levels for certain Section 8 developments that have below market rents, to market- or near market-rate levels. Contract rents under any Mark to Market legislation, including the 1997 Act, as amended, may be significantly lower than the current Section 8 contract rents in the Section 8 developments, and the corresponding reduction in housing assistance payments for such developments would materially adversely affect the ability of the owners of such developments to pay the currently scheduled principal and interest on the related mortgage loans. Any termination or expiration of HAPC's without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a Mortgagor, poor condition of the project or other causes) would also have a material adverse impact on the ability of the related Section 8 developments to generate an appropriate level of revenues.

For FHA-insured projects, a reduction in Section 8 Contract Rents or the termination or expiration of the HAPC (without renewal or replacement with other project-based assistance), as described in the previous paragraphs, could thus result in a default under the mortgage loan and claims for insurance benefits. The restructuring plans established by the 1997 Act, as a general matter, contemplate restructuring FHA insured mortgage loans on certain Section 8 projects through a nondefault partial prepayment of such loans. Nondefault partial prepayment or similar forgiveness or write-down of mortgage debt pursuant to a restructuring of some or all of the mortgage loans on the Section 8 developments may result in the redemption of an allocable portion of the Bonds at any time with the proceeds the Authority receives from any such partial prepayment, forgiveness or write-down.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various Federal Housing Administration ("FHA") mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contains five or more dwelling units or less than five such units. The regulations governing all of the FHA programs under which the Authority's mortgages are insured provide that insurance benefits are payable only upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to HUD or upon assignment of the defaulted mortgage loan to HUD. Assignment is allowed only with HUD approval if the mortgaged premises contains less than five dwelling units. Assignment is at the option of the mortgage lender if the mortgaged premises contains five or more dwelling units, but HUD may decrease the insurance payment if the mortgage lender chooses to assign such a mortgage by an amount equal to 1% of the unpaid principal amount of the mortgage loan.

With respect to the assignment of defaulted home mortgage loans to HUD, mortgagees must first make a determination as to whether or not the default is caused by a circumstance or set of circumstances beyond the mortgagor's control that temporarily renders the family financially unable to cure the delinquency within a reasonable time or make full mortgage payments. If a determination is made that the default is caused by such circumstances, HUD must be requested to accept assignment, and must have rejected the request in order for the mortgagee to initiate foreclosure proceedings.

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under others, HUD has the option at its discretion to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on mortgages covering less than five dwelling units in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payments. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher. All of the Federally insured mortgage loans of the Authority are or will be insured under programs that give the mortgagee the option of requesting payment of benefits in cash or debentures, although HUD may elect under certain programs to make insurance payments in debentures instead of cash.

The Authority becomes entitled to claim the benefits of Federal mortgage insurance upon the occurrence and continuance for thirty days of certain events of default specified in its HUD-approved loan agreements with the multifamily housing mortgagors, including failure of the mortgagor to make timely payments due under the mortgage. A notice of the existence of the default is sent to the mortgagor and to HUD, and thereupon, within forty-five days (unless extended), the Authority may elect to assign the mortgage to HUD and receive the insurance proceeds, in an amount equal to 99% of the outstanding balance of the loan plus an amount, representative of accrued interest on the claim, at a rate equal to the FHA debenture rate in effect on the date of commitment or initial endorsement of the loan by HUD, whichever rate is higher. In the case of Section 236 insurance the interest rate applicable during the period between default and assignment is the mortgage rate. This rate may be higher or lower than the rate the mortgagor was obligated to pay. Alternatively, the Authority may elect to foreclose on the mortgaged premises and claim the difference, if any, between the proceeds of foreclosure and the unpaid principal amount of the loan.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of default by the mortgagor, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When entitlement to insurance benefits results from assignment of a single family mortgage loan to HUD, the insurance payment is computed as of the date of the assignment and includes full compensation for mortgage interest accrued and unpaid to the assignment date. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default or, when applicable, assignment of a single family mortgage loan to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any single family property conveyed to HUD or subject to a mortgage to be assigned to HUD has been damaged by fire, earthquake, flood, or tornado, it generally is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance or assignment.

The Authority has entered into a Risk Sharing Agreement with HUD dated October 17, 1994 (the "Risk Sharing Agreement"), pursuant to which HUD has agreed to insure certain qualifying multifamily mortgage loans through FHA. The Housing and Community Development Act of 1992 and the regulations thereunder (the "Risk Sharing Act") require that the Authority must use proceeds of insurance under the Act to redeem Bonds of the related Series. In the event of a mortgage loan default, the Risk Sharing Agreement requires the Authority to share with HUD in any loss arising as a consequence of the mortgage loan default. The Risk Sharing Agreement provides that HUD fully insure the mortgage loans subject thereto, and for reimbursement to HUD by the Authority of a portion of any losses incurred on such mortgage loans. The Authority is qualified to elect a range of percentages of the risk of loss related to any defaulted mortgage loans.

In the event of a default on a mortgage loan and the filing of a claim for FHA insurance, FHA will pay mortgage insurance benefits in cash in an amount equal to the sum of (a) the unpaid principal amount of the defaulted mortgage loan computed as of the date of default and (b) interest on the insurance proceeds from the date notice of default is given to the Commissioner at the defaulted mortgage loan rate, less any delinquent mortgage insurance premiums and late charges and interest attributable to such mortgage insurance.

When FHA pays a claim related to a mortgage loan, the Risk Sharing Agreement provides that the Authority will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of the Authority. Each Debenture will have a term of five years and will bear interest at HUD's published debenture rate payable annually. The Risk Sharing Act contemplates that during the five-year term of each Debenture, the Authority would work toward curing the default, foreclosure or resale of the related project. Not later than the due date of each Debenture (unless such date is extended), the total loss to be shared by the Authority and HUD shall be computed pursuant to the Risk Sharing Agreement.

Department of Veterans Affairs Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, a spouse) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling at interest rates permitted by the VA. The program has no mortgage loan limits, requires no downpayment from the purchaser, and permits the guaranty of mortgage loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is up to 60% of the original principal amount of the mortgage loan or $27,500 ($25,000 in the case of guaranties issued prior to October 1, 1980, $17,500 in case of guaranties issued prior to October 1, 1978 and $12,500 in the case of guaranties issued prior to December 31, 1974), whichever is less. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender 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 guaranty as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

Congress enacted Department of Veterans Affairs home loan legislation (H.R. 2672, amending U.S. Code, Title 38). The legislation establishes a two-tier guaranty system for loans on conventionally built housing. For loans of $45,000 or less, the guaranty will be 50 percent of the loan amount. For larger loans, the guaranty will be the lower of 40 percent of the loan amount or $36,000, with a minimum guaranty of $22,500. The VA program generally provides a maximum guarantee of 40% to 50% of the original principal amount of the mortgages up to a maximum of $50,750 ($46,000 in the case of guarantees issued prior to October 13, 1994 and $36,000 prior to December 18, 1989). For guarantees issued prior to February 1, 1988, the guaranty is the lesser of 60 percent of the loan amount or $27,500. The VA currently provides a guaranty of the lesser of 40% to 50% of a home mortgage loan or $50,750 for one to four unit dwellings. Accordingly, the change means a smaller guaranty on loans below $68,750 and a larger guaranty on loans above that amount. For manufactured homes, the dollar limit on the guaranty remains at $20,000, but the percentage of the loan guaranteed drops from 50 percent to 40 percent. In addition, a manufactured home loan is limited to 95 percent of the purchase price, requiring a minimum down payment of 5 percent. The changes in the guaranty limits and the manufactured home down payment requirement apply to loans closed after January 31, 1989, pursuant to guaranty commitments issued after December 31, 1988.

The legislation modifies and extends through September 30, 1989, the statutory formula for determining whether the VA acquires a property in foreclosure or pays off the guaranty. If a liquidation sale is delayed because of the VA-requested forbearance, any interest accruing as a result of the delay is excluded from the no-bid calculation. If the VA acquires the property, that accrued interest is also excluded from the payment to the lender. The legislation also excludes from the no-bid calculation any interest accruing due to unreasonable delays in a liquidation sale caused by voluntary bankruptcy proceedings under Chapter 11 or by the VA (such as a delay in providing bidding instructions). Such interest is included in the payment to the lender in the case of VA-caused delay and in cases of VA-requested forbearance in which the VA did not acquire the property, but not in the case of bankruptcy.

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 attorneys' 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—Developments Financed with the Proceeds of Outstanding Bonds" and "—Developments That May be Financed by the Authority." 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.

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 by more than 40% (70% in the case of a deep rent skewed unit) 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 Federal Housing Administration ("FHA") under the Housing Act, or guaranteed by the Rural Housing Service (successor to the Farmers Home Administration) ("FmHA") under Title V of the Housing Act of 1949, or guaranteed by the Department of Veterans Affairs ("VA") under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38 of the United States Code as amended. 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 FmHA 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, FmHA 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.

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 (i) rated at least Aa2 in the case of Moody's Investors Service, AA in the case of Standard & Poor's Corporation, 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 and/or (ii) secured by a pledge of Investment Obligations with the ratings and effect as described above.

Swap Receipt—shall mean the net amount required to be paid to the Authority under a Swap, but shall not include any Termination Receipt.

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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