

**CONNECTICUT HOUSING FINANCE AUTHORITY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

## **CONNECTICUT HOUSING FINANCE AUTHORITY**

### **TABLE OF CONTENTS**

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Balance Sheet	7
Statement of Revenues, Expenses and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10-37
Exhibit I – Combining Balance Sheets	38-39
Exhibit II – Combining Statements of Revenues, Expenses and Changes in Fund Net Assets	40-41

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## Independent Auditors' Report

To the Board of Directors  
Connecticut Housing Finance Authority  
Rocky Hill, Connecticut

We have audited the accompanying balance sheet of the Connecticut Housing Finance Authority (the Authority) (a component unit of the State of Connecticut) as of December 31, 2009 and the related statements of revenues, expenses and changes in fund net assets and 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 2008 comparative amounts have been derived from the Authority's 2008 financial statements, and, in our report dated April 14, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Connecticut Housing Finance Authority as of December 31, 2009 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.

The accompanying Management's Discussion and Analysis is not a required part of the basic 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 consisted principally 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 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 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 in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

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In accordance with *Government Auditing Standards*, we have also issued a report, dated April 12, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

*Blum, Shapiro & Company, P.C.*

April 12, 2010

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2009**

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, 2009. Please read this section in conjunction with the financial statements and accompanying notes.

**Financial Highlights**

Since the week of September 15, 2008, there have been general disruptions in the credit markets based on factors unrelated to the Authority or the Authority's credit. As a result of these disruptions, rates on the Authority's variable rate demand bonds increased substantially and many investors put their bonds back to liquidity providers ("Bank Bonds"). These market factors and its other outstanding commitments caused one of the Authority's liquidity providers to have its credit ratings lowered. On November 21, 2008, the Authority refunded \$180 million of the Bank Bonds held by this downgraded provider with bonds supported by a liquidity facility with another liquidity provider, leaving the Authority with \$280,920,000 in Bank Bonds held by the downgraded provider and one other liquidity provider at December 31, 2008. During the first quarter of 2009, the Authority purchased all unmarketed bonds held by these two liquidity providers to reduce its interest costs and held the bonds as temporary investments in the General Fund. As of December 31, 2009, all bonds purchased were refunded or remarketed and all troubled liquidity providers have been replaced with providers the Authority considers more stable.

- Total net assets decreased \$7.9 million (or 0.9%). Operating income was \$4.5 million, a decrease of \$13.9 million (or 75.5%) from the prior year.
  - The nonoperating loss is comprised of
    - the net loss of \$14.4 million on real estate owned/other real estate owned. During 2009, the Authority, through its component units, sold 5 of its real estate owned properties and recorded a gain on these sales of \$12.1 million. \$9.9 million of this gain is attributable to the Newbury Commons property located in Stamford, Connecticut. Also in 2009, the Authority obtained an appraisal on the Trumbull on the Park property located in Hartford, Connecticut. A component unit of the Authority, Trumbull Centre – CHFA, Inc., holds a 94.74% interest in this property through a limited liability company known as Trumbull on the Park LLC. Through Trumbull Centre – CHFA, Inc., the Authority's initial capital contribution and subsequent financing totaled \$16.1 million. The carrying value of this property prior to the appraisal was \$38.3 million and the appraisal, which was based on the income approach to value, was \$11 million. The Authority's component unit, Trumbull Centre – CHFA, Inc., recorded its share of this loss in value of \$25.8 million. In addition, the Authority, through CHFA Small Properties, Inc., entered into a purchase and sale agreement for \$0.1 million for 2 of its real estate owned properties with a carrying value of \$0.8 million. Accordingly, the Authority, through CHFA Small Properties, Inc., recorded this loss of \$0.7 million.
    - the \$3.6 million decrease in the market value of the Authority's investment portfolio, specifically the Authority's GNMA Program Assets discussed below and in Notes 3 and 4 of the financial statements.
    - the net \$5.6 increase in state and federal funding activity more fully described in Note 12 of the financial statements.
- Operating revenues decreased \$1.4 million (or 0.6%).
  - This decrease is attributable to the increase in interest on mortgage loans as a result of the growth in the mortgage loan portfolio which partially offsets the decrease in interest on investments related to the Authority's short-term investments and the decrease in fees and other income attributable to the sale of real estate owned properties.
- Operating expenses increased \$12.5 million (or 5.5%).
  - This increase is largely attributable to the increase in bond interest expense as a result of the increase in the Authority's outstanding bonds and the increase in administrative expenses, in particular, the increase in liquidity fees on the Authority's variable rate demand bonds as a result of the general disruptions in the credit markets since the latter part of 2008. See above and Note 7 of the financial statements.
- Investments in mortgage loans increased \$176.9 million (or 5.5%).
  - During 2009, the Authority's home mortgage, multifamily mortgage and special needs housing portfolios experienced overall net growth. The Authority also supports its home mortgage program by purchasing GNMA securities that are collateralized with Authority eligible home mortgage loans. These GNMA mortgage-backed securities ("GNMA Program Assets") are categorized as "investments in securities." See below and Notes 3 and 4 of the financial statements.
- Cash and investments in securities decreased \$10.8 million (or 0.7%) primarily resulting from:
  - A net decrease of \$21.6 million in bond proceeds and other funds held to be used for the financing of mortgage loans or the retirement of bond debt.
  - A \$20.1 million increase in escrow deposits held by the Authority. The majority of these escrow deposits relate to the Authority's multifamily and special needs housing programs.
  - A net decrease of \$4.9 million in operating funds held in component units due to the sale of the 5 real estate owned properties. \$3.8 million of this decrease is attributable to the Newbury Commons property.
  - A \$3.6 million decrease which is attributable to the decline of investment values specifically related to GNMA Program Assets (see above and Note 2 of the financial statements).

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2009 — (Continued)**

**Financial Highlights (continued)**

- Bonds payable increased \$319.0 million (or 8.2%).
  - As a result of new bond issuances to support the Authority's home mortgage and multifamily rental housing programs.

**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 and, when appropriate, to promote or maintain the economic development of Connecticut through employer-assisted housing efforts. The financial statements are presented using the accrual basis of accounting. The Authority operates in a manner similar to a private business that includes activities such as the financing of home mortgage loans and multifamily and special needs housing real estate development.

**Financial Analysis of the Authority**

The following table summarizes the changes in Net Assets between December 31, 2009 and 2008:

	(in millions)		% Increase/ (Decrease)
	2009	2008	
Current assets	\$ 1,052.3	\$ 752.0	39.9%
Capital assets	3.2	3.2	0.0
Noncurrent assets	4,263.3	4,236.2	0.6
<b>Total assets</b>	<b>5,318.8</b>	<b>4,991.4</b>	<b>6.6</b>
Long-term debt	4,086.5	3,777.0	8.2
Other liabilities	351.3	325.5	7.9
<b>Total liabilities</b>	<b>4,437.8</b>	<b>4,102.5</b>	<b>8.2</b>
Net Assets			
Invested in capital assets	3.2	3.2	0.0
Restricted	877.8	885.7	(0.9)
<b>Total net assets</b>	<b>\$ 881.0</b>	<b>\$ 888.9</b>	<b>(0.9)</b>

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, excluding the acquired portfolio from the State) exceeded payoffs for the years ended December 31, 2009 and 2008, as follows:

	(in millions)	
	New Loans Financed	Payoffs
2009	\$ 324.5	\$ 243.1
2008	492.2	164.2

The change in the multifamily rental housing and special needs housing portfolios (excluding the acquired portfolio from the State) is summarized as follows:

	(in millions)		% Increase/ (Decrease)
	2009	2008	
Construction loan balances	\$ 80.4	\$ 141.2	(43.1)%
Permanent loan balances	668.8	547.3	22.2
Special needs housing construction loan balances	-	5.9	(100.0)
Special needs housing permanent loan balances	50.4	44.7	12.8
<b>Total multifamily mortgage loans</b>	<b>\$ 799.6</b>	<b>\$ 739.1</b>	<b>8.2</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2009 — (Continued)**

As a result of 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. The par value of this acquired portfolio at December 31, 2003 was \$213.3 million. After evaluation of the underlying loans by the Authority, the carrying value of this portfolio was written down to \$65.0 million. This acquisition is summarized as follows as of December 31, 2003:

	(in millions)		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 34.2	\$ (26.0)	\$ 8.2
Multifamily mortgage loans	<u>179.1</u>	<u>(122.3)</u>	<u>56.8</u>
Total acquired portfolio	<u>\$ 213.3</u>	<u>\$ (148.3)</u>	<u>\$ 65.0</u>
Allowance for losses % to par value		69.5%	

The status of this portfolio as of December 31, 2009 and 2008, is summarized as follows (in 000's):

	December 31, 2009		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 21.4	\$ (17.8)	\$ 3.6
Multifamily mortgage loans	<u>161.3</u>	<u>(124.7)</u>	<u>36.6</u>
Total acquired portfolio	<u>\$ 182.7</u>	<u>\$ (142.5)</u>	<u>\$ 40.2</u>
Allowance for losses % to par value		78.0%	

	December 31, 2008		
	Par Value	Allowance for Losses	Carrying Amount
Home mortgage loans	\$ 21.9	\$ (17.9)	\$ 4.0
Multifamily mortgage loans	<u>165.7</u>	<u>(128.4)</u>	<u>37.3</u>
Total acquired portfolio	<u>\$ 187.6</u>	<u>\$ (146.3)</u>	<u>\$ 41.3</u>
Allowance for losses % to par value		78.0%	

**CONNECTICUT HOUSING FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2009 — (Continued)**

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 program fees that may include an application fee, commitment fee, financing fee and sale of servicing fee. The following table summarizes the changes in operating income between December 31, 2009 and 2008. Please refer to the “Financial Highlights” section of this analysis for further explanation of these changes.

	(in millions)		% Increase/ (Decrease)
	2009	2008	
<b>Operating Revenues:</b>			
Interest on mortgage loans	\$ 180.6	\$ 175.4	3.0%
Interest on investments	55.6	58.5	(5.0)
Fees and other income	7.2	10.9	(33.9)
<b>Total operating revenues</b>	<u>243.4</u>	<u>244.8</u>	(0.6)
<b>Operating Expenses:</b>			
Interest	188.3	179.6	4.8
Amortization of deferred financing costs	5.4	4.9	10.2
Servicer fees	8.7	8.8	(1.1)
Administrative	34.8	29.8	16.8
Provision for losses	1.7	3.3	(48.5)
<b>Total operating expenses</b>	<u>238.9</u>	<u>226.4</u>	5.5
Operating income	<u>4.5</u>	<u>18.4</u>	(75.5)
<b>Nonoperating Revenues Expenses:</b>			
Net increase (decrease) in the fair value of investments	(3.6)	47.7	(107.5)
Other	(8.8)	6.6	(233.3)
<b>Total nonoperating income (loss)</b>	<u>(12.4)</u>	<u>54.3</u>	(122.8)
<b>Change in net assets</b>	<u>\$ (7.9)</u>	<u>\$ 72.7</u>	(110.9)

**Debt Administration**

At December 31, 2009, the Authority’s outstanding bond principal was \$4,189.0 million, an increase of 8.2% over December 31, 2008 as shown below. More detailed information related to the Authority’s outstanding bond debt obligations is presented in Note 7 of the financial statements. The following table summarizes the changes in bonds payable between December 31, 2009 and 2008:

	(in millions)		% Increase
	2009	2008	
Bonds payable	\$ 4,189.0	\$ 3,870.0	8.2%

**New Business**

During calendar year 2009, the Authority issued six series of Housing Mortgage Finance Program Bonds totaling \$432.0 million, two series of conduit debt obligations totaling \$38.7 million and two series of special obligation bonds totaling \$219.3 to provide financing for its home mortgage, multifamily mortgage and special needs housing programs. The special obligation bonds were issued under two new bond resolutions in conjunction with the Federal New Issue Bond Program described in Note 7 of the financial statements. Under various programs, the Authority has also made funds available from net assets. During 2009, the Authority sold five of its multifamily real estate owned properties and in February 2010 entered into an agreement to sell two more. Sale closings for these two properties took place in the first quarter of 2010 (see Note 5 of the 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**  
**BALANCE SHEET**  
**DECEMBER 31, 2009**  
**(With Comparative Amounts for 2008)**  
**(in 000's)**

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
<b>Restricted Current Assets</b>		
Cash and cash equivalents	\$ 998	\$ 780
Investments in mortgage loans	119,680	118,967
Investments in securities	551,263	497,731
Accrued interest receivable on:		
Investments in mortgage loans	19,736	17,524
Investments in securities	889	1,699
Accounts receivable and other assets	23,199	25,436
Accounts receivable – Federal New Issue Bond Program	219,031	-
Real estate owned – multifamily	100	33,341
Funds held under Special Needs Housing Renewal and Replacement Fund	2,995	2,650
Funds held under Capital Reserve Funds Requirements	114,393	53,903
<b>Total current assets</b>	<b>1,052,284</b>	<b>752,031</b>
<b>Restricted Noncurrent Assets</b>		
Investments in mortgage loans, net of current portion	3,254,002	3,077,856
Investments in securities, net of current portion	154,389	215,745
Accounts receivable and other assets	2,121	1,503
Capital assets, net of depreciation	3,234	3,173
Real estate owned – single family	7,037	3,017
Real estate owned – multifamily	5,658	4,206
Other real estate owned	12,483	41,286
Deferred financing costs	29,973	30,599
Funds held under Capital Reserve Funds Requirements	797,638	861,974
<b>Total noncurrent assets</b>	<b>4,266,535</b>	<b>4,239,359</b>
<b>Total assets</b>	<b>\$ 5,318,819</b>	<b>\$ 4,991,390</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Escrow deposits	\$ 54,437	\$ 45,451
Accrued interest payable	22,617	25,988
Accounts payable and accrued liabilities	11,265	9,940
Minority interests – other real estate owned	4,543	6,082
Loan payable – other real estate owned	22,828	22,986
Bonds payable	102,516	93,063
<b>Total current liabilities</b>	<b>218,206</b>	<b>203,510</b>
<b>Noncurrent Liabilities</b>		
Escrow deposits, net of current portion	133,123	121,996
Bonds payable, net of current portion	4,086,507	3,776,993
<b>Total noncurrent liabilities</b>	<b>4,219,630</b>	<b>3,898,989</b>
<b>Total liabilities</b>	<b>4,437,836</b>	<b>4,102,499</b>
<b>Net Assets</b>		
Invested in capital assets, net of accumulated depreciation	3,234	3,173
Restricted	877,749	885,718
<b>Total net assets</b>	<b>880,983</b>	<b>888,891</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,318,819</b>	<b>\$ 4,991,390</b>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With Comparative Amounts for 2008)**  
**(in 000's)**

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>		
Interest on mortgage loans	\$ 180,589	\$ 175,393
Interest on investments	55,566	58,490
Fees and other income	7,242	10,936
<b>Total operating revenues</b>	<u>243,397</u>	<u>244,819</u>
 <b>Operating Expenses</b>		
Interest	188,307	179,563
Amortization of deferred financing costs	5,351	4,934
Servicer fees	8,736	8,785
Administrative	34,769	29,814
Provision for losses	1,728	3,305
<b>Total operating expenses</b>	<u>238,891</u>	<u>226,401</u>
 <b>Operating income</b>	<u>4,506</u>	<u>18,418</u>
 <b>Nonoperating Revenues (Expenses)</b>		
Net increase (decrease) in the fair value of investments	(3,650)	47,706
Gain (loss) on real estate owned/other real estate owned	(14,441)	3,550
State and federal program funding	18,630	4,255
State and federal program expenses	(12,953)	(1,235)
<b>Nonoperating income (loss)</b>	<u>(12,414)</u>	<u>54,276</u>
 <b>Change in net assets</b>	<u>(7,908)</u>	<u>72,694</u>
Net assets, beginning of year	<u>888,891</u>	<u>816,197</u>
Net assets, end of year	<u>\$ 880,983</u>	<u>\$ 888,891</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With Comparative Amounts for 2008)**  
**(in 000's)**

	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from interest on mortgage loans	\$ 178,377	\$ 172,381
Cash received from scheduled mortgage principal payments	92,411	80,935
Cash received from mortgage principal prepayments	169,724	105,746
Cash received from fees and other income	6,065	8,312
Cash received from gain on sale of real estate owned	12,105	3,550
Cash received from state and federal program funding	18,630	4,227
Cash payments for state and federal program expenses	(2,585)	(1,110)
Cash payments to purchase mortgage loans	(412,953)	(371,278)
Cash payments to employees	(16,778)	(15,951)
Cash payments to suppliers	(32,268)	(17,128)
<b>Net cash provided by (used in) operating activities</b>	<b>12,728</b>	<b>(30,316)</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Increase (decrease) in escrow deposits	20,113	(15,361)
Retirement of bonds payable	(332,388)	(544,900)
Proceeds from sales of bonds	432,324	888,030
Interest paid	(190,874)	(173,437)
Bond issuance costs	(5,529)	(7,733)
Capital Reserve Funds transfers	-	(60,026)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>(76,354)</b>	<b>86,573</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Building improvements	(207)	-
<b>Net cash used in capital and related financing activities</b>	<b>(207)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of and maturities of investment securities	426,379	48,640
Purchase of investment securities	(419,032)	(165,521)
Interest received on investments	56,704	59,146
<b>Net cash provided by (used in) investing activities</b>	<b>64,051</b>	<b>(57,735)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>218</b>	<b>(1,478)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>780</b>	<b>2,258</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 998</b>	<b>\$ 780</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>		
Operating income	\$ 4,506	\$ 18,418
Adjustments to reconcile to net cash used in operating activities:		
State and federal program funding	18,630	4,255
State and federal program expenses	(12,953)	(1,235)
Gain (loss) on real estate owned/other real estate owned	(14,441)	3,550
Amortization of deferred financing costs	5,351	4,934
Depreciation	146	144
Provision for losses	1,728	3,305
Interest on investments	(55,566)	(58,490)
Interest expense	188,307	179,563
Increase in accrued interest on mortgage loans	(2,212)	(3,012)
(Increase) decrease in accounts receivable and other assets	1,619	(2,090)
Increase (decrease) in accounts payable and accrued liabilities	1,325	(766)
Increase in mortgage loan and other receivables	(123,712)	(178,892)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 12,728</b>	<b>\$ (30,316)</b>

The accompanying notes are an integral part of the financial statements

# CONNECTICUT HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### **Note 1—Authorizing Legislation**

Connecticut Housing Finance Authority (the “Authority”) is a public instrumentality and political subdivision of the State of Connecticut. It was created in 1969 for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate-income families and persons throughout Connecticut. The Authority operates pursuant to Chapter 134 of the Connecticut General Statutes, as amended (the “Act”). As required by the Act, the Authority’s powers are exercised by a Board of Directors consisting of fifteen members, four of whom are State officials, seven of whom are appointed by the Governor and four of whom are appointed by leaders of the General Assembly.

The Authority is authorized to issue bonds, notes and other obligations to fund loans to qualified borrowers for single family homes and multifamily developments. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Authority is included as a component unit in the State of Connecticut’s Comprehensive Annual Financial Report.

### **Note 2—Summary of Significant Accounting Policies**

#### *Measurement Focus and Basis of Accounting*

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. Accounting principles generally accepted in the United States of America (“GAAP”) used for proprietary funds are similar to those applicable to businesses in the private sector. They are reported using the economic resources of measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. GAAP applicable to state and local governmental entities is promulgated by the Governmental Accounting Standards Board (“GASB”). 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.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s on-going operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include the sale of loan servicing fees and other administrative fees, as operating revenues. Operating expenses include interest expense, administrative expenses, depreciation and provision for losses. Revenues or expenses not meeting this definition are generally reported as nonoperating revenues and expenses.

#### *Prior Year Comparative Amounts*

The financial statements include comparative amounts and selected disclosures for the prior year. Such information does not include all of the information required to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Authority’s financial statements for the year ended December 31, 2008 from which the comparative information was derived.

#### *Reporting Entity*

As required by GAAP, these financial statements present the Authority and its component units, entities for which the Authority is considered financially accountable. The Authority is financially accountable for those units that make up its legal entity, as well as certain legally separate organizations, because they have essentially the same board of directors and management personnel. Blended component units are, in substance, part of the Authority’s operations; therefore, data from these units are combined with data of the primary Authority. Interfund activity has been removed.

#### *Connecticut Housing Finance Authority 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:

- (a) Special Needs Housing Fund, Special Needs Housing Capital Reserve Fund and the Special Needs Housing Renewal and Replacement Fund (the “Special Needs Housing Funds”) which the Authority is authorized to maintain under the Act and the Special Needs Housing Mortgage Finance Program Indenture (formerly known as the Group Home Mortgage Finance Program Indenture of Trust) (the “Special Needs Indenture”).

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

- (b) Single Family Special Obligation Bond Funds which the Authority is authorized to maintain under the Act and the Single Family Special Obligation Bond Resolution (the “SFSOB Resolution”) of November 19, 2009, and
- (c) Multifamily Special Obligation Bond Funds which the Authority is authorized to maintain under the Act and the Multifamily Special Obligation Bond Resolution (the “MFSOB Resolution”) of November 19, 2009.

*Blended Component Units*

*State Housing Authority*

The State Housing Authority (the “Corporation”) is a quasi-public agency of the State of Connecticut and a subsidiary of the Authority. It was created as the successor to the Connecticut Housing Authority (“CHA”) under Public Act No. 95-250, which transferred \$1,282,000 to establish the Corporation. The Corporation operates pursuant to Chapter 129 of the Connecticut General Statutes, as amended (the “CHA Act”).

*Real Estate Owned - Multifamily*

CHFA – Small Properties, Inc., CPS Properties Inc., Diamond Court – CHFA, Inc., Henry Place – CHFA, Inc., Mitchell School – CHFA, Inc., Newbury Commons – CHFA, Inc., and St. Mary’s Residence – CHFA, Inc., were established as 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 real estate awaiting sale. The property held under Mitchell School – CHFA, Inc., was sold on February 4, 2008 and the subsidiary was subsequently dissolved. During the first quarter of 2008, five properties held under CHFA – Small Properties, Inc., were also sold. During 2009, the properties held under Diamond Court – CHFA, Inc., Henry Place – CHFA, Inc., Newbury Commons – CHFA, Inc., and St. Mary’s Residence – CHFA, Inc., were sold and the subsidiaries were, or will be, dissolved. In addition, during 2009 one property was sold and one property was acquired through foreclosure under CHFA – Small Properties, Inc.

*Other Real Estate Owned*

Trumbull Centre – CHFA, Inc., is also a tax exempt subsidiary of the Authority operating pursuant to Section 8-244(c)(1) of the Connecticut General Statutes. It was created to acquire a ninety percent interest in a Hartford, Connecticut, real estate development project known as Trumbull on the Park. Trumbull Centre – CHFA, Inc., also acquired a ninety percent interest in real estate located at 111 Pearl Street, Hartford, Connecticut, an adjacent property to the Trumbull on the Park development. On January 30, 2008, one of the limited partners withdrew and its interest was proportionately reallocated between the remaining limited partners. Trumbull Centre – CHFA, Inc., now holds a 94.74% interest in both Trumbull on the Park and 111 Pearl Street.

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 and Cash Equivalents*

Cash is comprised of accounts on deposit with financial institutions. For purposes of reporting cash flows, highly liquid instruments with an original maturity of less than 90 days are generally considered to be cash equivalents, exclusive of the State of Connecticut Short Term Investment Fund and overnight sweeps, which are considered to be investments in securities.

*Investments in Mortgage Loans*

Mortgage loans are carried at their principal balance net of allowance for losses and are generally secured by first liens on real property. Interest on loans is accrued and credited to operations based on the principal amount outstanding. The accrual of interest income is discontinued when a loan becomes 90 days past due or in management’s opinion is deemed uncollectible as to principal or interest. When interest accruals are discontinued, unpaid interest previously credited to income is reversed and subsequently recognized as income only when received.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

*Allowance for Losses*

The allowance for losses on the loan and real estate owned portfolios is provided through charges against current operations based on management's periodic review of the loan and real estate owned portfolios. This review considers such factors as the payment history of the loans, the current and projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee and economic conditions.

*Investments in Securities*

The Authority is limited under the Act to (i) investment obligations issued or guaranteed by the United States Government or the State of Connecticut, (ii) participation certificates for the investment pool administered by the State Treasurer, and (iii) other obligations which are legal investments for savings banks in Connecticut and to time deposits or certificates of deposit or other similar arrangements secured in such a manner as the Authority determines.

Investments are carried at fair value with the exception of those investments maturing within one year, which are carried at amortized cost, excluding accrued interest.

*Accounts Receivable*

In 1994, the Authority redeemed and refunded certain outstanding bonds under the Bond Resolution, which resulted in cash flow savings, and concurrently entered into an agreement with the United States Department of Housing and Urban Development ("HUD") pursuant to which an effective reduction in the Section 8 subsidy payments on certain HUD assisted developments was made. This savings in Section 8 subsidy is divided equally between the Authority and HUD. The Authority must use its share of the savings to provide housing for very low-income persons and families. The savings are held in trust until disbursed by the Authority, at which time they are requisitioned from the trustee.

In October 2009, the U.S. Department of Treasury, the Federal Housing Finance Agency and Fannie Mae and Freddie Mac announced the Federal New Issue Bond Program authorized by the Housing Economic Recovery Act of 2008. Pursuant to this program, which is more fully described in Note 7, the Authority issued \$191,720,000 in Single Family Special Obligation Bonds and \$27,610,000 in Multifamily Special Obligation Bonds on December 30, 2009 that settled on January 12, 2010.

*Capital Assets*

Land and building acquisitions and subsequent improvements exceeding \$100 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using the straight-line method over the estimated useful life of the building of 32 years.

*Compensated Absences*

Full-time employees accrue vacation or annual leave at the rate of ten to twenty-five days per year, depending on length of service. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination or death may be compensated for certain accumulated amounts at their then current rates of pay. The Authority records an expense for all accumulated leave that the Authority would be required to pay if all employees terminated their employment at year end.

*Deferred Financing Costs*

Issuance costs on bonds are deferred and amortized, on a level yield basis, over the term of the related issue. 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.

## CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS — CONTINUED

### *Real Estate Owned*

Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported separately in real estate owned. In-substance foreclosures are properties in which the borrower has little or no equity in the collateral, where repayment of the loan is expected only from the operation or sale of the collateral, and the borrower either effectively abandons control of the property or the borrower has retained control of the property, but his ability to rebuild equity based on current financial conditions is considered doubtful. Properties acquired by foreclosure or deed in lieu of foreclosure and properties classified as in-substance foreclosures are transferred to real estate owned and recorded at the lower of cost or fair market value. Loan losses arising from the acquisition of such property are charged against the allowance for losses. An allowance for losses on real estate owned is maintained for subsequent valuation adjustments on a specific property basis.

### *Interest Rate Swap Agreements*

The interest differentials to be paid or received under interest rate swaps are recognized as increases or decreases in interest expense of the related bond liability. The fair value of the Authority's position at year end in swap agreements is disclosed in Note 7. No gains or losses will result under the agreements unless an agreement is terminated prior to maturity or the counterparty defaults.

### *Net Assets*

Net assets are classified in the following two categories:

Invested in Capital Assets, Net of Accumulated Depreciation – This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted – All funds and component units of the Authority that are not related to capital assets are restricted by the Bond Resolution, Special Needs Indenture, Single Family Special Obligation Bond Resolution, Multifamily Special Obligation Bond Resolution and/or the Act.

### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### *Reclassifications*

Certain 2008 comparative amounts have been reclassified to conform to the 2009 financial statement presentation.

### **Note 3—Cash and Cash Equivalents and Investments in Securities**

#### *(a) Deposits (in 000's)*

At December 31, 2009 and 2008, the carrying amount reported as cash and cash equivalents on the balance sheets of the Authority represents deposits (including checking accounts and escrow accounts) of \$998 and \$780, respectively. All of this amount is on deposit in independent financial institutions with a financial institution balance of \$1,498 and \$1,280 at December 31, 2009 and 2008, respectively. Included in the carrying amount reported as cash and cash equivalents, \$389 and \$413, respectively, represents deposits held in escrow by the Authority at December 31, 2009 and 2008.

*Custodial Credit Risk* – Of the \$1,498 and \$1,280 financial institution balance at December 31, 2009 and 2008, \$512 and \$552, respectively, was uninsured and collateralized with securities by the financial institution, but not in the Authority's name.

#### *(b) 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. 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.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

At December 31, 2009, the Authority held the following investments with the listed maturities bearing interest at annual rates ranging from 0.01% to 8.38% (which includes escrows with a carrying amount of \$187,171). For those investments where no rating is indicated, the investments are direct obligations issued by the United States Government or its agencies or fully collateralized by such obligations. Ratings are displayed with the Standard & Poor's rating listed first (if available), the Moody's Investors Service second (if available) and the Fitch Rating last (if available).

	Investment Maturities (in Years)				
	Carrying Amount	Less Than 1	1 - 5	6 - 10	More Than 10
CMO-rated AA+	\$ 1,247	\$ -	\$ -	\$ -	\$ 1,247
Corporate Finance Bonds-rated BBB- /Baa3/BBB-	5,428	-	5,428	-	-
Federated Funds	868	868	-	-	-
Fidelity Funds	7,480	7,480	-	-	-
Fidelity Tax Exempt Fund-not rated	10,293	10,293	-	-	-
GNMA Program Assets	936,829	-	-	-	936,829
Guaranteed Investment Contracts-rated AAA/Aa2/AA+	114	-	114	-	-
MBS's	2,403	-	413	-	1,990
Repurchase Agreements	4,555	-	-	-	4,555
STIF-rated AAAM	646,828	646,828	-	-	-
Structured Securities-rated D/C/D	685	-	-	-	685
U.S. Government Agency Securities	766	-	-	-	766
<b>Total investments held by all funds and component units</b>	<b>\$ 1,617,496</b>	<b>\$ 665,469</b>	<b>\$ 5,955</b>	<b>\$ -</b>	<b>\$ 946,072</b>
<b>Restricted Current Assets</b>					
Capital Reserve Funds	\$ 111,211				
Renewal and Replacement Fund	2,995				
All other funds and component units	551,263				
<b>Total Restricted Current Assets</b>	<b>665,469</b>				
<b>Restricted Noncurrent Assets</b>					
Capital Reserve Funds	797,638				
All other funds and component units	154,389				
<b>Total Restricted Noncurrent Assets</b>	<b>952,027</b>				
<b>Total investments held by all funds and component units</b>	<b>\$ 1,617,496</b>				

*Interest Rate Risk* – Exposure to declines in fair value is substantially limited to the Authority's investment in GNMA Program Assets, discussed above. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flow requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

## CONNECTICUT HOUSING FINANCE AUTHORITY NOTES TO FINANCIAL STATEMENTS — CONTINUED

*Credit Risk* – The Authority’s investments are limited under the Act to (i) United States Government obligations, including its agencies or instrumentalities, (ii) investments guaranteed by the State of Connecticut, (iii) participation certificates for the investment pool administered by the State Treasurer or (iv) other obligations which are legal investments for savings banks in Connecticut. Repurchase agreements, certificates of deposit and the Federated and Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities (“MBSs”) are fully collateralized by the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”) or the Government National Mortgage Association (“GNMA”), and Collateralized Mortgage Obligations (“CMOs”) are fully collateralized by the United States Department of Housing and Urban Development (“HUD”) mortgage pools. Structured Securities are fully collateralized by Manufactured Housing Sales Contracts and Installment Loan Agreements. At December 31, 2009 and 2008, one Structured Security with a carrying amount of \$685 and \$628, respectively, was below Investment Grade rating standards. Corporate Finance Bonds and Guaranteed Investment Contracts meet Investment Grade rating standards. The Fidelity Tax Exempt Fund is subject to Rule 2a-7 of the Investment Company Act of 1940.

*Concentration of Credit Risk* – The Authority’s investment policy requires diversification of its investment portfolio to reduce the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2009 and 2008, the Authority had no investments in any one issuer that represents 5% or more of total investments, other than investments guaranteed by the U.S. Government (GNMA Program Assets) and other pooled investments (STIF).

*Custodial Credit Risk* – All investments exist in book entry form and are held by the Trustee or other financial institution in the Authority’s name or insured (Carrying Amount – \$970,554 in 2009 and \$1,099,183 in 2008) with the exception of the Berkshire Hathaway Guaranteed Investment Contract, which is an Investment Grade unsecured senior debt obligation of Berkshire Hathaway Inc. (Carrying Amount – \$114 in 2009 and \$289 in 2008-rated AAA/Aaa/AAA) and the State of Connecticut Short Term Investment Fund (“STIF”) (Carrying Amount – \$646,828 in 2009 and \$529,058 in 2008-rated AAAM), which is a participation certificate for the investment pool administered by the State Treasurer. The underlying value of the investment in the pool is the same as the value of the pool’s shares. Regulatory oversight for the STIF is provided by an investment advisory council and the Treasurer’s Cash Management Board.

### *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 (\$287,596 at December 31, 2009 and \$273,528 at December 31, 2008) 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 (\$296,519 at December 31, 2009 and \$285,910 at December 31, 2008) on all bonds of the Authority then outstanding under the Bond Resolution. For purposes of satisfying these requirements, the Act and the Bond Resolution require that investments of the Bond Resolution Capital Reserve Fund be valued at the lowest of par, actual cost or market value. To satisfy this calculation, variable rate unswapped interest on bonds is assumed to be remarketed to long-term rates of interest at the then current market rate and variable rate swapped interest on bonds is included at the fixed rate on the swap on each calculation date.

### *Special Needs Indenture Capital Reserve Fund (in 000’s)*

The Special Needs Indenture Capital Reserve Fund is established pursuant to the Act and the Special Needs Indenture and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year (\$4,004 at December 31, 2009 and \$4,018 at December 31, 2008) on all bonds of the Authority then outstanding under the Special Needs Indenture. Further, the Authority may not issue additional bonds under the Special Needs Indenture unless the amount in the Special Needs Indenture Capital Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest maturing and becoming due in any succeeding calendar year (\$4,009 at December 31, 2009 and \$4,018 at December 31, 2008) on all bonds of the Authority then outstanding under the Special Needs Indenture. For purposes of satisfying these requirements, the Act and the Special Needs Indenture require that investments of the Special Needs Indenture Capital Reserve Fund be valued at amortized cost or such other method as determined by the Authority to be reasonable and in the best interest of the bondholders, provided such other method is approved by the trustee and any applicable bond insurer.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

Restricted funds of the Bond Resolution and Special Needs Indenture Capital Reserve Funds consisted of the following:

	December 31,					
	2009			2008		
	Bond Resolution	Special Needs Indenture	Total	Bond Resolution	Special Needs Indenture	Total
Investments in securities	\$ 904,186	\$ 4,663	\$ 908,849	\$ 907,600	\$ 4,808	\$ 912,408
Accrued interest receivable	3,172	10	3,182	3,456	13	3,469
<b>Total Capital Reserve Funds</b>	<b>\$ 907,358</b>	<b>\$ 4,673</b>	<b>\$ 912,031</b>	<b>\$ 911,056</b>	<b>\$ 4,821</b>	<b>\$ 915,877</b>
<b>Restricted Current Assets</b>						
Investments in securities	\$ 108,494	\$ 2,717	\$ 111,211	\$ 47,735	\$ 2,699	\$ 50,434
Accrued interest receivable	3,172	10	3,182	3,456	13	3,469
<b>Total Restricted Current Assets</b>	<b>111,666</b>	<b>2,727</b>	<b>114,393</b>	<b>51,191</b>	<b>2,712</b>	<b>53,903</b>
<b>Restricted Noncurrent Assets</b>						
Investments in securities	795,692	1,946	797,638	859,865	2,109	861,974
<b>Total Restricted Noncurrent Assets</b>	<b>795,692</b>	<b>1,946</b>	<b>797,638</b>	<b>859,865</b>	<b>2,109</b>	<b>861,974</b>
<b>Total Capital Reserve Funds</b>	<b>\$ 907,358</b>	<b>\$ 4,673</b>	<b>\$ 912,031</b>	<b>\$ 911,056</b>	<b>\$ 4,821</b>	<b>\$ 915,877</b>

*Special Needs Housing Renewal and Replacement Fund*

The Special Needs Housing Renewal and Replacement Fund is established pursuant to the Act and the Special Needs Indenture to provide funding for capital repairs and replacements exceeding \$2,500 for group homes financed with the proceeds of bonds issued under the Special Needs Indenture. At December 31, 2009 and 2008, the carrying amount of restricted funds of the Special Needs Housing Renewal and Replacement Fund consisted of the following (in 000's):

	December 31,	
	2009	2008
Investments in securities	\$ 2,995	\$ 2,646
Accrued interest receivable	-	4
<b>Total Special Needs Housing Renewal and Replacement Fund</b>	<b>\$ 2,995</b>	<b>\$ 2,650</b>

**Note 4—Investments in Mortgage Loans**

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.

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

	December 31,	
	2009	2008
<b>Home mortgage loans</b>		
Insured by the Federal Housing Administration or guaranteed by the Veterans Administration	\$ 1,804,440	\$ 1,661,637
Insured by private mortgage insurance companies	273,003	295,630
Uninsured reverse annuity mortgage loans	7,610	8,107
Uninsured, not guaranteed	547,468	546,169
<b>Total home mortgage loans</b>	<b>2,632,521</b>	<b>2,511,543</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

**Multifamily mortgage loans**

Completed developments:

Insured by the Federal Housing Administration or guaranteed by private insurer	64,037	68,375
Partially insured by the Federal Housing Administration	17,645	18,151
Uninsured, federally subsidized	106,261	123,375
Uninsured, State of Connecticut subsidized special needs housing mortgage loans	50,388	44,738
Uninsured, unsubsidized, not guaranteed	<u>642,081</u>	<u>499,932</u>
<b>Total completed developments</b>	<u>880,412</u>	<u>754,571</u>

Construction mortgage loans:

Uninsured, State of Connecticut subsidized special needs housing mortgage loans	-	5,949
Uninsured, unsubsidized	<u>84,903</u>	<u>144,422</u>
<b>Total construction mortgage loans</b>	<u>84,903</u>	<u>150,371</u>
<b>Total multifamily mortgage loans</b>	<u>965,315</u>	<u>904,942</u>

Less allowance for losses	<u>(224,154)</u>	<u>(219,662)</u>
<b>Total investments in mortgage loans</b>	<u>\$ 3,373,682</u>	<u>\$ 3,196,823</u>

Restricted current assets	\$ 119,680	\$ 118,967
Restricted noncurrent assets	<u>3,254,002</u>	<u>3,077,856</u>
<b>Total investments in mortgage loans</b>	<u>\$ 3,373,682</u>	<u>\$ 3,196,823</u>

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 \$36,000 for loans up to \$144,000. For certain loans in excess of \$144,000, the maximum is equal to 25% of the Freddie Mac conforming loan limit determined under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a single family residence, as adjusted for the year involved. 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 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”) and special needs persons (“Assisted Living Facility”) through the issuance of bonds under the Special Needs Indenture. The mortgage loans will be repaid by Group Home and Assisted Living Facility 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 2 to 50 years.

Construction loans earn interest at rates ranging from 0% to 6.50%. 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 6.50%.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

Nonperforming loans were 1.37% of total assets at December 31, 2009 compared to 1.39% of total assets at December 31, 2008. Information with respect to nonperforming loans is as follows (in 000's):

	December 31,	
	2009	2008
Nonaccrual single family loans	\$ 44,183	\$ 31,845
Nonaccrual multifamily loans	28,845	37,431
Total	\$ 73,028	\$ 69,276

Interest income that would have been recorded in the years ended December 31, 2009 and 2008, on nonaccrual loans under the original terms was approximately \$3,896,000 and \$3,012,000, respectively.

At December 31, 2009, the multifamily loan portfolio included 21 restructured loans with an aggregate outstanding principal balance of \$60,816,000. The gross interest income that would have been recorded in 2009 if these loans had been current in accordance with the original terms was \$3,671,000. The interest received on these loans in 2009 was \$3,686,000.

At December 31, 2008, the multifamily loan portfolio included 19 restructured loans with an aggregate outstanding principal balance of \$56,407,000. The gross interest income that would have been recorded in 2008 if these loans had been current in accordance with the original terms was \$3,644,000. The interest received on these loans in 2008 was \$3,484,000.

**Note 5—Real Estate Owned and Other Real Estate Owned**

*Real Estate Owned (in 000's)*

	December 31,					
	2009			2008		
	Single Family	Multifamily	Total	Single Family	Multifamily	Total
Real estate owned	\$ 7,413	\$ 7,588	\$ 15,001	\$ 3,095	\$ 39,377	\$ 42,472
Allowance for losses	(376)	(1,830)	(2,206)	(78)	(1,830)	(1,908)
Real estate owned - carrying amount	\$ 7,037	\$ 5,758	\$ 12,795	\$ 3,017	\$ 37,547	\$ 40,564

With respect to real estate owned – 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 real estate owned – multifamily, the Authority is holding such assets for subsequent sale in a manner that will allow maximization of value. As of December 31, 2009 and 2008, 7 and 11 properties, respectively, were classified as real estate owned – multifamily, including one in-substance foreclosure. During 2009, the Authority sold 5 of the 11 properties recognizing a gain of \$12,105,000, and acquired one property through foreclosure. In February 2010, the Authority, through CHFA Small Properties, Inc., entered into a purchase and sale agreement for 2 of the remaining properties for \$100,000. The carrying value of these properties was \$820,000 prior to execution of the agreement. Accordingly, the Authority, through CHFA Small Properties, Inc., recorded an impairment loss of \$720,000 and the carrying value of \$100,000 has been classified as a current asset.

*Other Real Estate Owned*

During 2003, the Authority's component unit, Trumbull Centre – CHFA, Inc., acquired a ninety percent interest in a Hartford, Connecticut, real estate development project known as Trumbull on the Park. Trumbull Centre – CHFA, Inc., also acquired a ninety percent interest in property adjacent to the Trumbull project, known as 111 Pearl Street. On January 30, 2008, one of the limited partners withdrew and its interest was proportionately reallocated between the remaining limited partners. Trumbull Centre – CHFA, Inc., now holds a 94.74% interest in both Trumbull on the Park and 111 Pearl Street. As of December 31, 2009 and 2008, assets were \$11,664,000 and \$40,467,000, respectively, on the Trumbull project and \$835,000 and \$834,000, respectively, on the Pearl Street property. Minority interests in Trumbull on the Park and 111 Pearl Street were \$4,590,000 and (\$47,000), respectively, at December 31, 2009 and \$6,119,000 and (\$37,000), respectively, at December 31, 2008. The Trumbull project is financed by a \$23,204,000 HUD-insured mortgage and capital contributions. This mortgage has an interest rate of 6.50%, a 40-year repayment term and an outstanding balance at December 31, 2009 and 2008 of \$22,828,000 and \$22,986,000, respectively. The Authority, through Trumbull Centre – CHFA, Inc., also provided financing to the Trumbull project with loans in the aggregate original amount of

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

\$7,320,000 at December 31, 2009 and 2008, and approved additional financing of \$514,000 in December 2009. Interest accrues on these aggregate loans at 6.50% with payment of principal and interest deferred until maturity, which originally was December 31, 2008, subsequently amended in February 2009 to December 31, 2011. The aggregate outstanding balance at December 31, 2009 and 2008, was \$7,320,000. Financing was provided by the Authority to the Pearl Street property in the aggregate original amount of \$1,320,000 as of December 31, 2008, and by capital contributions. Interest accrues on the Authority's financing at 5.50%, with payment of principal and interest deferred until sale, assignment, transfer, refinancing or maturity, which was January 31, 2008, subsequently amended in 2008 to January 31, 2009. The amount and maturity date of these aggregate loans were amended again in February 2009 for a total aggregate loan amount of \$1,470,000 to mature on June 30, 2010. The aggregate outstanding balance at December 31, 2009 and 2008, was \$1,370,000 and \$1,275,000, respectively. The Trumbull project is fully operational. Final closing of the HUD-insured construction loan to a permanent loan took place on January 30, 2008. In 2009, the Authority obtained an appraisal on the Trumbull on the Park property, which was updated in March 2010. Both appraisals were based on the income approach to value. The updated appraised value was \$11,000,000. The carrying value of this property prior to the appraisal was \$38,260,000. The Authority's component unit, Trumbull Centre – CHFA, Inc., recorded its share of this impairment loss of \$25,826,000. The Authority is currently working with the management company to revise the operating budget in anticipation of achieving cost savings without compromising the occupancy and maintenance of the property. In addition, the Authority is discussing refinancing and debt restructuring options with the lender and insurer (HUD).

**Note 6—Capital Assets**

Capital asset activity for the years ended December 31, 2009 and 2008, is as follows (in 000's):

	<b>Balance, January 1, 2009</b>	<b>Additions/ (Deletions)</b>	<b>Balance, December 31, 2009</b>
Capital Assets:			
Land	\$ 851	\$ -	\$ 851
Building	2,851	-	2,851
Improvements	1,219	207	1,426
	<u>4,921</u>	<u>207</u>	<u>5,128</u>
Less accumulated depreciation	(1,748)	(146)	(1,894)
Capital Assets, net	<u>\$ 3,173</u>	<u>\$ 61</u>	<u>\$ 3,234</u>
	<b>Balance, January 1, 2008</b>	<b>Additions/ (Deletions)</b>	<b>Balance, December 31, 2008</b>
Capital Assets:			
Land	\$ 851	\$ -	\$ 851
Building	2,851	-	2,851
Improvements/(Dispositions), net	1,419	(200)	1,219
	<u>5,121</u>	<u>(200)</u>	<u>4,921</u>
Less accumulated depreciation	(1,604)	(144)	(1,748)
Capital Assets, net	<u>\$ 3,517</u>	<u>\$ (344)</u>	<u>\$ 3,173</u>

**Note 7—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 0.20% to 9.36%, are subject to certain redemption provisions and mature in years through 2049.

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

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

long-term mortgage and construction loans financed, or deemed to have been financed from the Housing Mortgage General Fund, and (3) all monies and securities of the Housing Mortgage General Fund and the Bond Resolution Capital Reserve Fund.

*Special Needs Indenture*

Special Needs Housing Mortgage Finance Program Bonds issued under the Special Needs Indenture bear interest at rates ranging from 3.30% to 6.13%, 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 Special Needs Indenture: (1) the proceeds derived from the sale of bonds issued under the Special Needs Indenture, (2) all mortgage repayments with respect to Special Needs Housing mortgages financed from the Special Needs Housing Fund, and (3) all monies and securities of the Special Needs Housing Fund and the Special Needs Housing Capital Reserve Fund.

*SFSOB Resolution and MFSOB Resolution*

In October 2009, the U.S. Department of Treasury (the “Treasury”), the Federal Housing Finance Agency and Fannie Mae and Freddie Mac (the “GSEs”) announced the Federal New Issue Bond Program (the “Federal NIBP”) authorized by the Housing Economic Recovery Act of 2008. The Federal NIBP allows the GSEs to purchase bonds from housing finance agencies (the “HFAs”) and package them into GSE-guaranteed securities for delivery to and purchase by the Treasury. These HFA bonds may be issued to finance single family or multifamily mortgage loans. If issued to finance single family loans, the HFA bonds may not exceed 60% of the bond issue. The HFA bonds were required to be issued at fixed rates to maturity or monthly rate reset bonds that must convert to rates fixed to maturity in calendar year 2010. The fixed interest rates are expected to be lower than prevailing interest rates available through a public bond offering. Pursuant to this program, the Authority issued \$191,720,000 in Single Family Special Obligation Bonds and \$27,610,000 in Multifamily Special Obligation Bonds on December 30, 2009 that settled on January 12, 2010.

As of December 31, 2009, these Special Obligation Bonds bear no interest until the settlement date of January 12, 2010. On and after January 12, 2010, they bear interest at variable rates and are subject to conversion in whole or in part to a fixed interest rate on up to three dates prior to and including December 31, 2010. The Single Family Special Obligation Bonds mature on December 1, 2041 and the Multifamily Special Obligation Bonds are term bonds that mature on December 1, 2051.

Bonds issued under the SFSOB Resolution and the MFSOB Resolution are special obligations of the Authority payable solely from and secured by assets pledged under the (i) SFSOB Resolution for Single Family Special Obligation Bonds, and (ii) MFSOB Resolution for Multifamily Special Obligation Bonds.

The Authority has entered into liquidity agreements with various providers for all variable rate demand bonds, which assure that any bonds purchased by the liquidity provider can be refinanced on a long-term basis.

*Recent Market Events*

Since the latter part of 2008, there have been general disruptions in the credit markets and downgrades of the credit quality of bond insurers and liquidity providers providing services to the Authority, which are unrelated to the Authority or the Authority’s credit. This has impeded remarketings of a substantial amount of the Authority’s variable rate demand bonds. As of December 31, 2008, \$280,920,000 of outstanding variable rate demand bonds were held by two of the Authority’s liquidity providers. During the first quarter of 2009, the Authority purchased all unremarketed bonds held by these two liquidity providers to reduce its interest costs and held them as investments in the General Fund. As of December 31, 2009, all bonds purchased were refunded or remarketed and all troubled liquidity providers have been replaced with providers the Authority considers more stable.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

Changes in bonds payable for the year ended December 31, 2009 were as follows (in 000's):

Description of Original Long-Term Issuance	Balance at 12/31/08	Issued	Retired	Balance at 12/31/09	Amount Due Within 1 Year
<b>Housing Mortgage Finance Program Bonds</b>					
1989 Series D, variable rate demand bonds \$52,000 due from November 15, 1993 to November 15, 2024	\$ 28,715	\$ -	\$ (980)	\$ 27,735	\$ 1,045
1990 Series C, variable rate demand bonds \$16,620 due from November 15, 1996 to November 15, 2022	6,610	-	(265)	6,345	290
1993 Series D, 7.125% (net interest cost 7.125%), \$10,000 due November 15, 2007	9,591	-	(193)	9,398	211
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	24,310	-	(1,855)	22,455	2,105
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	3,000	-	-	3,000	-
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	1,765	-	(85)	1,680	85
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, \$25,000 variable rate demand term bonds due November 15, 2018	24,375	-	(1,370)	23,005	-
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	16,045	-	(275)	15,770	290
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, \$20,000 variable rate demand term bonds due November 15, 2028; Subseries D-4, \$25,000 variable rate demand term bonds due November 15, 2025	33,040	-	(250)	32,790	-
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	72,225	-	(415)	71,810	450
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	31,950	-	(1,675)	30,275	375
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	25,625	-	(1,305)	24,320	200
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	2,305	-	(30)	2,275	30
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 \$40,000 variable rate demand term bonds due November 15, 2018	67,155	-	(1,875)	65,280	1,885

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

<u>Description of Original Long-Term Issuance</u>	<u>Balance at 12/31/08</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/09</u>	<u>Amount Due Within 1 Year</u>
<b>Housing Mortgage Finance Program Bonds (continued)</b>					
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	\$ 5,195	-	\$ (55)	\$ 5,140	\$ 55
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	23,010	-	(460)	22,550	505
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, \$3,670 term bonds due May 15, 2019; \$25,970-November 15, 2027; \$1,205-November 15, 2028; \$9,800-November 15, 2030	24,750	-	(205)	24,545	-
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	10,005	-	(170)	9,835	1,050
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, \$25,000 variable rate demand term bonds due November 15, 2031	28,235	-	(2,380)	25,855	855
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; \$7,655-May 15, 2032; Subseries A-3, \$20,000 variable rate demand term bonds due May 15, 2032; Subseries A-4, \$25,000 variable rate demand term bonds due May 15, 2032	45,000	-	(1,710)	43,290	-
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; \$2,915-November 15, 2028; \$20,690-November 15, 2031; \$1,590-May 15, 2032; Subseries B-4, \$17,000 variable rate demand term bonds due May 15, 2032; Subseries B-6, \$25,000 variable rate demand term bonds due November 15, 2027	52,815	-	(2,765)	50,050	2,680
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	13,695	-	(315)	13,380	345
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; \$1,640-November 15, 2028; \$38,910-May 15, 2033; Subseries D-3, \$40,000 variable rate demand term bonds due May 15, 2033; Subseries D-5, \$25,000 variable rate demand term bonds due November 15, 2027	82,545	-	(2,945)	79,600	2,890
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 \$20,000 variable rate demand term bonds due May 15, 2033; Subseries A-5, \$25,000 variable rate demand term bonds due May 15, 2033	43,025	-	(27,500)	15,525	-

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

<u>Description of Original Long-Term Issuance</u>	<u>Balance at 12/31/08</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/09</u>	<u>Amount Due Within 1 Year</u>
<b>Housing Mortgage Finance Program Bonds (continued)</b>					
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, \$55,000 variable rate demand term bonds due May 15, 2033	\$ 86,545	\$ -	\$ (2,460)	\$ 84,085	\$ 2,460
2002 Series D, (net interest cost 5.06%) Subseries D-1 and D-2, \$174,305 variable rate demand term bonds due November 15, 2023; Subseries D-3, \$48,565 variable rate demand term bonds due May 15, 2018	15,120	-	-	15,120	-
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	8,555	-	(30)	8,525	45
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, \$40,000 variable rate demand term bonds due November 15, 2033	75,245	-	(3,020)	72,225	3,090
2003 Series B, 1.25%-5.05% (net interest cost 4.74%), \$37,810 due serially, semi-annually, from May 15, 2005 to November 15, 2007, \$27,070 term bonds due May 15, 2034	1,100	-	-	1,100	-
2003 Series C, 1.25%-5.80% (net interest cost 4.65%), \$125,040 due serially, semi-annually, from November 15, 2005 to May 15, 2014, \$3,490 term bonds due May 15, 2015; \$20,310-November 15, 2015; \$1,600-May 15, 2017; \$25,470-November 15, 2017; \$5,320-May 15, 2021; \$14,225-May 15, 2023; \$70,525-November 15, 2023; \$36,035-November 15, 2029; \$13,295-May 15, 2034	268,455	-	(16,570)	251,885	14,135
2003 Series D, 1.25%-4.85% (net interest cost 4.61%), \$22,915 due serially, semi-annually, from November 15, 2004 to November 15, 2013, \$9,335 term bonds due November 15, 2015; \$10,160-November 15, 2017; \$23,735-May 15, 2023; \$13,155-November 15, 2023	72,410	-	(1,635)	70,775	1,690
2003 Series E, 1.20%-5.20% (net interest cost 4.59%), \$28,285 due serially, semi-annually, from May 15, 2004 to November 15, 2014, \$8,055 term bonds due May 15, 2017; \$5,320-November 15, 2018; \$3,655-May 15, 2020; \$7,335-November 15, 2023; \$6,945-November 15, 2027; \$7,650-May 15, 2028; \$12,505-May 15, 2033; \$35,250- November 15, 2033; \$10,000 variable rate demand term bonds due November 15, 2027	92,055	-	(4,020)	88,035	2,080
2003 Series G, 1.55%-4.95% (net interest cost 4.20%), \$26,075 due serially, semi-annually from May 15, 2005 to November 15, 2014, \$6,930 term bonds due May 15, 2017; \$8,585-November 15, 2018; \$9,610-May 15, 2023; \$9,860-November 15, 2023; \$5,635-May 15, 2028; \$5,600-November 15, 2028; \$8,730-May 15, 2034; \$43,975-November 15, 2034	105,645	-	(4,715)	100,930	2,120
2004 Series A, 1.25%-5.30% (net interest cost 4.63%), \$39,130 due serially, semi-annually from May 15, 2005 to May 15, 2017, \$3,125 term bonds due November 15, 2024; \$8,060-November 15, 2028; \$2,360-November 15, 2029; \$9,475-May 15, 2034; \$9,475-November 15, 2034; \$3,375-November 15, 2035; \$15,000-November 15, 2035 fixed rate bonds, which convert to variable rate on May 15, 2014; Subseries A-4, \$15,000 variable rate demand term bonds due May 15, 2026; Subseries A-4 \$20,000 variable rate demand term bonds due November 15, 2035	104,825	-	(16,975)	87,850	3,225

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

Description of Original Long-Term Issuance	Balance at 12/31/08	Issued	Retired	Balance at 12/31/09	Amount Due Within 1 Year
<b>Housing Mortgage Finance Program Bonds (continued)</b>					
2004 Series B, 1.55%-5.15% (net interest cost 4.47%), \$32,780 due serially, semi-annually from May 15, 2005 to May 15, 2017, \$2,945 term bonds due May 15, 2020; \$6,370-November 15, 2020; \$6,420-May 15, 2025; \$6,420-November 15, 2025; \$16,420-November 15, 2030; \$38,430-November 15, 2034; \$12,900 variable rate demand term bonds November 15, 2034	\$ 112,185	\$ -	\$ (2,740)	\$ 109,445	\$ 2,345
2004 Series C, 1.75%-4.75% (net interest cost 4.49%), \$1,790 due serially, annually from November 15, 2006 to November 15, 2016, \$525 term bonds due November 15, 2021	1,685	-	(180)	1,505	195
2004 Series D, 1.80%-4.85% (net interest cost 4.29%), \$31,250 due serially, semi-annually from November 15, 2005 to May 15, 2017, \$5,025 term bonds due November 15, 2020; \$4,000-May 15, 2025; \$4,860- November 15, 2025; \$24,750-November 15, 2027; \$6,630-May 15, 2028; \$8,000-May 15, 2030; \$8,330- November 15, 2030; \$18,905-May 15, 2038; \$13,250 variable rate demand term bonds due November 15, 2034	116,485	-	(2,445)	114,040	2,560
2005 Series A, 2.10%-4.75% (net interest cost 4.36%), \$27,145 due serially, semi-annually from November 15, 2005 to May 15, 2017, \$7,340 term bonds due November 15, 2020; \$13,530-November 15, 2025; \$18,180-November 15, 2030; \$795-November 15, 2034; \$23,010-November 15, 2035; \$15,000 variable rate demand term bonds May 15, 2035; \$20,000 variable rate demand term bonds November 15, 2035	103,845	-	(22,240)	81,605	2,360
2005 Series B, 2.90%-4.76% (net interest cost 4.39%), \$10,665 due serially, semi-annually from May 15, 2007 to November 15, 2017, \$68,385 term bonds due November 15, 2035; \$40,000 variable rate demand term bonds due November 15, 2035	96,415	-	(19,525)	76,890	545
2005 Series C, 5.16%-5.29% (net interest cost 5.14%), \$5,950 term bonds due November 15, 2027; \$15,780- November 15, 2035	21,385	-	(140)	21,245	145
2005 Series D, 1.50%-5.00% (net interest cost 4.37%), \$35,565 due serially, semi-annually from May 15, 2006 to November 15, 2015, \$3,000 term bonds due November 15, 2010; \$4,525-May 15, 2017; \$1,725-May 15, 2025; \$1,470-November 15, 2027; \$62,480-May 15, 2035; \$3,075-November 15, 2035; \$11,765-May 15, 2036; \$10,000-November 15, 2036; \$8,380 variable rate demand term bonds due May 15, 2028; \$13,915 variable rate demand term bonds due November 15, 2034; \$12,500 variable rate demand term bonds due November 15, 2035; \$3,870 variable rate demand term bonds due November 15, 2035	161,070	-	(16,460)	144,610	6,920
2005 Series E, 3.20%-5.25% (net interest cost 4.31%), \$12,965 due serially, semi-annually from November 15, 2006 to May 15, 2017, \$8,550 term bonds due May 15, 2025; \$4,595-November 15, 2025; \$10,140-November 15, 2035; \$4,180 variable rate demand term bonds due November 15, 2034; \$11,750 variable rate demand term bonds due November 15, 2035	49,445	-	(13,060)	36,385	865
2005 Series F variable rate demand bonds due November 15, 2035-\$36,435 converted to fixed rate October 4, 2006	36,435	-	-	36,435	-
2006 Series A, 3.30%-4.875% (net interest cost 4.16%), \$14,250 due serially, semi-annually from May 15, 2007 to November 15, 2016, \$13,500 term bonds due November 15, 2026; \$9,750-November 15, 2031; \$12,500-November 15, 2036; \$45,000 variable rate demand term bonds due May 15, 2036	47,465	-	(1,245)	46,220	1,305

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

Description of Original Long-Term Issuance	Balance at 12/31/08	Issued	Retired	Balance at 12/31/09	Amount Due Within 1 Year
<b>Housing Mortgage Finance Program Bonds (continued)</b>					
2006 Series B, 3.85%-5.10% (net interest cost 4.71%), \$49,160 due serially, semi-annually from May 15, 2008 to May 15, 2017; \$53,670 term bonds due November 15, 2028; \$36,475-November 15, 2033; \$2,650- November 15, 2036; \$38,480-November 15, 2038; \$21,935 variable rate demand bonds due November 15, 2034; \$19,565-November 15, 2036; \$78,065- November 15, 2038	\$ 189,310	\$ -	\$ (33,080)	\$ 156,230	\$ 1,095
2006 Series C, 5.38% (net interest cost 5.38%), \$3,800 term bonds due November 15, 2035	3,800	-	-	3,800	-
2006 Series D, 3.40%-4.70% (net interest cost 4.55%), \$15,205 due serially, semi-annually from May 15, 2007 to November 15, 2019, \$17,700 term bonds due November 15, 2027; \$6,635-November 15, 2035	38,020	-	(875)	37,145	935
2006 Series E, 3.80%-4.95% (net interest cost 4.81%), \$9,350 due serially, semi-annually from May 15, 2007 to November 15, 2016, \$9,395 term bonds due November 15, 2025; \$5,700-November 15, 2029	22,495	-	(1,130)	21,365	1,215
2006 Series F, 3.80%-5.83% (net interest cost 4.79%), \$15,620 due serially, semi-annually from May 15, 2007 to November 15, 2016; \$6,055 due serially, annually from November 15, 2007 to November 15, 2016, \$5,715 term bonds due November 15, 2015; \$8,710-November 15, 2021; \$11,175-November 15, 2026; \$14,330- November 15, 2031; \$20,000-May 15, 2036; \$18,395- November 15, 2036; \$25,000 variable rate demand term bonds due November 15, 2029	114,515	-	(21,805)	92,710	2,710
2006 Series G, 3.55%-5.31% (net interest cost 4.69%), \$14,985 due serially, semi-annually from May 15, 2007 to May 15, 2017, \$1,915 due serially, annually from November 15, 2008 to November 15, 2015; \$26,855 term bonds due November 15, 2027; \$10,295-May 15, 2028; \$1,685-November 15, 2029; \$9,895-November 15, 2031; \$5,985-November 15, 2034; \$16,950-May 15, 2037	85,645	-	(1,780)	83,865	1,700
2007 Series A, 3.95%-5.37% (net interest cost 5.05%), \$17,730 due serially, semi-annually from May 15, 2008 to May 15, 2017, \$2,000 term bonds due November 15, 2010; \$9,510-November 15, 2022; \$13,785- November 15, 2027; \$5,305-November 15, 2034; \$30,030-May 15, 2034; \$46,640 variable rate demand bonds due November 15, 2033; \$25,000 convertible bonds due November 15, 2038-interest rate converts from fixed to variable on November 15, 2017	120,705	-	(19,305)	101,400	3,195
2007 Series B, 3.55%-5.15% (net interest cost 4.88%), \$10,040 due serially, semi-annually from November 15, 2008 to May 15, 2017, \$8,555 term bonds due November 15, 2025; \$535-November 15, 2028; \$9,665- November 15, 2033; \$1,485-November 15, 2034; \$11,725-May 15, 2038; \$54,280 variable rate demand bonds due November 15, 2038	96,260	-	(54,805)	41,455	525
2007 Series C, 4.10%-5.15% (net interest cost 4.92%), \$2,400 term bonds due November 15, 2037-subject to mandatory tender on November 10, 2010; \$900 term bonds due May 15, 2049	3,300	-	-	3,300	2,405
2008 Series A, 2.00%-5.75% (net interest cost 4.96%), \$102,410 due serially, semi-annually from May 15, 2009 to May 15, 2017, \$3,860 term bonds due November 15, 2022; \$3,930-November 15, 2027; \$8,780-November 15, 2034; \$4,970-November 15, 2038; \$20,000 variable rate demand term bonds due November 15, 2028; \$100,000 variable rate demand term bonds due November 15, 2038	243,950	-	(11,575)	232,375	11,485

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

<u>Description of Original Long-Term Issuance</u>	<u>Balance at 12/31/08</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/09</u>	<u>Amount Due Within 1 Year</u>
<b>Housing Mortgage Finance Program Bonds (continued)</b>					
2008 Series B, 2.00%-5.41% (net interest cost 5.11%), \$58,920 due serially, semi-annually from May 15, 2009 to November 15, 2018, \$23,645 term bonds due November 15, 2023; \$34,035-November 15, 2028; \$34,710-November 15, 2034; \$111,400 variable rate demand term bonds due November 15, 2038	\$ 262,710	\$ -	\$ (7,305)	\$ 255,405	\$ 7,030
2008 Series C, 2.875%-6.25% (net interest cost 5.57%), \$51,190 due serially, semi-annually from May 15, 2009 to November 15, 2018, \$15,000 term bonds due November 15, 2025	66,190	-	(1,160)	65,030	2,570
2008 Series D, 2.875%-6.625% (net interest cost 6.44%), \$1,020 due serially, semi-annually from November 15, 2009 to November 15, 2018, \$8,695 term bonds due May 15, 2018-subject to mandatory tender on November 15, 2011; \$1,960 term bonds due November 15, 2029; \$4,905-November 15, 2038	16,580	-	(15)	16,565	85
2008 Series E, \$180,000 variable rate demand term bonds due May 15, 2036	180,000	-	-	180,000	-
2008 Series F, 1.90%-6.02% (net interest cost 5.75%), \$28,115 due serially, semi-annually from May 15, 2009 to November 15, 2018, \$13,365 term bonds due November 15, 2023; \$16,790-November 15, 2028; \$17,785-November 15, 2033; \$30,235-November 15, 2038	106,290	-	(1,865)	104,425	1,890
2008 Series G, 3.40%-6.00% (net interest cost 5.87%), \$475 due serially, semi-annually from November 15, 2011 to November 15, 2018; \$460 term bonds due November 15, 2023; \$605-November 15, 2028; \$805-November 15, 2033; \$5,730-November 15, 2038; \$4,235-November 15, 2038-subject to mandatory tender on November 15, 2012	12,310	-	-	12,310	-
2009 Series A, variable rate demand bonds \$180,000 due May 15, 2039	-	180,000	-	180,000	-
2009 Series B, 0.70%-5.30% (net interest cost 4.80%), \$24,750 due serially, semi-annually from May 15, 2010 to November 15, 2019; \$22,995 term bonds due November 15, 2024; \$6,285-November 15, 2029; \$10,185-November 15, 2034; \$14,860-November 15, 2039	-	79,075	-	79,075	1,580
2009 Series C, 0.30%-4.95% (net interest cost 4.74%), \$13,630 due serially, semi-annually from May 15, 2010 to November 15, 2019; \$8,820 term bonds due November 15, 2024; \$11,010-November 15, 2029; \$13,880-November 15, 2034; \$17,660-November 15, 2039; \$15,910 variable rate demand term bonds due November 15, 2036	-	80,910	-	80,910	1,195
2009 Series D, 5.07%-6.27% (net interest cost 6.25%), \$4,220 term bonds due November 15, 2019; \$56,480- November 15, 2039	-	60,700	-	60,700	285
2009 Series E, variable rate demand term bonds \$24,350 due May 15, 2033	-	24,350	-	24,350	-
2009 Series F, 0.40%-4.65% (net interest cost 2.55%), \$440 term bonds due November 15, 2019; \$690-November 15, 2029; \$2,895-November 15, 2039; \$2,965-November 15, 2039-subject to mandatory tender on November 15, 2010	-	6,990	-	6,990	-
<b>Total Housing Mortgage Finance Program Bonds</b>	<u>3,813,436</u>	<u>432,025</u>	<u>(331,238)</u>	<u>3,914,223</u>	<u>101,331</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

<u>Description of Original Long-Term Issuance</u>	<u>Balance at 12/31/08</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/09</u>	<u>Amount Due Within 1 Year</u>
<b>Special Needs Housing Mortgage Finance Program</b>					
<b>Special Obligation Bonds</b>					
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	\$ 5,430	\$ -	\$ (175)	\$ 5,255	\$ 185
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	4,810	-	(150)	4,660	155
Series GH-5, 4.70%-5.85% (net interest cost 5.83%), \$1,615 due serially, annually, from June 15, 2005 to June 15, 2013, \$1,760 term bonds due June 15, 2020; \$4,065- June 15, 2030	6,730	-	(165)	6,565	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	8,310	-	(195)	8,115	200
Series SNH-2, 2.00%-5.25% (net interest cost 5.18%), \$1,225 due serially, annually, from June 15, 2006 to June 15, 2012, \$1,985 term bonds due June 15, 2012; \$2,270-2022; \$3,745-2032; \$6,220-2042	12,885	-	(155)	12,730	160
Series SNH-4, 3.00%-4.70% (net interest cost 4.55%), \$2,350 due serially, annually from June 15, 2006 to June 15, 2025; \$2,275 term bonds due June 15, 2035	4,450	-	(95)	4,355	95
Series SNH-5, 3.00%-4.80% (net interest cost 4.71%), \$1,220 due serially annually from June 15, 2006 to June 15, 2025; \$1,190 term bonds due June 15, 2035; \$1,920-June 15, 2045	4,245	-	(50)	4,195	50
Series SNH-6, 3.00%-4.90% (net interest cost 4.82%), \$725 due serially annually from June 15, 2006 to June 15, 2025; \$485 term bonds due June 15, 2035; \$790-June 15, 2045	1,725	-	(20)	1,705	20
Series SNH-8, 4.00%-4.875% (net interest cost 4.91%), \$3,215 due serially annually from June 15, 2008 to June 15, 2024; \$1,880 term bonds due June 15, 2030; \$2,990-June 15, 2037	8,035	-	(145)	7,890	150
<b>Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds</b>	<u>56,620</u>	<u>-</u>	<u>(1,150)</u>	<u>55,470</u>	<u>1,185</u>
<b>Single Family Special Obligation Bonds</b>					
Series 2009, variable rate special obligation bonds due December 1, 2041-interest accrues commencing January 12, 2010 upon bond settlement	-	191,720	-	191,720	-
<b>Total Single Family Special Obligation Bonds</b>	<u>-</u>	<u>191,720</u>	<u>-</u>	<u>191,720</u>	<u>-</u>
<b>Multifamily Special Obligation Bonds</b>					
Series 2009, variable rate special obligation bonds due December 1, 2051-interest accrues commencing January 12, 2010 upon bond settlement	-	27,610	-	27,610	-
<b>Total Multifamily Special Obligation Bonds</b>	<u>-</u>	<u>27,610</u>	<u>-</u>	<u>27,610</u>	<u>-</u>
<b>Total Bonds Payable</b>	<u>\$ 3,870,056</u>	<u>\$ 651,355</u>	<u>\$ (332,388)</u>	<u>\$ 4,189,023</u>	<u>\$ 102,516</u>

The changes in long-term escrow deposits for the year ended December 31, 2009 were as follows (in 000's):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Long-term escrow deposits	\$ 121,996	\$ 27,871	\$ (16,744)	\$ 133,123

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

The Authority has also issued conduit debt obligations. As of December 31, 2009, two series totaling \$13,179,000 of Multifamily Housing Revenue Bonds, one series totaling \$25,045,000 of Special Needs Housing Mortgage Finance Program Special Obligation Bonds, one series totaling \$16,370,000 of Variable Rate Demand Housing Revenue Bonds and two series totaling \$38,710,000 of State-Supported Special Obligation Bonds were outstanding. As of December 31, 2008, two series totaling \$13,414,000 of Multifamily Housing Revenue Bonds, two series totaling \$25,915,000 of Special Needs Housing Mortgage Finance Program Special Obligation Bonds and one series totaling \$16,700,000 of Variable Rate Demand 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.

The following tables provide a summary of debt service requirements and net swap payments for the next five years and in five-year increments thereafter (in 000's). Except with respect to the Single Family and Multifamily Special Obligation Bonds, the interest calculations are based on the variable rates in effect on December 31, 2009 and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments will vary. The Single Family and Multifamily Special Obligation Bonds bear no interest until the settlement date of January 12, 2010. Variable rates on these bonds are reflected as of January 12, 2010 in the table below.

Year Ending December 31,	<b>Bond Resolution</b>							
	<b>Fixed Unswapped</b>		<b>Variable Unswapped</b>		<b>Variable Swapped</b>		<b>Interest Rate Swaps, Net</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2010	\$ 96,681	\$ 133,265	\$ 2,915	\$ 308	\$ 1,735	\$ 4,087	\$ 44,940	
2011	110,042	130,270	3,115	305	3,435	2,879	43,379	
2012	100,945	125,769	3,315	297	5,455	2,739	41,606	
2013	105,290	121,621	3,290	289	6,450	2,597	39,807	
2014	98,252	117,077	3,185	281	17,295	2,470	38,156	
2015-2019	519,544	515,247	15,285	1,283	113,765	10,126	155,577	
2020-2024	522,233	389,683	27,715	997	161,635	7,061	110,339	
2025-2029	510,306	257,340	24,550	699	211,690	4,253	67,448	
2030-2034	475,625	136,862	35,540	284	214,830	1,501	24,254	
2035-2039	250,885	31,296	2,120	6	258,050	133	2,245	
2040-2044	8,595	1,188	-	-	-	-	-	
2045-2049	455	36	-	-	-	-	-	
<b>Total</b>	<b>\$ 2,798,853</b>	<b>\$ 1,959,654</b>	<b>\$ 121,030</b>	<b>\$ 4,749</b>	<b>\$ 994,340</b>	<b>\$ 37,846</b>	<b>\$ 567,751</b>	

Year Ending December 31,	<b>Special Needs Indenture</b>		<b>SFSOB Resolution</b>		<b>MFSOB Resolution</b>		<b>Total</b>
	<b>Fixed Unswapped</b>		<b>Variable Unswapped</b>		<b>Variable Unswapped</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2010	\$ 1,185	\$ 2,817	\$ -	\$ 137	\$ -	\$ 20	\$ 288,090
2011	1,240	2,762	-	148	-	21	297,596
2012	1,300	2,703	-	148	-	21	284,298
2013	1,360	2,638	-	148	-	21	283,511
2014	1,440	2,567	-	148	-	21	280,892
2015-2019	8,340	11,616	-	743	-	107	1,351,633
2020-2024	10,770	9,114	-	743	-	107	1,240,397
2025-2029	11,500	6,020	-	743	-	107	1,094,656
2030-2034	8,520	3,437	-	743	-	107	901,703
2035-2039	5,825	1,674	-	743	-	107	553,084
2040-2044	3,660	440	191,720	298	-	107	206,008
2045-2049	330	8	-	-	-	107	936
2050-2051	-	-	-	-	27,610	43	27,653
<b>Total</b>	<b>\$ 55,470</b>	<b>\$ 45,796</b>	<b>\$ 191,720</b>	<b>\$ 4,742</b>	<b>\$ 27,610</b>	<b>\$ 896</b>	<b>\$ 6,810,457</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

*Objective of the Interest Rate Swaps*

The Authority employs swaps to establish synthetic fixed rates for a portion of its variable rate bond obligations. The Authority's interest rate swap transactions are structured for the Authority to pay a fixed interest rate while receiving variable interest rates from the counterparties, which are comparable to the rates required by the variable rate bonds. These synthetic fixed rates were lower than those available to the Authority from fixed rate obligations of comparable maturity. The proceeds of these transactions are generally used to make fixed rate mortgage loans.

*Terms*

The Authority has entered into fully amortizing interest rate swap agreements under the Bond Resolution in which the Authority owes a fixed payment to the counterparties of the swaps. In return, the counterparties owe the Authority a payment based on common indices such as The Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA"), formerly known as The Bond Market Association/PSA Municipal Swap Index ("BMA") or the London Interbank Offered Rate ("LIBOR") that is comparable to the rates required by the Authority's bonds. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in bonds payable. Only the net difference in interest payments will be actually exchanged between parties. The Authority did not pay or receive any cash when the swap transactions were initiated.

As a result of the downgrades of the credit quality of bond insurers (see *Recent Market Events* above), the Authority has negotiated amendments to swap agreements to eliminate insurance of the net swap payments owed by the Authority to the swap providers, and to base provider termination rights, among other things, upon downgrade of ratings of the Authority's bonds. As of December 31, 2009, amendments that had been negotiated resulted in a slightly higher fixed rate payable by the Authority on eleven of its swaps.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

The terms, fair values and credit ratings of outstanding swaps as of December 31, 2009 were as follows (in 000's):

Bond Issue	Original Notional Amount	Outstanding Notional Amount	Original Effective Date	Current Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty	
								Credit Rating	% of Total Outstanding
2008 Series A Subseries A-5	\$ 115,900	\$ 88,300	09/09/98	6.0525%	100% of LIBOR	\$ (11,228)	11/15/16		
2008 Series E/ 2009 Series A	<u>25,000</u>	<u>25,000</u>	08/08/06	3.7770	67% of LIBOR	<u>(2,320)</u>	05/15/17		
Total Counterparty 1	\$ <u>140,900</u>	\$ <u>113,300</u>				\$ <u>(13,548)</u>		A+/Aa3	11.26%
2002 Series A Subseries A-3/ 2008 Series B Subseries B-4	\$ 20,000	\$ 20,000	06/05/02	4.3520	67% of LIBOR	\$ (3,576)	05/15/33		
2009 Series E/ 2008 Series B Subseries B-4	25,000	25,000	06/05/02	5.7400	167% of LIBOR minus BMA	(6,276)	05/15/33		
2003 Series E Subseries E-4/ 2008 Series B Subseries B-4	<u>10,000</u>	<u>10,000</u>	10/09/03	3.9100	67% of LIBOR	<u>(692)</u>	11/15/27		
Total Counterparty 2	\$ <u>55,000</u>	\$ <u>55,000</u>				\$ <u>(10,544)</u>		A+/A1	5.46%
1999 Series A Subseries A-3	\$ 40,000	\$ 40,000	04/07/98	6.2460	LIBOR minus 5 basis points	\$ (7,002)	11/15/18		
2001 Series A Subseries A-3/ 2008 Series B Subseries B-4	20,000	20,000	03/07/01	4.1200	67% of LIBOR	(2,806)	05/15/32		
2001 Series A Subseries A-4	25,000	25,000	03/07/01	5.4750	167% of LIBOR minus BMA	(5,069)	05/15/32		
2002 Series B Subseries B-3	10,000	10,000	08/01/02	4.2320	67% of LIBOR	(815)	05/15/33		
2002 Series B Subseries B-3	45,000	45,000	08/01/02	3.9810	67% of LIBOR	(6,061)	05/15/33		
2002 Series D Subseries D-1/ 2008 Series B Subseries B-4	174,305	94,500	11/15/02	4.6300	67% of LIBOR plus 40 basis points	(11,340)	11/15/23		
2008 Series E	15,000	15,000	03/03/05	2.9310	67% of LIBOR	(658)	05/15/12		
2009 Series A	20,000	20,000	03/03/05	3.6530	67% of LIBOR	(244)	11/15/35		
2005 Series D Subseries D-6	8,380	8,380	09/13/05	3.6130	67% of LIBOR	(270)	05/15/28		
2005 Series E Subseries E-4	<u>4,180</u>	<u>4,180</u>	12/07/05	3.8990	67% of LIBOR	<u>(75)</u>	11/15/34		
Total Counterparty 3	\$ <u>361,865</u>	\$ <u>282,060</u>				\$ <u>(34,340)</u>		AAA/Aa1	28.02%
2008 Series B Subseries B-4	\$ 48,565	\$ 33,465	11/15/95	6.0900	67% of LIBOR	\$ (6,030)	05/15/18		
2008 Series E/ 2009 Series A	<u>40,000</u>	<u>40,000</u>	06/15/05	3.5380	67% of LIBOR	<u>(892)</u>	11/15/35		
Total Counterparty 4	\$ <u>88,565</u>	\$ <u>73,465</u>				\$ <u>(6,922)</u>		A+/Aa3	7.30%
2008 Series A Subseries A-4	\$ 20,000	\$ 20,000	07/01/98	4.8700	BMA	\$ (2,842)	11/15/28		
1998 Series D Subseries D-4	25,000	25,000	07/01/98	6.3200	100% of LIBOR	(5,517)	11/15/25		
2001 Series B Subseries B-4/ 2008 Series B Subseries B-4	17,000	17,000	07/11/01	4.3100	67% of LIBOR	(2,973)	05/15/32		
2001 Series B Subseries B-6	25,000	25,000	07/11/01	5.8200	167% of LIBOR minus BMA	(5,107)	11/15/27		
2002 Series F Subseries F-2	<u>30,000</u>	<u>30,000</u>	12/19/02	3.8200	67% of LIBOR	<u>(1,214)</u>	11/15/33		
Total Counterparty 5	\$ <u>117,000</u>	\$ <u>117,000</u>				\$ <u>(17,653)</u>		A/A2	11.62%

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

**Outstanding Swaps at December 31, 2009 (continued)**

<u>Bond Issue</u>	<u>Original Notional Amount</u>	<u>Outstanding Notional Amount</u>	<u>Original Effective Date</u>	<u>Current Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value</u>	<u>Swap Termination Date</u>	<u>Counterparty</u>	
								<u>Credit Rating</u>	<u>% of Total Outstanding</u>
2000 Series B Subseries B-3	\$ 25,000	\$ 25,000	10/04/00	5.3970	BMA	\$ (6,049)	11/15/31		
2001 Series D Subseries D-3	40,000	40,000	12/20/01	4.0900	67% of LIBOR	(5,933)	05/15/33		
2001 Series D Subseries D-5	25,000	25,000	12/20/01	5.3600	167% of LIBOR minus BMA	(3,785)	11/15/27		
2005 Series D Subseries D-4	13,915	13,915	09/13/05	3.5460	67% of LIBOR	(59)	11/15/34		
2005 Series D Subseries D-5	12,500	5,065	09/13/05	3.1370	67% of LIBOR	(187)	11/15/12		
Total									
Counterparty 6	\$ 116,415	\$ 108,980				\$ (16,013)		A+/Aa3	10.83%
2009 Series A	\$ 11,750	\$ 11,750	12/07/05	3.870	67% of LIBOR	(229)	11/15/35		
Total									
Counterparty 7	\$ 11,750	\$ 11,750				\$ (229)		A+/Aa3	1.17%
2006 Series B Subseries B-1 /2008 Series B Subseries B-4	\$ 21,935	\$ 21,935	02/18/09	3.4330	67% of LIBOR	\$ (1,435)	11/15/34		
2008 Series E/ 2009 Series A	78,065	78,065	02/18/09	3.4300	67% of LIBOR	(5,065)	11/15/38		
2008 Series E	27,550	27,550	08/15/08	3.8450	67% of LIBOR	(3,416)	11/15/33		
2009 Series A	8,925	8,925	08/15/08	3.8550	67% of LIBOR	(1,120)	11/15/33		
2009 Series A	25,000	25,000	08/15/08	3.8520	67% of LIBOR	(2,707)	11/15/28		
2009 Series A	9,855	9,855	08/15/08	3.8490	67% of LIBOR	(1,323)	11/15/38		
Total									
Counterparty 8	\$ 171,330	\$ 171,330				\$ (15,066)		BBB/A3	17.02%
2008 Series E	\$ 45,000	\$ 45,000	03/02/06	3.4175	67% of LIBOR	(2,828)	05/15/36		
2009 Series A	18,170	18,170	08/15/08	4.0370	67% of LIBOR	(1,756)	11/15/28		
2009 Series A	10,500	10,500	08/15/08	4.0470	67% of LIBOR	(1,026)	11/15/28		
Total									
Counterparty 9	\$ 73,670	\$ 73,670				\$ (5,610)		AA/Aa2	7.32%
Total	\$ 1,136,495	\$ 1,006,555				\$ (119,925)			100.00%

*Fair Value*

The Authority's swap portfolio had an aggregate negative fair value as of December 31, 2009. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

*Credit Risk*

At December 31, 2009, the Authority was not exposed to any counterparties' credit risk because the fair value of all swaps was negative. Credit exposure arises when the fair value of a swap is positive due to the obligation of the counterparty to make payment to the Authority in the event of termination.

*Basis Risk*

Basis risk is the risk that there may be a difference between the floating rate component of the swap, which is based on indices that consist of taxable or tax-exempt market-wide averages, and the rate on the Authority's variable rate bonds, which is based on that specific bond issue. Since the latter part of 2008, there have been general disruptions in the credit markets based on factors unrelated to the Authority or the Authority's credit, which caused differences between these indices and the actual rates on the Authority's variable rate demand bonds. See *Recent Market Events* above for further discussion.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

*Termination Risk*

Counterparties to the Authority's interest rate swap agreements have default termination rights that may require settlement payments by the Authority or by the counterparty based on the fair value of the swap at the date of termination. As of December 31, 2009, no termination events requiring settlement payments have occurred.

*Rollover Risk*

The Authority's interest rate swap agreements have limited rollover risk because the swap agreements contain scheduled reductions to outstanding notional amounts which are expected to follow scheduled and anticipated reductions in the associated bonds payable. Fourteen of the Authority's original swap agreements contained full or partial par termination rights requiring no settlement payments to accommodate unexpected faster paydown of the associated bonds as a result of higher prepayment of home mortgage loans. During 2009, the Authority exercised this option on \$51,150,000 original notional amount of swaps. Eleven swap agreements with this par termination right remain.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

*Refunding Bonds*

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

<u>Refunded Issue(s)</u>	<u>Refunding Issue</u>	<u>Cashflow Savings (Loss) Over Life of Refunding Issue</u>	<u>Economic Gain (Loss) Over Life of Refunding Issue</u>
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	-	-
1992 Series A	2003 Series B	7,652,169	7,923,122
1993 Series A 1993 Series G Subseries G-1	2003 Series C Subseries C-5	8,929,212	6,852,373
1993 Series B 1993 Series F	2003 Series C Subseries C-1 2003 Series D	(14,310,005) (21,039,361)	10,733,348 3,553,728
1994 Series F, 1995 Series C 1995 Series H	2006 Series C-1	2,719,283	1,916,208
1996 Series C	2006 Series D	(9,562,182)	4,025,871
1996 Series G	2006 Series E	1,515,451	2,361,875
2002 Series D	2008 Series B	(9,868,961)	(8,581,497)

In accordance with Federal law, as a result of the economic refunding of the 2002 Series D tax-exempt bonds by the 2008 Series B taxable bonds, the Authority was entitled to issue additional tax-exempt bonds for the purpose of financing its programs (the “Additional Tax-Exempt Program Bonds”). The positive cash flow savings and economic gain on the Additional Tax-Exempt Program Bonds (determined by comparing the expected debt service on these bonds to the expected debt service on the taxable bonds that would otherwise have been issued) exceeds the negative cash flow savings and economic loss reported with respect to the refunding of the 2002 Series D bonds.

**Note 8—Arbitrage Rebates**

In accordance with Federal law, the Authority is required, on certain of its bond issues, to rebate to the Internal Revenue Service (“IRS”) the excess of the amount actually earned on all non-mortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of December 31, 2009 and 2008, the Authority had liabilities to the IRS totaling \$3,772,000 and \$4,845,000, respectively, reported in the balance sheets as a component of “escrow deposits.” The net effect of changes in the liability are recorded as increases or reductions of “interest on investments” in the statements of revenues, expenses and changes in net assets.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

**Note 9—Net Assets**

Net assets consisted of the following (in 000's):

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
General and Capital Reserve Funds:		
Invested in capital assets, net of accumulated depreciation	\$ 3,234	\$ 3,173
General and Capital Reserve Funds	905,165	877,289
Other Funds:		
Investment Trust Fund	-	-
Housing Mortgage Insurance Fund	3,870	3,831
Single Family Special Obligation Bond Funds	-	-
Multifamily Special Obligation Bond Funds	-	-
Special Needs Housing, Special Needs Housing Capital Reserve, and Special Needs Housing Renewal and Replacement Funds	6,681	5,500
Component Units:		
CHFA – Small Properties, Inc.	(4,123)	(2,138)
CPS Properties, Inc.	(7,800)	(6,678)
Diamond Court – CHFA, Inc.	-	2,298
Henry Place – CHFA, Inc.	-	2,367
Newbury Commons – CHFA, Inc.	-	1,845
St. Mary's Residence – CHFA, Inc.	-	(259)
State Housing Authority	192	191
Trumbull Centre – CHFA, Inc.	(26,236)	1,472
	<u>\$ 880,983</u>	<u>\$ 888,891</u>

**Note 10—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. Information about the total Plan funding status and progress, contributions required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

*Plan Description*

SERS is a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS") established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes. 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 Authority's total payroll for the years ended December 31, 2009 and 2008, was \$10,731,000 and \$10,198,000, respectively, and the payroll for employees of the Authority covered by SERS for the years ended December 31, 2009 and 2008, was \$10,725,000 and \$10,198,000, respectively.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

*Contributions Made (in 000's)*

Contributions Made:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>By employees</b>	\$ 160	\$ 143	\$ 139
% of current year covered payroll	1.49%	1.40%	1.41%
<b>By the Authority</b>	\$ 3,962	\$ 3,431	\$ 3,336
% of current year covered payroll	36.94%	33.64%	33.81%
<b>Actual contributions as a percentage of required contributions</b>	100%	100%	100%

**Note 11—Commitments and Contingencies**

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):

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Mortgage Loan Commitments:</b>		
Home Mortgage Purchases	\$ 43,011	\$ 26,120
Multifamily Developments	142,345	117,036
Reverse Annuity Mortgages	1,497	2,590
	\$ 186,853	\$ 145,746

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.

**CONNECTICUT HOUSING FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS — CONTINUED**

**Note 12—State and Federal Programs**

Pursuant to Public Act No. 95-250, the Authority administers the Private Rental Investment Mortgage and Equity Program (“PRIME Program”). The State of Connecticut, through its Department of Economic and Community Development, provides financial assistance to the Authority’s borrowers under the PRIME Program. The receipt of this assistance is recorded by the Authority at the net carrying value of the underlying loan.

Pursuant to Public Act No. 05-228, the Authority receives a 25% distribution of funds held in the State of Connecticut’s land protection, affordable housing and historic preservation account for the purpose of supplementing new or existing affordable housing programs.

The rights of certain property owners are protected in Connecticut foreclosure actions by § 8-265cc through 8-265kk of the Connecticut General Statutes known as the Emergency Mortgage Assistance Payment (“EMAP”) Program. These provisions allow homeowners the opportunity to avoid foreclosure by enabling them to obtain financial assistance from the State, acting through the Authority. A qualified homeowner may obtain funds under this program to bring a delinquent mortgage current, and may also obtain assistance with subsequent mortgage payments to a maximum period of 60 months. The Authority received \$10,000,000 during 2009 from the State for the EMAP Program. Of this amount, \$5,000,000 is subject to a Memorandum of Understanding (“MOU”) between the Authority and the State of Connecticut Judicial Branch (the “Judicial Branch”). The MOU requires the Authority to pay \$5,000,000 to the Judicial Branch in support of the EMAP Program in accordance with the foreclosure mediation program established pursuant to Connecticut General Statutes § 49-31m.

In 2009, the Authority received \$276,000 in grant funds from the Neighborhood Reinvestment Corporation (dba Neighborworks America), a non-profit, public corporation chartered by the Congress of the United States for the National Foreclosure Mitigation Counseling (the “NFMC”) Program. These funds were made available through the 2008 Consolidated Appropriations Act and the 2008 Housing and Economic Recovery Act and are subject to the terms and conditions of a grant agreement entered into between Neighborworks America and the Authority.

In 2009, the Authority received \$4,474,000 in grant funds from the Department of the Treasury pursuant to § 1602 of the American Recovery and Reinvestment Act (the “ARRA”) of 2009. Section 1602 of the ARRA appropriates funds for grants to States to finance construction or acquisition and rehabilitation of qualified low-income building for low-income housing in lieu of low-income housing tax credits. These grant funds were distributed by the Authority to qualified developments in the form of loans that are forgivable over 15 years at 6.67% per year.

Activity under these programs for the years ended December 31, 2009 and 2008, is summarized below (in 000’s):

<b>December 31, 2009</b>						
		<b>Expenses</b>				
<b>Program Funding</b>		<b>Administrative</b>	<b>Provision for Losses</b>	<b>Total</b>	<b>Net</b>	
PA 05-228	\$ 3,880	\$ 268	\$ 1,225	\$ 1,493	\$ 2,387	
EMAP	10,000	5,101	1,665	6,766	3,234	
NFMC	276	220	-	220	56	
ARRA	4,474	-	4,474	4,474	-	
	<u>\$ 18,630</u>	<u>\$ 5,589</u>	<u>\$ 7,364</u>	<u>\$ 12,953</u>	<u>\$ 5,677</u>	

<b>December 31, 2008</b>						
		<b>Expenses</b>				
<b>Program Funding</b>		<b>Administrative</b>	<b>Provision for Losses</b>	<b>Total</b>	<b>Net</b>	
PA 05-228	\$ 4,227	\$ 1,110	\$ 125	\$ 1,235	\$ 2,992	
PA 95-250	28	-	-	-	28	
	<u>\$ 4,255</u>	<u>\$ 1,110</u>	<u>\$ 125</u>	<u>\$ 1,235</u>	<u>\$ 3,020</u>	

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS — CONTINUED**

**Note 13—Risk Management**

The Authority is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses and no decreases in insurance coverage over the last three years.

**Note 14—Subsequent Events**

On February 25, 2010, the Authority issued \$273,535,000 of its 2010 Series A and \$1,465,000 of its 2010 Series B Bonds under the Resolution for its mortgage programs.

On March 1, 2010, the Authority redeemed \$31,380,000 of various Series of outstanding bonds held under the Bond Resolution.

On April 8, 2010, the Authority issued \$35,000,000 of its 2010 Series C Bonds under the Resolution for its mortgage programs.

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2009**  
(in 000's)

	Other Funds					Component Units			Eliminations	Combined Total
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond Funds	Multifamily Special Obligation Bond Funds	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
<b>Assets</b>										
<b>Restricted Current Assets</b>										
Cash and cash equivalents	\$ 695	\$ -	\$ 219	\$ 80	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 998
Investments in mortgage loans	118,834	-	-	-	846	-	-	-	-	119,680
Investments in securities	511,580	3,874	-	-	35,561	56	-	192	-	551,263
Accrued interest receivable on:										
Investments in mortgage loans	19,473	-	-	-	263	-	-	-	-	19,736
Investments in securities	867	1	-	-	21	-	-	-	-	889
Due from other funds/component units	6,101	-	-	-	-	-	-	-	(6,101)	-
Accounts receivable and other assets	21,292	-	-	-	297	1,594	16	-	-	23,199
Accounts receivable-Federal New Issue Bond Program	-	-	191,501	27,530	-	-	-	-	-	219,031
Real estate owned – multifamily	-	-	-	-	-	100	-	-	-	100
Funds held under Special Needs Housing Renewal and Replacement Fund	-	-	-	-	2,995	-	-	-	-	2,995
Funds held under Capital Reserve Funds Requirements	111,666	-	-	-	2,727	-	-	-	-	114,393
<b>Total current assets</b>	<u>790,508</u>	<u>3,875</u>	<u>191,720</u>	<u>27,610</u>	<u>42,710</u>	<u>1,750</u>	<u>16</u>	<u>196</u>	<u>(6,101)</u>	<u>1,052,284</u>
<b>Restricted Noncurrent Assets</b>										
Investments in mortgage loans	3,204,460	-	-	-	49,542	-	-	-	-	3,254,002
Investments in securities	151,442	-	-	-	2,947	-	-	-	-	154,389
Due from component units	22,572	-	-	-	-	-	-	-	(22,572)	-
Accounts receivable and other assets	-	-	-	-	-	2,121	-	-	-	2,121
Capital assets, net	3,234	-	-	-	-	-	-	-	-	3,234
Real estate owned – single family	7,037	-	-	-	-	-	-	-	-	7,037
Real estate owned – multifamily	3,358	-	-	-	-	2,300	-	-	-	5,658
Other real estate owned	-	-	-	-	-	-	12,483	-	-	12,483
Deferred financing costs	28,397	-	219	80	1,277	-	-	-	-	29,973
Funds held under Capital Reserve Funds Requirements	795,692	-	-	-	1,946	-	-	-	-	797,638
<b>Total noncurrent assets</b>	<u>4,216,192</u>	<u>-</u>	<u>219</u>	<u>80</u>	<u>55,712</u>	<u>4,421</u>	<u>12,483</u>	<u>-</u>	<u>(22,572)</u>	<u>4,266,535</u>
<b>Total assets</b>	<u>\$ 5,006,700</u>	<u>\$ 3,875</u>	<u>\$ 191,939</u>	<u>\$ 27,690</u>	<u>\$ 98,422</u>	<u>\$ 6,171</u>	<u>\$ 12,499</u>	<u>\$ 196</u>	<u>\$ (28,673)</u>	<u>\$ 5,318,819</u>
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Escrow deposits	\$ 24,504	\$ -	\$ -	\$ -	\$ 29,929	\$ -	\$ -	\$ 4	\$ -	\$ 54,437
Due to General Fund	-	-	219	80	-	5,802	-	-	(6,101)	-
Accrued interest payable	22,491	-	-	-	126	-	-	-	-	22,617
Accounts payable and accrued liabilities	9,876	5	-	-	300	523	561	-	-	11,265
Minority interests – other real estate owned	-	-	-	-	-	-	4,543	-	-	4,543
Loan payable – other real estate owned	-	-	-	-	-	-	22,828	-	-	22,828
Bonds payable	101,331	-	-	-	1,185	-	-	-	-	102,516
<b>Total current liabilities</b>	<u>158,202</u>	<u>5</u>	<u>219</u>	<u>80</u>	<u>31,540</u>	<u>6,325</u>	<u>27,932</u>	<u>4</u>	<u>(6,101)</u>	<u>218,206</u>
<b>Noncurrent Liabilities</b>										
Escrow deposits	127,207	-	-	-	5,916	-	-	-	-	133,123
Due to General Fund	-	-	-	-	-	11,769	10,803	-	(22,572)	-
Bonds payable	3,812,892	-	191,720	27,610	54,285	-	-	-	-	4,086,507
<b>Total noncurrent liabilities</b>	<u>3,940,099</u>	<u>-</u>	<u>191,720</u>	<u>27,610</u>	<u>60,201</u>	<u>11,769</u>	<u>10,803</u>	<u>-</u>	<u>(22,572)</u>	<u>4,219,630</u>
<b>Total liabilities</b>	<u>4,098,301</u>	<u>5</u>	<u>191,939</u>	<u>27,690</u>	<u>91,741</u>	<u>18,094</u>	<u>38,735</u>	<u>4</u>	<u>(28,673)</u>	<u>4,437,836</u>
<b>Net Assets</b>										
Invested in capital assets	3,234	-	-	-	-	-	-	-	-	3,234
Restricted	905,165	3,870	-	-	6,681	(11,923)	(26,236)	192	-	877,749
<b>Total net assets</b>	<u>908,399</u>	<u>3,870</u>	<u>-</u>	<u>-</u>	<u>6,681</u>	<u>(11,923)</u>	<u>(26,236)</u>	<u>192</u>	<u>-</u>	<u>880,983</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,006,700</u>	<u>\$ 3,875</u>	<u>\$ 191,939</u>	<u>\$ 27,690</u>	<u>\$ 98,422</u>	<u>\$ 6,171</u>	<u>\$ 12,499</u>	<u>\$ 196</u>	<u>\$ (28,673)</u>	<u>\$ 5,318,819</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2008**  
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
<b>Assets</b>									
<b>Restricted Current Assets</b>									
Cash and cash equivalents	\$ 576	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ 4	\$ -	\$ 780
Investments in mortgage loans	118,211	-	-	756	-	-	-	-	118,967
Investments in securities	465,962	3,829	92	22,919	4,742	-	187	-	497,731
Accrued interest receivable on:									
Investments in mortgage loans	17,253	-	-	271	-	-	-	-	17,524
Investments in securities	1,646	5	-	44	4	-	-	-	1,699
Due from other funds/component units	32,501	-	-	-	-	-	-	(32,501)	-
Accounts receivable and other assets	21,854	-	-	132	3,431	15	4	-	25,436
Real estate owned – multifamily	-	-	-	-	33,341	-	-	-	33,341
Funds held under Special Needs Housing Renewal and Replacement Fund	-	-	-	2,650	-	-	-	-	2,650
Funds held under Capital Reserve Funds Requirements	51,191	-	-	2,712	-	-	-	-	53,903
<b>Total current assets</b>	<b>709,194</b>	<b>3,834</b>	<b>92</b>	<b>29,484</b>	<b>41,718</b>	<b>15</b>	<b>195</b>	<b>(32,501)</b>	<b>752,031</b>
<b>Restricted Noncurrent Assets</b>									
Investments in mortgage loans	3,027,925	-	-	49,931	-	-	-	-	3,077,856
Investments in securities	212,867	-	-	2,878	-	-	-	-	215,745
Due from component units	20,860	-	-	-	-	-	-	(20,860)	-
Accounts receivable and other assets	-	-	-	-	1,503	-	-	-	1,503
Capital assets, net	3,173	-	-	-	-	-	-	-	3,173
Real estate owned – single family	3,017	-	-	-	-	-	-	-	3,017
Real estate owned – multifamily	3,386	-	-	-	820	-	-	-	4,206
Other real estate owned	-	-	-	-	-	41,286	-	-	41,286
Deferred financing costs	29,211	-	-	1,388	-	-	-	-	30,599
Funds held under Capital Reserve Funds Requirements	859,865	-	-	2,109	-	-	-	-	861,974
<b>Total noncurrent assets</b>	<b>4,160,304</b>	<b>-</b>	<b>-</b>	<b>56,306</b>	<b>2,323</b>	<b>41,286</b>	<b>-</b>	<b>(20,860)</b>	<b>4,239,359</b>
<b>Total assets</b>	<b>\$ 4,869,498</b>	<b>\$ 3,834</b>	<b>\$ 92</b>	<b>\$ 85,790</b>	<b>\$ 44,041</b>	<b>\$ 41,301</b>	<b>\$ 195</b>	<b>\$ (53,361)</b>	<b>\$ 4,991,390</b>
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities</b>									
Escrow deposits	\$ 24,966	\$ -	\$ 81	\$ 18,088	\$ 2,312	\$ -	\$ 4	\$ -	\$ 45,451
Due to General Fund	-	3	11	-	32,487	-	-	(32,501)	-
Accrued interest payable	25,859	-	-	129	-	-	-	-	25,988
Accounts payable and accrued liabilities	8,087	-	-	145	1,105	603	-	-	9,940
Minority interests – other real estate owned	-	-	-	-	-	6,082	-	-	6,082
Loan payable – other real estate owned	-	-	-	-	-	22,986	-	-	22,986
Bonds payable	91,913	-	-	1,150	-	-	-	-	93,063
<b>Total current liabilities</b>	<b>150,825</b>	<b>3</b>	<b>92</b>	<b>19,512</b>	<b>35,904</b>	<b>29,671</b>	<b>4</b>	<b>(32,501)</b>	<b>203,510</b>
<b>Noncurrent Liabilities</b>									
Escrow deposits	116,688	-	-	5,308	-	-	-	-	121,996
Due to General Fund	-	-	-	-	10,702	10,158	-	(20,860)	-
Bonds payable	3,721,523	-	-	55,470	-	-	-	-	3,776,993
<b>Total noncurrent liabilities</b>	<b>3,838,211</b>	<b>-</b>	<b>-</b>	<b>60,778</b>	<b>10,702</b>	<b>10,158</b>	<b>-</b>	<b>(20,860)</b>	<b>3,898,989</b>
<b>Total liabilities</b>	<b>3,989,036</b>	<b>3</b>	<b>92</b>	<b>80,290</b>	<b>46,606</b>	<b>39,829</b>	<b>4</b>	<b>(53,361)</b>	<b>4,102,499</b>
<b>Net Assets</b>									
Invested in capital assets	3,173	-	-	-	-	-	-	-	3,173
Restricted	877,289	3,831	-	5,500	(2,565)	1,472	191	-	885,718
<b>Total net assets</b>	<b>880,462</b>	<b>3,831</b>	<b>-</b>	<b>5,500</b>	<b>(2,565)</b>	<b>1,472</b>	<b>191</b>	<b>-</b>	<b>888,891</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,869,498</b>	<b>\$ 3,834</b>	<b>\$ 92</b>	<b>\$ 85,790</b>	<b>\$ 44,041</b>	<b>\$ 41,301</b>	<b>\$ 195</b>	<b>\$ (53,361)</b>	<b>\$ 4,991,390</b>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(in 000's)

	Other Funds					Component Units				Combined Total
	General & Capital Reserve Funds	Housing Mortgage Insurance Fund	Single Family Special Obligation Bond Funds	Multifamily Special Obligation Bond Funds	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority	Eliminations	
<b>Operating Revenues</b>										
Interest on mortgage loans	\$ 178,615	\$ -	\$ -	\$ -	\$ 3,217	\$ -	\$ -	\$ -	\$ (1,243)	\$ 180,589
Interest on investments	54,753	25	-	-	622	165	-	1	-	55,566
Fees and other income	4,427	19	-	-	471	2,316	9	-	-	7,242
<b>Total operating revenues</b>	<b>237,795</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>4,310</b>	<b>2,481</b>	<b>9</b>	<b>1</b>	<b>(1,243)</b>	<b>243,397</b>
<b>Operating Expenses</b>										
Interest	185,442	-	-	-	2,865	693	550	-	(1,243)	188,307
Amortization of deferred financing costs	5,240	-	-	-	111	-	-	-	-	5,351
Servicer fees	8,736	-	-	-	-	-	-	-	-	8,736
Administrative	28,867	5	-	-	-	4,556	1,341	-	-	34,769
Provision for losses	1,728	-	-	-	-	-	-	-	-	1,728
<b>Total operating expenses</b>	<b>230,013</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>2,976</b>	<b>5,249</b>	<b>1,891</b>	<b>-</b>	<b>(1,243)</b>	<b>238,891</b>
<b>Operating income (loss)</b>	<b>7,782</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>1,334</b>	<b>(2,768)</b>	<b>(1,882)</b>	<b>1</b>	<b>-</b>	<b>4,506</b>
<b>Nonoperating Revenues (Expenses)</b>										
Net decrease in the fair value of investments	(3,497)	-	-	-	(153)	-	-	-	-	(3,650)
Gain (loss) on real estate owned/ other real estate owned	-	-	-	-	-	11,385	(25,826)	-	-	(14,441)
State and federal program funding	18,630	-	-	-	-	-	-	-	-	18,630
State and federal program expenses	(12,953)	-	-	-	-	-	-	-	-	(12,953)
<b>Nonoperating income (loss)</b>	<b>2,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153)</b>	<b>11,385</b>	<b>(25,826)</b>	<b>-</b>	<b>-</b>	<b>(12,414)</b>
<b>Income (loss) before transfers</b>	<b>9,962</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>1,181</b>	<b>8,617</b>	<b>(27,708)</b>	<b>1</b>	<b>-</b>	<b>(7,908)</b>
<b>Operating transfers in (out)</b>	<b>17,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,975)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>27,937</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>1,181</b>	<b>(9,358)</b>	<b>(27,708)</b>	<b>1</b>	<b>-</b>	<b>(7,908)</b>
Net assets, beginning of year	880,462	3,831	-	-	5,500	(2,565)	1,472	191	-	888,891
Net assets, end of year	\$ <u>908,399</u>	\$ <u>3,870</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,681</u>	\$ <u>(11,923)</u>	\$ <u>(26,236)</u>	\$ <u>192</u>	\$ <u>-</u>	\$ <u>880,983</u>

**CONNECTICUT HOUSING FINANCE AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(in 000's)

	General & Capital Reserve Funds	Other Funds			Component Units			Eliminations	Combined Total
		Housing Mortgage Insurance Fund	Housing Draw Down Fund	Special Needs Housing Funds	Multifamily Real Estate Owned	Other Real Estate Owned	State Housing Authority		
<b>Operating Revenues</b>									
Interest on mortgage loans	\$ 174,718	\$ -	\$ -	\$ 3,254	\$ -	\$ -	\$ -	\$ (2,579)	\$ 175,393
Interest on investments	57,239	95	42	947	163	-	4	-	58,490
Fees and other income	6,227	7	-	360	4,336	-	6	-	10,936
<b>Total operating revenues</b>	<b>238,184</b>	<b>102</b>	<b>42</b>	<b>4,561</b>	<b>4,499</b>	<b>-</b>	<b>10</b>	<b>(2,579)</b>	<b>244,819</b>
<b>Operating Expenses</b>									
Interest	176,574	-	56	2,933	2,055	524	-	(2,579)	179,563
Amortization of deferred financing costs	4,408	-	-	526	-	-	-	-	4,934
Servicer fees	8,785	-	-	-	-	-	-	-	8,785
Administrative	25,069	-	-	-	3,369	1,376	-	-	29,814
Provision for losses	3,305	-	-	-	-	-	-	-	3,305
<b>Total operating expenses</b>	<b>218,141</b>	<b>-</b>	<b>56</b>	<b>3,459</b>	<b>5,424</b>	<b>1,900</b>	<b>-</b>	<b>(2,579)</b>	<b>226,401</b>
<b>Operating income (loss)</b>	<b>20,043</b>	<b>102</b>	<b>(14)</b>	<b>1,102</b>	<b>(925)</b>	<b>(1,900)</b>	<b>10</b>	<b>-</b>	<b>18,418</b>
<b>Nonoperating Revenues (Expenses)</b>									
Net increase in the fair value of investments	47,436	-	-	270	-	-	-	-	47,706
Gain on sale of REO	-	-	-	-	3,550	-	-	-	3,550
State program funding	4,255	-	-	-	-	-	-	-	4,255
State program expenses	(1,235)	-	-	-	-	-	-	-	(1,235)
<b>Nonoperating income</b>	<b>50,456</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>3,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,276</b>
<b>Income (loss) before transfers</b>	<b>70,499</b>	<b>102</b>	<b>(14)</b>	<b>1,372</b>	<b>2,625</b>	<b>(1,900)</b>	<b>10</b>	<b>-</b>	<b>72,694</b>
<b>Operating transfers in (out)</b>	<b>4,356</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>(4,345)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>74,855</b>	<b>102</b>	<b>(25)</b>	<b>1,372</b>	<b>(1,720)</b>	<b>(1,900)</b>	<b>10</b>	<b>-</b>	<b>72,694</b>
Net assets, beginning of year	805,607	3,729	25	4,128	(845)	3,372	181	-	816,197
Net assets, end of year	\$ 880,462	\$ 3,831	\$ -	\$ 5,500	\$ (2,565)	\$ 1,472	\$ 191	\$ -	\$ 888,891