Connecticut Housing Finance Authority

# Financial Statements

## and Supplementary Information

### Years Ended December 31, 2012 and 2011
### With Report of Independent Auditors

Connecticut Housing Finance Authority

Financial Statements and Supplementary Information

Years Ended December 31, 2012 and 2011

## Contents

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# Report of Independent Auditors

Management and the Board of Directors
Connecticut Housing Finance Authority

## Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Housing Finance Authority (the Authority), a component unit of the State of Connecticut, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 5 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The Supplementary Information, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated April 26, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

April 26, 2013

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# Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Connecticut Housing Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Connecticut Housing Finance Authority (the Authority), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

April 26, 2013

This section of the Connecticut Housing Finance Authority's (the "Authority") financial statements, Management's Discussion and Analysis, presents an overview of the Authority's financial performance for the years ended December 31, 2012 and 2011. It provides an assessment of the Authority's financial position and identifies the factors that in management's view, significantly affected the Authority's overall financial position. It may contain assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements described below.

**Overview of the Financial Statements**

This annual financial report consists of three parts: *Management's Discussion and Analysis*, 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.

The Statement of Net Position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Net Position, which accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities.

The Notes to Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Authority.
- Other events or developing situations that could materially affect the Authority's financial position.

The Supplementary Information includes individual program schedules that present the Authority's financial statements in more detail.

**Financial Highlights – Year Ended December 31, 2012**

The limited returns available on short term investments continued to suppress the Authority's investment income, and the ongoing Federal intervention in conventional markets limited its market advantage for financing its programs with long term bonds, even on a tax exempt basis. The Authority was able to take advantage of this capital market environment, however, by restructuring and refunding over $666 million in its outstanding bonds to reduce interest rates and in some cases replace floating rate bonds with long term debt. By combining these issues with new debt, the Authority was able to establish very low interest rates on new mortgages for its borrowers, and strengthen the underlying structure of its cash flows.

As a result of the rise in interest rates from December 31, 2011 to December 31, 2012 the Authority also recorded $17.8 million in nonoperating expense for the decrease in the fair value of investments, substantially all of which is attributable to the market decrease in its GNMA Program Assets (see "Financial Analysis of the Authority" below and Notes 3 and 4 of the financial statements).

**Financial Highlights – Year Ended December 31, 2011**

As in 2010, investment income was low in 2011 primarily because of the limited returns available on the Authority's short term investments, and its market advantage for financing its programs with new long term fixed rate tax exempt financing continued to be difficult because of the ongoing Federal intervention in conventional markets. In this difficult environment, the Authority was, however, able to increase its operating income, primarily as a result of the restructuring of its outstanding debt and the timing and financing of new mortgage loans. It also converted the remaining $91.7 million of bonds issued in 2009 related to the Federal New Issue Bond Program (described in Note 7 of the financial statements) into long term bonds purchased by the Treasury in conjunction with a $106.3 million issuance of bonds marketed publically to provide financing for its single family program and converted all $27.6 million allocated for the multifamily program to long term bonds at below market rates.

As a result of the drop in interest rates from December 31, 2010 to December 31, 2011 the Authority also recorded $30.4 million in nonoperating income for the increase in the fair value of investments, substantially all of which is attributable to the market increase of it GNMA Program Assets (see "Financial Analysis of the Authority" below and Notes 3 and 4 of the financial statements).

**Financial Analysis of the Authority**

The following table summarizes the changes in Net Position between December 31, 2012, 2011 and 2010:

| | (in millions) | | | % Change | |
|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012/2011** | **2011/2010** |
| Current assets | $ 1,263.0 | $ 994.8 | $ 957.3 | 27.0% | 3.9% |
| Capital assets | 3.3 | 3.5 | 3.7 | (5.7) | (5.4) |
| Noncurrent assets | 4,135.0 | 4,393.0 | 4,368.1 | (5.9) | 0.6 |
| **Total assets** | 5,401.3 | 5,391.3 | 5,329.1 | 0.2 | 1.2 |
| **Deferred outflows of resources** | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 200.2 | 232.7 | 153.4 | (14.0) | 51.7 |
| Long-term debt | 3,910.6 | 3,949.3 | 3,940.6 | (1.0) | 0.2 |
| Other liabilities | 732.6 | 717.0 | 638.0 | 2.2 | 12.4 |
| **Total liabilities** | 4,643.2 | 4,666.3 | 4,578.6 | (0.5) | 1.9 |
| Net Position | | | | | |
| Net investment in capital assets | 3.3 | 3.5 | 3.7 | (5.7) | (5.4) |
| Restricted | 985.1 | 993.3 | 937.0 | (0.8) | 6.0 |
| Unrestricted deficit | (30.1) | (39.1) | (36.8) | (23.0) | 6.3 |
| **Total net position** | $ 958.3 | $ 957.7 | $ 903.9 | 0.1 | 6.0 |

**Change 2012/2011**

- Mortgage loans receivable decreased $114.7 million (or 3.2%).
  - During 2012, the Authority's multifamily and construction loan portfolios experienced overall net growth while its home mortgage loan portfolio experienced a net reduction. 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 Notes 3 and 4 of the financial statements.
- Cash and investments in securities increased $126.8 million (or 7.7%) primarily resulting from:
  - A net increase of $164.9 million in bond proceeds and other funds held to be used for the financing of mortgage loans, the retirement of bond debt or the payment of administrative costs.
  - A $20.3 million decrease 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 $17.8 million decrease which is attributable to the decrease of investment values specifically related to GNMA Program Assets (see Note 2 of the financial statements).
- Bonds payable increased by $16.8 million (or 0.4%).
  - As a result of total new bond issuance exceeding total retired bond debt during 2012.

**Change 2011/2010**

- Mortgage loans receivable increased $53.7 million (or 1.5%).
  - During 2011, the Authority's home mortgage and multifamily mortgage 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 Notes 3 and 4 of the financial statements.
- Cash and investments in securities decreased $8.8 million (or 0.5%) primarily resulting from:
  - A net decrease of $21.0 million in bond proceeds and other funds held to be used in connection with the financing of mortgage loans or the retirement of bond debt.
  - A $15.0 million decrease 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 $27.2 million increase which is attributable to the increase of investment values specifically related to GNMA Program Assets (see Note 2 of the financial statements).
- Bonds payable increased by $25.6 million (or 0.6%).
  - As a result of total new bond issuance exceeding total retired bond debt during 2011.

**Financial Analysis of the Authority (continued)**

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

Payoffs of loans originally financed under the Authority's home mortgage and special needs housing programs (including GNMA Program Assets, excluding the acquired portfolio from the State) exceeded new loans financed for the year ended December 31, 2012, and new loans financed exceeded payoffs for the years ended December 31, 2011 and 2010 as follows:

| | (in millions) | |
|---|---|---|
| | New Loans Financed | Payoffs |
| 2012 | $ 238.4 | $ 436.4 |
| 2011 | 267.7 | 213.7 |
| 2010 | 329.6 | 252.9 |

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

| | (in millions) | | | % Change | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012/2011 | 2011/2010 |
| Construction loan balances | $ 262.2 | $ 253.5 | $ 200.9 | 3.4% | 26.2% |
| Permanent loan balances | 768.8 | 716.4 | 700.1 | 7.3 | 2.3 |
| Special needs housing permanent loan balances | 58.9 | 60.1 | 61.2 | (2.0) | (1.8) |
| **Total multifamily mortgage loans** | $ 1,089.9 | $ 1,030.0 | $ 962.2 | 5.8 | 7.0 |

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 | 179.1 | (122.3) | 56.8 |
| Total acquired portfolio | $ 213.3 | $ (148.3) | $ 65.0 |
| Allowance for losses % to par value | | 69.5% | |

The status of this portfolio as of December 31, 2012, 2011 and 2010, is summarized as follows (in 000's):

| | December 31, 2012 | | |
|---|---|---|---|
| | Par Value | Allowance for Losses | Carrying Amount |
| Home mortgage loans | $ 19.7 | $ (17.4) | $ 2.3 |
| Multifamily mortgage loans | 158.2 | (122.6) | 35.6 |
| Total acquired portfolio | $ 177.9 | $ (140.0) | $ 37.9 |
| Allowance for losses % to par value | | 78.7% | |

| | December 31, 2011 | | |
|---|---|---|---|
| | Par Value | Allowance for Losses | Carrying Amount |
| Home mortgage loans | $ 20.3 | $ (17.4) | $ 2.9 |
| Multifamily mortgage loans | 161.1 | (125.3) | 35.8 |
| Total acquired portfolio | $ 181.4 | $ (142.7) | $ 38.7 |
| Allowance for losses % to par value | | 78.7% | |

| | December 31, 2010 | | |
|---|---|---|---|
| | Par Value | Allowance for Losses | Carrying Amount |
| Home mortgage loans | $ 20.9 | $ (17.9) | $ 3.0 |
| Multifamily mortgage loans | 158.1 | (121.7) | 36.4 |
| Total acquired portfolio | $ 179.0 | $ (139.6) | $ 39.4 |
| Allowance for losses % to par value | | 78.0% | |

**Financial Analysis of the Authority (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, 2012, 2011 and 2010. Please refer to the "Financial Highlights" section of this analysis for further explanation of these changes.

| | (in millions) | | | % Change | |
|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012/2011** | **2011/2010** |
| Operating Revenues: | | | | | |
| Interest on mortgage loans | $ 187.0 | $ 199.5 | $ 188.7 | (6.3%) | 5.7% |
| Interest on investments | 33.5 | 38.4 | 44.6 | (12.8) | (13.9) |
| Fees and other income | 5.4 | 11.1 | 6.1 | (51.4) | 82.0 |
| **Total operating revenues** | 225.9 | 249.0 | 239.4 | (9.3) | 4.0 |
| Operating Expenses: | | | | | |
| Interest | 157.4 | 160.7 | 177.7 | (2.1) | (9.6) |
| Amortization of deferred financing costs | 6.7 | 6.7 | 8.6 | 0.0 | (22.1) |
| Servicer fees | 8.0 | 8.4 | 8.4 | (4.8) | 0.0 |
| Administrative | 33.9 | 35.1 | 34.8 | 3.4 | 0.9 |
| Provision for losses | 3.7 | 14.7 | 7.3 | (74.8) | 101.4 |
| **Total operating expenses** | 209.7 | 225.6 | 236.8 | (7.0) | (4.7) |
| Operating income | 16.2 | 23.4 | 2.6 | (30.8) | 800.0 |
| Nonoperating Revenues (Expenses): | | | | | |
| Net increase (decrease) in the fair value of investments | (17.8) | 27.2 | 26.6 | (165.4) | 2.3 |
| Other | 2.2 | 3.2 | (6.3) | (31.3) | 150.8 |
| **Total nonoperating income (loss)** | (15.6) | 30.4 | 20.3 | (151.3) | 49.8 |
| **Change in net position** | $ 0.6 | $ 53.8 | $ 22.9 | (98.9) | 134.9 |

**Change 2012/2011**

- Total net position increased $0.6 million (or 0.1%). Operating income was $16.2 million, a decrease of $7.2 million (or 30.8%) from the prior year.
  - The nonoperating loss is attributable to
    - the $17.8 million decrease in the market value of the Authority's investment portfolio, specifically the Authority's GNMA Program Assets discussed in Notes 3 and 4 of the financial statements.
    - the net $2.2 increase related to state and federal program funding and expense activity more fully described in Note 13 of the financial statements.

- Operating revenues decreased $23.1 million (or 9.3%).
  - This decrease is attributable to the decrease in interest on mortgage loans and fees and other income as a result of the reduction in the mortgage loan portfolio and the decrease in interest on investments as a result of the limited returns available on the Authority's short term investments.

- Operating expenses decreased $15.9 million (or 7.0%).
  - This decrease is substantially attributable to the decrease in the provision for losses as a result of the overall reduction in the mortgage loan portfolio and the decrease in bond interest expense as a result of the Authority's continued restructuring of its bond debt during 2012.

**Financial Analysis of the Authority (continued)**

**Change 2011/2010**

- Total net position increased $53.8 million (or 6.0%). Operating income was $23.4 million, an increase of $20.8 million (or 800.0%) from the prior year.
  - The nonoperating income is attributable to
    - the $27.2 million increase in the market value of the Authority's investment portfolio, specifically the Authority's GNMA Program Assets discussed in Notes 3 and 4 of the financial statements.
    - the net $3.2 increase related to state and federal program funding and expense activity more fully described in Note 13 of the financial statements.

- Operating revenues increased $9.6 million (or 4.0%).
  - This increase is attributable to the increase in interest on mortgage loans and fees and other income as a result of the growth in the mortgage loan portfolio which is partially offset by the decrease in interest on investments related to the Authority's short term investments.

- Operating expenses decreased $11.2 million (or 4.7%).
  - This decrease is attributable to the decrease in bond interest expense and amortization of deferred financing costs as a result of the Authority's continued restructuring of its bond debt during 2011, which offsets all increases in other operating expense categories.

**Debt Administration**

The following table summarizes the changes in bonds payable between December 31, 2012, 2011 and 2010. More detailed information related to the Authority's outstanding bond debt obligations is presented in Note 7 of the financial statements.

| | (in millions) | | | % Change | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012/2011 | 2011/2010 |
| Bonds payable | $ 4,177.4 | $ 4,160.6 | $ 4,135.0 | 0.4% | 0.6% |

**New Business – Year Ended December 31, 2012**

During calendar year 2012, the Authority issued seven series of Housing Mortgage Finance Program Bonds totaling $833.9 million to provide financing for its home mortgage and multifamily mortgage housing programs. Under various programs, the Authority has also made funds available from net position.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Finance Department of the Connecticut Housing Finance Authority at 999 West Street, Rocky Hill, CT 06067.

# CONNECTICUT HOUSING FINANCE AUTHORITY
## STATEMENTS OF NET POSITION
### (in 000's)

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Assets** | | |
| **Restricted Current Assets** | | |
| Cash and cash equivalents | $ 521 | $ 770 |
| Mortgage loans receivable | 100,433 | 109,089 |
| Investments in securities | 1,091,484 | 830,987 |
| Real estate owned – multifamily | 2,300 | - |
| Other real estate owned | 11,958 | - |
| Accrued interest receivable on: | | |
| Mortgage loans | 26,280 | 25,095 |
| Securities | 2,490 | 3,173 |
| Accounts receivable and other assets | 27,500 | 25,705 |
| **Total current assets** | 1,262,966 | 994,819 |
| **Restricted Noncurrent Assets** | | |
| Mortgage loans receivable, net of current portion | 3,391,444 | 3,497,482 |
| Investments in securities, net of current portion | 686,615 | 820,035 |
| Accounts receivable and other assets | - | 311 |
| Capital assets, net of depreciation | 3,276 | 3,478 |
| Real estate owned – single family | 29,264 | 32,264 |
| Real estate owned – multifamily | - | 5,620 |
| Other real estate owned | - | 12,201 |
| Deferred financing costs | 27,711 | 25,055 |
| **Total noncurrent assets** | 4,138,310 | 4,396,446 |
| **Total assets** | 5,401,276 | 5,391,265 |
| **Deferred outflows of resources** | | |
| Accumulated decrease in fair value of hedging derivatives | 200,205 | 232,719 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Escrow deposits | 39,540 | 60,400 |
| Accrued interest payable | 18,542 | 19,753 |
| Accounts payable and accrued liabilities | 7,629 | 7,976 |
| Minority interests – other real estate owned | 4,331 | 4,395 |
| Loan payable – other real estate owned | 22,098 | 22,481 |
| Bonds payable | 266,830 | 211,380 |
| **Total current liabilities** | 358,970 | 326,385 |
| **Noncurrent Liabilities** | | |
| Escrow deposits, net of current portion | 158,425 | 157,909 |
| Bonds payable, net of current portion | 3,910,563 | 3,949,250 |
| Derivative instruments - interest rate swaps | 215,172 | 232,719 |
| **Total noncurrent liabilities** | 4,284,160 | 4,339,878 |
| **Total liabilities** | 4,643,130 | 4,666,263 |
| **Net Position** | | |
| Net investment in capital assets | 3,276 | 3,478 |
| Restricted by bond indentures and/or enabling legislation | 985,150 | 993,296 |
| Unrestricted deficit | (30,075) | (39,053) |
| **Total net position** | $ 958,351 | $ 957,721 |

The accompanying notes are an integral part of the financial statements

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

| | Year Ended December 31, 2012 | 2011 |
|---|---|---|
| **Operating Revenues** | | |
| Interest on mortgage loans | $ 186,975 | $ 199,516 |
| Interest on investments | 33,474 | 38,389 |
| Fees and other income | 5,423 | 11,138 |
| **Total operating revenues** | 225,872 | 249,043 |
| **Operating Expenses** | | |
| Interest | 157,438 | 160,754 |
| Amortization of deferred financing costs | 6,690 | 6,718 |
| Servicer fees | 8,048 | 8,359 |
| Administrative | 33,872 | 35,067 |
| Provision for losses | 3,664 | 14,682 |
| **Total operating expenses** | 209,712 | 225,580 |
| **Operating income** | 16,160 | 23,463 |
| **Nonoperating Revenues (Expenses)** | | |
| Net increase (decrease) in the fair value of investments | (17,776) | 27,163 |
| State and federal program funding | 5,619 | 28,239 |
| State and federal program expenses | (3,373) | (25,040) |
| **Nonoperating income (loss)** | (15,530) | 30,362 |
| **Change in net position** | 630 | 53,825 |
| Net position, beginning of year | 957,721 | 903,896 |
| Net position, end of year | $ 958,351 | $ 957,721 |

The accompanying notes are an integral part of the financial statements

# CONNECTICUT HOUSING FINANCE AUTHORITY
## STATEMENTS OF CASH FLOWS
## (in 000's)

| | Year Ended December 31, 2012 | Year Ended December 31, 2011 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from interest on mortgage loans | $ 185,790 | $ 197,455 |
| Cash received from scheduled mortgage principal payments | 117,372 | 90,907 |
| Cash received from mortgage principal prepayments | 304,471 | 140,870 |
| Cash received from fees and other income | 4,408 | 10,182 |
| Cash payments to purchase mortgage loans | (304,171) | (340,028) |
| Cash payments to employees | (18,028) | (17,422) |
| Cash payments to suppliers | (24,506) | (26,922) |
| **Net cash provided by operating activities** | 265,336 | 55,042 |
| **Cash Flows from Non-Capital Financing Activities** | | |
| Repayments of escrow deposits | (20,344) | (15,032) |
| Retirement of bonds payable | (803,510) | (710,812) |
| Proceeds from sales of bonds | 834,960 | 736,161 |
| Interest paid | (159,359) | (162,052) |
| Bond issuance costs | (9,346) | (5,330) |
| Proceeds from state and federal program funding | 5,619 | 28,239 |
| State and federal program costs | (2,968) | (1,031) |
| **Net cash used in non-capital financing activities** | (154,948) | (129,857) |
| **Cash Flows from Investing Activities** | | |
| Proceeds from sales of and maturities of investment securities | 283,103 | 127,306 |
| Purchase of investment securities | (426,725) | (92,637) |
| Interest received on investments | 32,985 | 38,507 |
| **Net cash (used in) provided by investing activities** | (110,637) | 73,176 |
| **Decrease in cash and cash equivalents** | (249) | (1,639) |
| **Cash and cash equivalents, beginning of year** | 770 | 2,409 |
| **Cash and cash equivalents, end of year** | $ 521 | $ 770 |
| **Reconciliation of operating income to net cash provided by operating activities** | | |
| Operating income | $ 16,160 | $ 23,463 |
| Adjustments to reconcile to net cash provided by (used in) operating activities: | | |
| Amortization of deferred financing costs | 6,690 | 6,718 |
| Depreciation | 202 | 202 |
| Provision for losses | 3,664 | 14,682 |
| Interest on investments | (33,474) | (38,389) |
| Interest expense | 157,438 | 160,754 |
| Change in assets and liabilities: | | |
| Increase in accrued interest on mortgage loans | (1,185) | (2,061) |
| Increase in accounts receivable and other assets | (1,484) | (1,569) |
| Decrease in accounts payable and other accrued liabilities | (347) | (507) |
| (Increase) decrease in mortgage loan and other receivables, net | 117,672 | (108,251) |
| **Net cash provided by operating activities** | $ 265,336 | $ 55,042 |
| **Non-cash investing activities** | | |
| Net increase (decrease) in the fair value of investments | $ (17,776) | $ 27,163 |

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 a component unit of the State of Connecticut, based on the criteria for defining the reporting entity as identified and described in the Government Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*.

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

*Measurement Focus and Basis of Accounting*

The Authority is a self-supported entity and follows enterprise fund reporting; accordingly the accompanying financial statements are presented using the economic resources measurement focus and accrual basis of accounting. While detail sub-fund information is not presented, separate accounts are maintained for each program and include certain funds that are legally designated as to use. The funds of the Authority and similar component units are proprietary fund types. 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").

*Reporting Entity*

*Connecticut Housing Finance Authority Funds*

Under the Act and the General Housing Mortgage Finance Program Bond Resolution of September 27, 1972 (the "Bond Resolution"), the Authority is authorized to maintain Housing Mortgage General and Capital Reserve Funds. In addition to the aforementioned funds, the Authority, as permitted by the Act, has established other funds. Included in other funds are the Investment Trust Fund, which may be used to account for assets which are determined to be "surplus funds" under the terms of the Bond Resolution, and the Housing Mortgage Insurance Fund, which provides mortgage insurance.

Also included in other funds are:

(a) the Special Needs Housing Fund, the Special Needs Housing Capital Reserve Fund, the State Assistance Agreement Fund, and, as to the Authority's Emergency Mortgage Assistance Payment (EMAP) Program: the EMAP State Assistance Agreement Fund and the EMAP Revolving Loan Fund (collectively, the "Special Needs Housing Program Funds"), the Group Home Renewal and Replacement Fund, the Assisted Living Facilities Renewal and Replacement Fund and the Supportive Housing Renewal and Replacement Fund (collectively the "Special Needs Housing Renewal and Replacement Funds"). The Authority is authorized to maintain the Special Needs Housing Program Funds and the Special Needs Housing Renewal and Replacement Funds (collectively the "Special Needs Housing Funds") under the Act and the Special Needs Housing Mortgage Finance Program Indenture (formerly known as the Group Home Mortgage Finance Program Indenture of Trust) (the "Special Needs Indenture"),

(b) the Single Family Special Obligation Bond and Other Bond Funds which the Authority is authorized to maintain under the Act, the Bond Resolution Providing for the Issuance of Single Family Mortgage Revenue Bonds (the "SFSOB Resolution") of November 19, 2009, and the Bond Resolution Providing for the Issuance of Other Bonds for the Housing Mortgage Finance Program (Single Family) (the "Single Family Other Bond Resolution") of November 19, 2009, and

(c) the Multifamily Special Obligation Bond and Other Bond Funds which the Authority is authorized to maintain under the Act, the Multifamily Bond Resolution Providing for the Issuance of Multifamily Mortgage Revenue Bonds (the "MFSOB Resolution") of November 19, 2009, and the Bond Resolution Providing for the Issuance of Other Bonds for the Housing Mortgage Finance Program (Multifamily) (the "Multifamily Other Bond Resolution") of October 27, 2011.

*Blended Component Units*

The Authority's operations include blended component units which are included in the Authority's basic financial statements in accordance with GASB 14. These are legally separate entities for which the Authority is considered financially accountable. The Authority is financially accountable for those units that make up its legal entity, as well as certain legally separate organizations because they have essentially the same board of directors and management personnel. Blended component units are, in substance, part of the Authority's operations; therefore, data from these units are combined with data of the primary Authority. Interfund activity has been eliminated. Additional information relating to these blended component units can be found in the Supplementary Information section of this report.

*State Housing Authority*

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

*Real Estate Owned - Multifamily*

CHFA – Small Properties, Inc. and CPS Properties 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. During 2012, the three remaining properties held under CPS Properties Inc. were sold.

*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.

*Mortgage Loans Receivable*

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

*Allowance for Losses*

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

*Investments in Securities*

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

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

*Capital Assets*

Land and building acquisitions and subsequent improvements exceeding $1,000 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using the straight-line method over the estimated useful life 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.

*Deferred Financing Costs, Bond Discount and other Bond Related Costs*

Issuance costs on bonds are deferred and amortized, on a level yield basis, over the term of the related issue. Discount and premium on bonds are deferred and amortized as a component of interest expense using a method approximating the effective interest method. 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.

*Real Estate Owned*

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

*Derivative Financial Instruments*

The Authority adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* effective January 1, 2010. The statement changes the accounting and reporting for derivative financial instruments by requiring that the fair value of such instruments be recognized on the statement of net position whereas previously such amounts were disclosed only. The accounting for changes in the value of derivative instruments depends on whether the instruments are considered to be effective hedges.

The Authority's derivative financial instruments consist of interest rate swaps, all of which have been determined by the Authority to represent effective cash flow hedges. Accordingly, changes in the fair value of the swaps are reported as deferred outflows on the statement of net position.

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

*Net Position*

Net position is classified in the following three categories:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation. There is no outstanding debt related to the Authority's capital assets.

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

Unrestricted deficit – This relates to net position that does not meet the definition of "net investment in capital assets" or "restricted" as discussed above.

*Operating and Nonoperating Revenues and Expenses*

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues consist primarily of interest income on mortgage loans, fees and other charges related to mortgage loans and interest on investments, including fees and interest on GNMA Program Asset investments more fully described in Note 3. The Authority also recognizes revenues from rental operations and other administrative fees as operating revenues. Operating expenses include general and administrative expenses, costs and expenses incurred in connection with the amortization, issuance and sale of bonds; and other costs related to various loan programs. Revenues or expenses not meeting this definition are generally reported as nonoperating revenues and expenses.

*Grants*

Grants received from federal and state governments are recognized as nonoperating revenue as the related expenditures are incurred in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

*Estimates*

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

*Recent Accounting Standards*

In 2012 the Authority adopted GASB Statement No. 64, *Derivative Instruments; Application of Hedge Accounting Termination Provisions.* The objective of this statement is to clarify the termination provisions in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, when a counterparty of an interest rate or commodity swap is replaced. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2011. The adoption of this standard did not have an impact on the Authority's financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The Authority is in the process of assessing the impact of GASB No. 65 on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"). The objective of this statement is to improve the information provided in government financial reports about pension-related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. The Authority is in the process of assessing the impact of GASB No. 68 on its financial statements.

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

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

At December 31, 2012 and 2011, the carrying amount reported as cash and cash equivalents on the statements of net position of the Authority represents deposits (including checking accounts and escrow accounts) of $521 (including $20 held under the Special Needs Housing Renewal and Replacement Funds and $770 (including $11 held under the Special Needs Housing Renewal and Replacement Funds), respectively. This entire amount is on deposit in independent financial institutions with a financial institution balance of $1,322 and $1,270 at December 31, 2012 and 2011, respectively. Included in the carrying amount reported as cash and cash equivalents, $194 and $139, respectively, are deposits held in escrow by the Authority at December 31, 2012 and 2011.

*Custodial Credit Risk* – Of the $1,322 and $1,270 financial institution balance at December 31, 2012 and 2011, $329 and $631 respectively were held in the Authority's name in the corporate trust division of one financial institution. These amounts were collateralized with a market value of underlying collateral equal to at least 100% of the amount on deposit with acceptable collateral compliant with 12 CFR § 9.10(b). In addition, in compliance with 12 CFR § 9.13 these amounts were protected from any potential creditors of the financial institution. The balances of $993 and $639 respectively were held in demand deposit accounts at FDIC-insured institutions and were fully insured pursuant to section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

*(b) Investments in Securities (in 000's)*

At December 31, 2012, the Authority held the following investments with the listed maturities bearing interest at annual rates ranging from 0.01% to 7.65% (which includes escrows with a carrying amount of $197,771). For investments other than Municipal Bonds, where no rating is indicated, the investments are direct obligations issued by the United States Government or its agencies or fully collateralized by such obligations. Municipal Bonds represent the Authority's Other Bonds which are more fully described in Note 7. They are secured by the Bond Resolution Capital Reserve Fund and as such, are a contingent liability of the State of Connecticut. Ratings are displayed with the 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) | | | |
|---|---|---|---|---|---|
| | **Fair Value** | **Less Than 1** | **1 - 5** | **6 - 10** | **More Than 10** |
| CMO-rated CCC | $ 1,011 | $ - | $ - | $ - | $ 1,011 |
| Fidelity Funds | 7,589 | 7,589 | - | - | - |
| Fidelity Tax Exempt Fund-not rated | 5,484 | 5,484 | - | - | - |
| GNMA Program Assets | 668,013 | - | - | - | 668,013 |
| MBS's | 1,342 | 14 | 46 | 126 | 1,156 |
| Municipal Bonds | 14,739 | - | - | - | 14,739 |
| STIF-rated AAAm | 1,078,397 | 1,078,397 | - | - | - |
| Structured Securities-rated D/C/D | 566 | - | - | - | 566 |
| U.S. Government Agency Securities | 958 | - | - | - | 958 |
| **Total investments held by all funds and component units** | $ 1,778,099 | $ 1,091,484 | $ 46 | $ 126 | $ 686,443 |

| | |
|---|---|
| **Restricted Current Assets** | |
| Capital Reserve Funds | $ 94,985 |
| Renewal and Replacement Fund | 6,085 |
| All other funds and component units | 990,414 |
| **Total Restricted Current Assets** | 1,091,484 |
| **Restricted Noncurrent Assets** | |
| Capital Reserve Funds | 594,127 |
| All other funds and component units | 92,488 |
| **Total Restricted Noncurrent Assets** | 686,615 |
| **Total investments held by all funds and component units** | $ 1,778,099 |

*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.

*Credit Risk* – The Authority's investments are limited under the Act to (i) United States Government obligations, including its agencies or instrumentalities, (ii) investments guaranteed by the State of Connecticut, (iii) participation certificates for the investment pool administered by the State Treasurer or (iv) other obligations which are legal investments for savings banks in the State of Connecticut. The 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, 2012, one CMO (fair value $1,011) and one Structured Security (fair value $566) were below Investment Grade rating standards. At December 31, 2011, one CMO (fair value $958) and one Structured Security (fair value $555) were below 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, 2012 and 2011, 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 – fair value - $668,013 or 38% in 2012 and $801,909 or 49% in 2011), and other pooled investments (STIF – fair value - $1,078,397 or 61% in 2012 and $809,120 or 49% in 2011).

*Custodial Credit Risk* – All investments exist in book entry form and are held by the Trustee or other financial institution in the Authority's name or insured (fair value – $699,702 in 2012 and $841,902 in 2011) with the exception of the STIF (fair value – $1,078,397 in 2012 and $809,120 in 2011-rated AAAm in 2012 and 2011). The underlying value of the investment in the STIF's 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.

*GNMA Program Assets* - Since 1999, the Authority directed certain of its participating lenders to assign government insured Authority qualified home mortgage loans and sold a portion of its existing home mortgage loan portfolio for assembly into pools guaranteed by the Government National Mortgage Association ("GNMA"). GNMA securities were issued backed by these home mortgage loans, and the Authority purchased the securities ("GNMA Program Assets") with funds held in the Housing Mortgage Capital Reserve Fund. 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 position held in the Investment Trust Fund to the Housing Mortgage General Fund in 2001. Since 2001, GNMA Program Assets have also been purchased with funds held in the Special Needs Housing Fund and the Special Needs Housing Capital Reserve Fund. As of December 31, 2012 and 2011, the fair value of GNMA Program Asset investments was $668,013 and $801,909, respectively.

*Bond Resolution Capital Reserve Fund (in 000's)*

The Bond Resolution Capital Reserve Fund is established pursuant to the Act and the Bond Resolution and is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments and interest maturing and becoming due in the next succeeding calendar year ($282,012 at December 31, 2012 and $279,202 at December 31, 2011) 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 ($282,012 at December 31, 2012 and $290,472 at December 31, 2011) 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, variable rate swapped interest on bonds is included at the fixed rate on the swap on each calculation date and retirement of principal on bonds with mandatory tender dates are assumed in accordance with the sinking fund schedule of each respective bond series resolution.

*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 ($4,589 at December 31, 2012 and $4,590 at December 31, 2011) 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 ($4,596 at December 31, 2012 and $4,596 at December 31, 2011) on all bonds of the Authority then outstanding under the Special Needs Indenture. For purposes of satisfying these requirements, the Act and the Special Needs Indenture require that investments of the Special Needs Indenture Capital Reserve Fund be valued at amortized cost or such other method as determined by the Authority to be reasonable and in the best interest of the bondholders, provided such other method is approved by the trustee and any applicable bond insurer.

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

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Bond Resolution | Special Needs Indenture | Total | Bond Resolution | Special Needs Indenture | Total |
| Investments in securities | $ 683,423 | $ 5,689 | $ 689,112 | $ 772,001 | $ 5,672 | $ 777,673 |
| Accrued interest receivable | 2,015 | 8 | 2,023 | 2,470 | 8 | 2,478 |
| **Total Capital Reserve Funds** | $ 685,438 | $ 5,697 | $ 691,135 | $ 774,471 | $ 5,680 | $ 780,151 |
| **Restricted Current Assets** | | | | | | |
| Investments in securities | $ 90,884 | $ 4,101 | $ 94,985 | $ 73,187 | $ 4,083 | $ 77,270 |
| Accrued interest receivable | 2,015 | 8 | 2,023 | 2,470 | 8 | 2,478 |
| **Total Restricted Current Assets** | 92,899 | 4,109 | 97,008 | 75,657 | 4,091 | 79,748 |
| **Restricted Noncurrent Assets** | | | | | | |
| Investments in securities | 592,539 | 1,588 | 594,127 | 698,814 | 1,589 | 700,403 |
| **Total Restricted Noncurrent Assets** | 592,539 | 1,588 | 594,127 | 698,814 | 1,589 | 700,403 |
| **Total Capital Reserve Funds** | $ 685,438 | $ 5,697 | $ 691,135 | $ 774,471 | $ 5,680 | $ 780,151 |

*Special Needs Housing Renewal and Replacement Funds*

The Special Needs Housing Renewal and Replacement Funds are established pursuant to the Act and the Special Needs Indenture to provide funding for capital repairs and replacements exceeding $2,500 for group homes, assisted living facilities and supportive housing facilities financed with the proceeds of bonds issued under the Special Needs Indenture. At December 31, 2012 and 2011, the carrying amount of restricted funds of the Special Needs Housing Renewal and Replacement Funds consisted of the following (in 000's):

| | December 31, | |
|---|---|---|
| | 2012 | 2011 |
| Cash and cash equivalents | $ 20 | $ 11 |
| Investments in securities | 6,085 | 5,311 |
| Accrued interest receivable | 1 | 1 |
| **Total Special Needs Housing Renewal and Replacement Funds** | $ 6,106 | $ 5,323 |

**Note 4—Mortgage Loans Receivable**

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.

The Authority has entered into agreements with various banks and other financial institutions for the servicing of the majority of its home mortgage loan portfolio. As of December 31, 2012 and 2011, 51% and 53% respectively, of this portfolio was serviced by one financial institution.

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

| | December 31, | |
|---|---|---|
| | **2012** | **2011** |
| **Home mortgage loans** | | |
| Insured by the Federal Housing Administration or guaranteed by the Veterans Administration | $ 1,858,492 | $ 1,979,879 |
| Insured by private mortgage insurance companies | 223,260 | 243,446 |
| Uninsured reverse annuity mortgage loans | 5,648 | 6,175 |
| Uninsured, State of Connecticut supported EMAP loans | 24,335 | 13,542 |
| Uninsured, not guaranteed | 478,451 | 514,267 |
| **Total home mortgage loans** | 2,590,186 | 2,757,309 |
| **Multifamily mortgage loans** | | |
| Completed developments: | | |
| Insured by the Federal Housing Administration or guaranteed by private insurer | 19,910 | 21,896 |
| Partially insured by the Federal Housing Administration | 43,087 | 43,798 |
| Uninsured, federally subsidized | 72,599 | 80,665 |
| Uninsured, State of Connecticut subsidized special needs housing mortgage loans | 58,854 | 60,050 |
| Uninsured, unsubsidized, not guaranteed | 791,414 | 731,179 |
| **Total completed developments** | 985,864 | 937,588 |
| Construction mortgage loans: | | |
| Uninsured, unsubsidized | 262,215 | 253,497 |
| **Total construction mortgage loans** | 262,215 | 253,497 |
| **Total multifamily mortgage loans** | 1,248,079 | 1,191,085 |
| Less allowance for losses | (346,388) | (341,823) |
| **Total investments in mortgage loans** | $ 3,491,877 | $ 3,606,571 |
| Restricted current assets | $ 100,433 | $ 109,089 |
| Restricted noncurrent assets | 3,391,444 | 3,497,482 |
| **Total mortgage loans receivable** | $ 3,491,877 | $ 3,606,571 |

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.

Through the issuance of bonds under the Special Needs Indenture and/or amounts received from the State of Connecticut, the Authority has made special needs housing mortgage loans to (i) finance community based residential facilities for persons with intellectual disabilities ("Group Home"), (ii) finance projects for assisted living communities for residents who need help with one or more activities of daily living ("Assisted Living Facility"), (iii) finance residential facility housing for up to one or more persons or families that are homeless or at risk of homelessness ("Supportive Housing Facility") and (iv) provide financial assistance to homeowners at risk of foreclosure ("EMAP Loan"). Mortgage loan repayments for the Group Home, Assisted Living Facility and Supportive Housing Facility (collectively the "Special Needs Housing Loans") which require regularly scheduled payments are made through subsidies received from the State of Connecticut. For Special Needs Housing Loans that do not require regularly scheduled payments, the debt service on the bonds is paid by the State of Connecticut. EMAP Loan repayments are made by the homeowner in accordance with the provisions of Connecticut General Statutes § 8-265bb through 8-265kk. These repayments are to be used solely for the benefit of the EMAP program. Debt service on bonds issued under the Special Needs Indenture for the purpose of financing EMAP Loans is paid by the State of Connecticut.

Permanent loans earn interest at rates ranging from 0% to 13.5% and have initial terms of 2 to 50 years at December 31, 2012 and 2011.

Construction loans earn interest at rates ranging from 0% to 6.75% at December 31, 2012 and 2011. 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 50 years with interest rates ranging from 0% to 6.25% at December 31, 2012 and 2011.

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

*Real Estate Owned (in 000's)*

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Single Family | Multifamily | Total | Single Family | Multifamily | Total |
| Real estate owned | $ 31,388 | $ 2,300 | $ 33,688 | $ 35,193 | $ 6,920 | $ 42,113 |
| Allowance for losses | (2,124) | - | (2,124) | (2,929) | (1,300) | (4,229) |
| Real estate owned - carrying amount | $ 29,264 | $ 2,300 | $ 31,564 | $ 32,264 | $ 5,620 | $ 37,884 |

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, 2012, one property was classified as real estate owned – multifamily. As of December 31, 2011, 5 properties were classified as real estate owned – multifamily, including one in-substance foreclosure. During 2012, sale closings took place for 3 of these properties. The one in-substance foreclosure was assigned to the borrower for which the Authority accepted $2.9 million and the borrower's execution of an agreement to maintain the current affordability restrictions on the property until February 1, 2018 in full satisfaction of the $19.9 million outstanding mortgage debt. The one remaining real estate owned – multifamily property at December 31, 2012 was marketed and a purchaser has been identified. Completion of the sale is pending resolution of title matters.

*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, 2012 and 2011, assets were $11,539,000 and $11,590,000, respectively, on the Trumbull project and $891,000 and $838,000, respectively, on the Pearl Street property. Minority interests in Trumbull on the Park and 111 Pearl Street were $4,409,000 and ($78,000), respectively, at December 31, 2012 and $4,463,000 and ($68,000), respectively, at December 31, 2011. 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, 2012 and 2011 of $22,098,000 and $22,481,000, respectively. The Authority, through Trumbull Centre – CHFA, Inc., also provided financing to the Trumbull project with loans in the aggregate original amount of $9,644,000 at December 31, 2012 and $9,098,000 at 2011, and approved additional financing of $532,000 in December 2012. 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 and again amended in January 2012 to December 31, 2012 and finally amended in January 2013 to July 30, 2013. The aggregate outstanding balance at December 31, 2012 and 2011 was $9,644,000 and $9,098,000, respectively. 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 maturity date was further amended in July 2010 extending the maturity date to June 30, 2013 and in December 2012, December 2011, October 2011 and December 2010 the Authority approved additional financing of $80,000, $136,000, $40,000 and $119,000 respectively. The aggregate outstanding balance at December 31, 2012 and 2011, was $1,765,000 and $1,629,000, 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. Both the Trumbull on the Park and 111 Pearl Street properties were marketed in association with another property, 101 Pearl Street which is owned by the City of Hartford. A purchaser was identified in 2012 and contracts for sale are currently being negotiated.

**Note 6—Capital Assets**

Capital asset activity for the years ended December 31, 2012 and 2011, is as follows (in 000's):

| | Balance, January 1, 2012 | Additions/ (Deletions) | Balance, December 31, 2012 |
|---|---|---|---|
| Capital Assets: | | | |
| Land | $ 851 | $ - | $ 851 |
| Building | 2,851 | - | 2,851 |
| Improvements | 2,036 | - | 2,036 |
| | 5,738 | - | 5,738 |
| Less accumulated depreciation | (2,260) | (202) | (2,462) |
| Capital Assets, net | $ 3,478 | $ (202) | $ 3,276 |

| | Balance, January 1, 2011 | Additions/ (Deletions) | Balance, December 31, 2011 |
|---|---|---|---|
| Capital Assets: | | | |
| Land | $ 851 | $ - | $ 851 |
| Building | 2,851 | - | 2,851 |
| Improvements | 2,036 | - | 2,036 |
| | 5,738 | - | 5,738 |
| Less accumulated depreciation | (2,058) | (202) | (2,260) |
| Capital Assets, net | $ 3,680 | $ (202) | $ 3,478 |

**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.

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.

*Bond Resolution*

Housing Mortgage Finance Program Bonds issued under the Bond Resolution bear interest at rates ranging from 0.10% to 9.36% at December 31, 2012 and 0.05% to 9.36% at December 31, 2011, are subject to certain redemption provisions and mature in years through 2055 at December 31, 2012 and 2053 at December 31, 2011.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Bond Resolution: (1) the proceeds derived from the sale of bonds issued under the Bond Resolution, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed, or deemed to have been financed from the Housing Mortgage General Fund, and (3) all monies and securities of the Housing Mortgage General Fund and the Bond Resolution Capital Reserve Fund.

*Special Needs Indenture*

Special Needs Housing Mortgage Finance Program Bonds issued under the Special Needs Indenture bear interest at rates ranging from 2.00% to 5.25% at December 31, 2012 and 2.00% to 5.25% at December 31, 2011, are subject to certain redemption provisions and mature in years through 2045 at December 31, 2012 and 2011.

The following assets of the Authority are pledged for the payment of bond principal and interest under the Special Needs Indenture: (1) the proceeds derived from the sale of bonds issued under the Special Needs Indenture, (2) all mortgage repayments with respect to Special Needs Housing mortgages financed from the Special Needs Housing Fund, and (3) all monies and securities of the Special Needs Housing Fund, the State Assistance Agreement Fund, the EMAP State Assistance Agreement Fund and the Special Needs Housing Capital Reserve Fund.

*SFSOB Resolution, MFSOB Resolution, Single Family Other Bond Resolution and Multifamily Other Bond Resolution*

In October 2009, the U.S. Department of Treasury (the "Treasury"), the Federal Housing Finance Agency and Fannie Mae and Freddie Mac (the "GSEs") announced the Federal New Issue Bond Program (the "Federal NIBP") authorized by the Housing Economic Recovery Act of 2008. The Federal NIBP allowed the GSEs to purchase bonds from housing finance agencies (the "HFAs") and package them into GSE-guaranteed securities for delivery to and purchase by the Treasury. These HFA bonds were to be issued to finance single family or multifamily mortgage loans. If issued to finance single family loans, the HFA bonds were not exceed 60% of the bond issue. The HFA bonds were required to be issued at fixed rates to maturity or monthly rate reset bonds that were to convert to rates fixed to maturity in calendar year 2010. In September 2010, the Treasury announced an extension to the end of this conversion period to December 31, 2011. The fixed interest rates were expected to be lower than prevailing interest rates available through a public bond offering. Pursuant to this program and based on an allocation for GSE purchase received from the Treasury, the Authority issued $191,720,000 in Single Family Special Obligation Bonds under the SFSOB Resolution and $27,610,000 in Multifamily Special Obligation Bonds under the MFSOB Resolution (collectively, the "NIBP Escrow Bonds") on December 30, 2009 that settled on January 12, 2010. The proceeds of the NIBP Escrow Bonds were held in escrow pending the issuance by the Authority of additional taxable or tax-exempt bonds (the "NIBP Market Bonds"). As of December 31, 2011, all NIBP Escrow Bonds had been converted to long-term fixed rates of interest.

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

In connection with the Federal NIBP, the Authority has also authorized the Single Family Other Bond Resolution and the Multifamily Other Bond Resolution ("Other Bond Resolutions") to issue bonds ("Other Bonds") secured by the Bond Resolution Capital Reserve Fund under the Bond Resolution. Proceeds of the Other Bonds, the NIBP Escrow Bonds and the NIBP Market Bonds are intended to be used to (i) participate in the purchase or making of single-family or multifamily mortgage loans under the Authority's Housing Mortgage Finance Program, (ii) fund reserves and (iii) pay related bond costs. Bonds issued under the Other Bond Resolutions are general obligations of the Authority.

Changes in bonds payable for the year ended December 31, 2012 were as follows (in 000's):

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds** | | | | | |
| 1989 Series D, variable rate demand bonds $52,000 due from November 15, 1993 to November 15, 2024 | $ 25,560 | $ - | $ (1,220) | $ 24,340 | $ 1,305 |
| 1990 Series C, variable rate demand bonds $16,620 due from November 15, 1996 to November 15, 2022 | 1,075 | - | (1,075) | - | - |
| 1993 Series D, 7.125% (net interest cost 7.125%), $10,000 due November 15, 2007 | 8,955 | - | (255) | 8,700 | 280 |
| 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 | 11,070 | - | (11,070) | - | - |
| 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 | 25,000 | - | - | 25,000 | - |
| 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 | 2,210 | - | (2,210) | - | - |
| 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 term bonds due November 15, 2018 | 40,000 | - | - | 40,000 | - |
| 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 | 21,835 | - | (21,835) | - | - |
| 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 | 12,675 | - | (12,675) | - | - |
| 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 | 70,660 | - | (46,625) | 24,035 | 1,025 |
| 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 | 15,135 | - | (15,135) | - | - |
| 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 | 8,420 | - | (75) | 8,345 | 95 |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 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 | $ 990 | $ - | $ (990) | $ - | $ - |
| 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 | 189,790 | - | (189,790) | - | - |
| 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 | 65,005 | - | (65,005) | - | - |
| 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 | 45,645 | - | (32,270) | 13,375 | - |
| 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 | 86,595 | - | (7,175) | 79,420 | 1,965 |
| 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 | 68,125 | - | (15,450) | 52,675 | 3,740 |
| 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 | 63,705 | - | (2,785) | 60,920 | 2,590 |
| 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 | 1,100 | - | (220) | 880 | 100 |
| 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 | 100,850 | - | (3,220) | 97,630 | 2,970 |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 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 | $ 72,755 | $ - | $ (2,745) | $ 70,010 | $ 2,245 |
| 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 | 74,180 | - | (1,430) | 72,750 | 835 |
| 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 | 20,940 | - | (170) | 20,770 | 190 |
| 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 | 128,675 | - | (23,460) | 105,215 | 3,620 |
| 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 | 29,735 | - | (2,760) | 26,975 | 1,365 |
| 2005 Series F variable rate demand bonds due November 15, 2035-$36,435 converted to fixed rate October 4, 2006 | 36,435 | - | (1,705) | 34,730 | - |
| 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 | 37,365 | - | (1,440) | 35,925 | 1,520 |
| 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 | 146,770 | - | (11,610) | 135,160 | 1,735 |
| 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 | 34,320 | - | (1,035) | 33,285 | 1,115 |
| 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 | 19,150 | - | (985) | 18,165 | 1,060 |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 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 | $ 47,105 | $ - | $ (7,965) | $ 39,140 | $ 2,385 |
| 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 | 73,060 | - | (3,190) | 69,870 | 1,445 |
| 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 | 38,285 | - | (6,290) | 31,995 | 2,185 |
| 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 | 34,960 | - | (1,215) | 33,745 | 1,425 |
| 2007 Series C, 4.10%-5.15% (net interest cost 4.92%), $2,400 term bonds due November 15, 2037; $900 term bonds due May 15, 2049 | 885 | - | (5) | 880 | 5 |
| 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 | 174,830 | - | (38,605) | 136,225 | 11,970 |
| 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 | 239,955 | - | (20,030) | 219,925 | 12,735 |
| 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 | 9,385 | - | (4,630) | 4,755 | 2,480 |
| 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 | 7,690 | - | (105) | 7,585 | 105 |
| 2008 Series E, $180,000 variable rate demand term bonds due May 15, 2036 | 180,000 | - | (39,955) | 140,045 | - |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 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 | $ 22,055 | $ - | $ (2,920) | $ 19,135 | $ 2,780 |
| 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 May 15, 2013 | 12,285 | - | (50) | 12,235 | 4,295 |
| 2009 Series A, variable rate demand bonds $180,000 due May 15, 2039 | 180,000 | - | - | 180,000 | 100,000 |
| 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 | 74,730 | - | (2,615) | 72,115 | 1,995 |
| 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 | 77,665 | - | (2,310) | 75,355 | 1,305 |
| 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 | 60,085 | - | (350) | 59,735 | 380 |
| 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 | 3,985 | - | (45) | 3,940 | 50 |
| 2010 Series A, 0.40% - 4.80% (net interest cost 4.44%), $67,000 due serially, semi-annually from November 15, 2010 to November 15, 2021; $22,480 term bonds due November 15, 2025; $27,445-November 15, 2028; $9,660-November 15, 2030; $33,330-May 15, 2031; $6,805-November 15, 2035; $106,815-November 15, 2039 | 218,125 | - | (59,910) | 158,215 | 5,295 |
| 2010 Series B, 0.25% - 2.95% (net interest cost 2.13%), $1,465 due serially, annually from November 15, 2010 to November 15, 2017 | 1,185 | - | (160) | 1,025 | 175 |
| 2010 Series C, variable rate demand term bonds due November 15, 2030 | 35,000 | - | - | 35,000 | - |
| 2010 Series D, 0.673% - 5% (net interest cost 4.58%), $37,115 due serially, semi-annually from May 15, 2011 to November 15, 2021; $14,885 term bonds due November 15, 2026; $31,255-May 15, 2031; $3,440-November 15, 2031 | 83,290 | - | (6,395) | 76,895 | 3,100 |
| 2010 Series E, 0.70% - 5.25% (net interest cost 4.90%), $12,055 due serially, semi-annually from May 15, 2011 to November 15, 2021; $4,285 term bonds due November 15, 2026; $8,965-November 15, 2031; $2,280-November 15, 2036; $3,130-November 15, 2041; $10,835-May 15, 2042; $1,550-November 15, 2046; $2,140-November 15, 2052 | 44,400 | - | (950) | 43,450 | 1,075 |
| 2010 Series F, variable rate demand term bonds $15,120 due November 15, 2030; $35,910-November 15, 2035 | 51,030 | - | (35,085) | 15,945 | 5,945 |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 2010 Series G, originally issued as convertible option bonds $22,045 converted to fixed rates November 15, 2012, 0.20% - 3.05% (net interest cost 2.72%), $7,905 due serially, semi-annually from May 15, 2013 to November 15, 2021; $6,195 term bonds due May 15, 2026; $7,945-May 15, 2031 | $ 22,445 | $ - | $ (400) | $ 22,045 | $ 715 |
| 2011 Series A, originally issued as convertible option bonds $67,180 refunded by a portion of 2012 Series D; $40,775 variable rate demand term bonds due May 15, 2041 | 107,955 | - | (67,875) | 40,080 | 685 |
| 2011 Series B, 0.30% - 5.00% (net interest cost 4.14%), $26,520 due serially, semi-annually from November 15, 2011 to November 15, 2021; $3,400 term bonds due November 15, 2025; $2,490-November 15, 2028; $6,350-November 15, 2036; $16,000-November 15, 2040; $8,915-November 15, 2041 | 62,665 | - | (5,510) | 57,155 | 3,620 |
| 2011 Series C, variable rate demand term bonds $24,795 due May 15, 2035; $75,205-May 15, 2034 | 100,000 | - | - | 100,000 | - |
| 2011 Series D, variable rate demand term bonds due May 15, 2033 | 74,350 | - | (965) | 73,385 | 1,025 |
| 2011 Series E, 0.30% - 4.625% (net interest cost 3.75%), $20,025 due serially, semi-annually from May 15, 2012 to May 15, 2017; $4,975 term bonds due November 15, 2031; $15,800-November 15, 2041; $52,000 variable rate demand term bonds due November 15, 2041; $20,000 variable rate demand term bonds due November 15, 2031 | 112,800 | - | (1,080) | 111,720 | 3,715 |
| 2011 Series F, 0.25% - 5.00% (net interest cost 3.29%), $3,270 due serially, semi-annually from May 15, 2012 to November 15, 2021; $2,145 term bonds due November 15, 2026; $4,785-November 15, 2031; $8,950-November 15, 2041; $17,570-May 15, 2053; $16,360 term bonds due May 15, 2041 subject to mandatory tender on December 19, 2013; $13,900 term bonds due November 15, 2041 subject to mandatory tender on June 19, 2014 | 66,980 | - | (175) | 66,805 | 16,660 |
| 2012 Series A, 0.17% - 3.55% (net interest cost 2.57%), $151,970 due serially, semi-annually from November 15, 2012 to November 15, 2023; $16,410 term bonds due May 15, 2032 | - | 168,380 | (5,160) | 163,220 | 10,610 |
| 2012 Series B, 0.495% - 4.40% (net interest cost 3.51%), $15,010 due serially, annually from November 15, 2013 to November 15, 2020; $6,125 due serially, semi-annually from November 15, 2021 to November 15, 2023; $805 due serially, annually from November 15, 2021 to November 15, 2023; $1,350 term bonds due November 15, 2027; $18,495-May 15, 2028; $2,275-November 15, 2032; $8,315-November 15, 2043 | - | 52,375 | - | 52,375 | 3,770 |
| 2012 Series C, 2.00% - 3.875% (net interest cost 3.46%), $82,855 due serially, semi-annually from November 15, 2017 to November 15, 2025; $16,410 term bonds due November 15, 2027; $12,055-November 15, 2029; $11,075-May 15, 2031; $26,570-November 15, 2035; $28,025-November 15, 2038 | - | 176,990 | - | 176,990 | - |
| 2012 Series D, 0.22% - 4.15% (net interest cost 3.42%), $105,300 due serially, semi-annually from May 15, 2013 to May 15, 2025; $15,410 term bonds due May 15, 2030; $4,535-November 15, 2034; $7,575-November 15, 2034; $18,155-May 15, 2042; $48,955 variable rate demand bonds due May 15, 2033 | - | 199,930 | - | 199,930 | 24,915 |
| 2012 Series E, 3.70% - 4.30% (net interest cost 4.14%), $2,365 term bonds due November 15, 2025; $3,765-November 15, 2030; $4,940-November 15, 2035 | - | 11,070 | - | 11,070 | - |
| 2012 Series F, 0.25% - 3.40% (net interest cost 2.84%), $43,785 due serially semi-annually from May 15, 2013 to May 15, 2024; $12,230 term bonds due November 15, 2027; $17,270-November 15, 2032; $39,635-November 15, 2035; $15,305-November 15, 2037; $17,045-November 15, 2042 | - | 145,270 | - | 145,270 | 1,645 |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|
| **Housing Mortgage Finance Program Bonds (continued)** | | | | | |
| 2012 Series G, 0.25% - 4.00% (net interest cost 3.61%), $4,255 due serially, semi-annually from November 15, 2013 to November 15, 2022; $3,700 due serially, annually from November 15, 2013 to November 15, 2022; $165 term bonds due November 15, 2022; $$4,140-November 15, 2027; $10,000-November 15, 2030; $5,535-November 15, 2032; $7,390-November 15, 2037; $8,140-November 15, 2042; $2,790-May 15, 2045; $7,310-November 15, 2047; $10,705-November 15, 2055; $15,724 variable rate index bonds due May 15, 2041 | $ - | $ 79,854 | $ - | $ 79,854 | $ 370 |
| Total Housing Mortgage Finance Program Bonds | 3,685,710 | 833,869 | (790,365) | 3,729,214 | 256,615 |
| Unamortized net bond premium | 1,208 | | | 1,935 | |
| Unamortized deferred bond refunding costs | (827) | | | (15,346) | |
| **Total Housing Mortgage Finance Program Bonds Payable, net** | 3,686,091 | | | 3,715,803 | |
| **Special Needs Housing Mortgage Finance Program Special Obligation Bonds** | | | | | |
| 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 | $ 7,705 | $ - | $ (220) | $ 7,485 | $ 225 |
| 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 | 12,405 | - | (170) | 12,235 | 180 |
| 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 | 4,160 | - | (105) | 4,055 | 105 |
| 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 | 4,095 | - | (55) | 4,040 | 55 |
| 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 | 1,665 | - | (20) | 1,645 | 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 | 7,585 | - | (160) | 7,425 | 170 |
| Series 13, 2.00%-5.00% (net interest cost 4.17%), $4,570 due serially annually from June 15, 2012 to June 15, 2025, $5,355 term bonds due June 15, 2035; $2,730-June 15, 2040 | 12,655 | - | (255) | 12,400 | 260 |
| Series 16, 1.00%-5.00% (net interest cost 3.75%), $6,370 due serially annually from June 15, 2011 to June 15, 2022; $9,070 term bonds due June 15, 2030 | 15,010 | - | (715) | 14,295 | 745 |
| Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds | 65,280 | - | (1,700) | 63,580 | 1,760 |
| Unamortized net bond premium | 786 | | | 701 | |
| Unamortized deferred bond refunding costs | (107) | | | (93) | |
| **Total Special Needs Housing Mortgage Finance Program Special Obligation Bonds Payable, net** | 65,959 | | | 64,188 | |

| Description of Original Long Term Issuance | Balance at 12/31/11 | Issued | Retired | Accretion | Balance at 12/31/12 | Amount Due Within 1 Year |
|---|---|---|---|---|---|---|
| **Single Family Special Obligation Bonds** | | | | | | |
| Series 2009-1, 3.01%, conversion of a portion of the Series 2009 Bonds due December 1, 2041 - term bonds due June 2, 2035 | $ 47,290 | $ - | $ (110) | $ - | $ 47,180 | $ - |
| Series 2009-2, 3.01%, conversion of a portion of the Series 2009 Bonds due December 1, 2041 – term bonds due December 1, 2041 | 52,710 | - | (120) | - | 52,590 | - |
| Series 2009-3, 2.32%, conversion of a portion of the Series 2009 Bonds due December 1, 2041 – term bonds due December 1, 2038 | 76,520 | - | (650) | - | 75,870 | - |
| Series 2009-4, 2.32%, conversion of a portion of the Series 2009 Bonds due December 1, 2041 – term bonds due December 1, 2041 | 15,200 | - | (130) | - | 15,070 | - |
| Series 2010-1, 0.40%-4.25% (net interest cost 3.67%), $33,220 due serially, semi-annually from June 1, 2011 to December 1, 2021; $22,145 term bonds due December 1, 2026; $11,305-December 1, 2030 | 64,855 | - | (2,665) | - | 62,190 | 2,790 |
| Series 2011-1, 0.25%-2.375% (net interest cost 1.62%), $18,825 due serially, semi-annually from June 1, 2012 to June 1, 2017 | 18,825 | - | (3,070) | - | 15,755 | 3,480 |
| Series 2011-2, 2.375%-4.50% (net interest cost 3.58%), $30,825 due serially, semi-annually from June 1, 2017 to December 1, 2023; $11,680 term bonds due June 1, 2026 | 42,505 | - | (920) | - | 41,585 | - |
| Series 2011-3, 4.50% (net interest cost 3.82%), $45,000 term bonds due December 1, 2031 | 45,000 | - | (3,320) | - | 41,680 | 1,765 |
| Total Single Family Special Obligation Bonds | 362,905 | - | (10,985) | - | 351,920 | 8,035 |
| Unamortized net bond premium | 4,033 | | | | 3,594 | |
| **Total Single Family Special Obligation Bonds Payable, net** | 366,938 | | | | 355,514 | |
| **Multifamily Special Obligation Bonds** | | | | | | |
| Series 2009-1, 2.32%, conversion of the Series 2009 Bonds due December 1, 2051 - term bonds due December 1, 2051 | 27,610 | - | (460) | - | 27,150 | 420 |
| **Total Multifamily Special Obligation Bonds payable** | 27,610 | - | (460) | - | 27,150 | 420 |
| **Housing Mortgage Finance Program Bonds (Single Family) Other Bonds** | | | | | | |
| 2010 Series A, 5.00% capital appreciation bonds due semiannually from June 1, 2042 to December 1, 2045 | 6,332 | - | - | 321 | 6,653 | - |
| 2011 Series A, 4.625% capital appreciation bonds due December 1, 2046 | 7,000 | - | - | 353 | 7,353 | - |
| **Total Housing Mortgage Finance Program Bonds (Single Family) Other Bonds Payable** | 13,332 | - | - | 674 | 14,006 | - |
| **Housing Mortgage Finance Program Bonds (Multifamily) Other Bonds** | | | | | | |
| 2011 Series A, 4.75% capital appreciation bonds due December 1, 2055 | 700 | - | - | 32 | 732 | - |
| **Total Housing Mortgage Finance Program Bonds (Multifamily) Other Bonds Payable** | 700 | - | - | 32 | 732 | - |
| **Total Bonds Payable, net** | $ 4,160,630 | | | | $ 4,177,393 | $ 266,830 |

The Authority has also issued conduit debt obligations. As of December 31, 2012, one series totaling $12,121,000 of Multifamily Housing Revenue Bonds, one series totaling $22,200,000 of Special Needs Housing Mortgage Finance Program Special Obligation Bonds, two series totaling $27,180,000 of Variable Rate Demand Housing Revenue Bonds and five series totaling $99,485,000 of State-Supported Special Obligation Bonds were outstanding. As of December 31, 2011, one series totaling $12,398,000 of Multifamily Housing Revenue Bonds, one series totaling $23,185,000 of Special Needs Housing Mortgage Finance Program Special Obligation Bonds, two series totaling $29,760,000 of Variable Rate Demand Housing Revenue Bonds and five series totaling $102,700,000 of State-Supported Special Obligation Bonds were outstanding. The issuance of these obligations does not create or imply any indebtedness on the part of the Authority. Each issue requires that the funds related to such issue be held by a trustee for the bondholders; therefore, such funds are not under the control of the Authority, and, accordingly, the Authority's financial statements do not reflect the balances or operating results of the various trust accounts.

The following tables provide a summary of debt service requirements and net swap payments for the next five years and in five-year increments thereafter (in 000's). The interest calculations are based on the variable rates in effect on December 31, 2012 and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments will vary.

| | Bond Resolution | | | | | | |
|---|---|---|---|---|---|---|---|
| | Fixed Unswapped | | Variable Unswapped | | Variable Swapped | | |
| Year Ending December 31, | Principal | Interest | Principal | Interest | Principal | Interest | Interest Rate Swaps, Net |
| 2013 | $ 126,585 | $ 100,449 | $ 19,300 | $ 1,139 | $ 4,785 | $ 1,506 | $ 36,872 |
| 2014 | 104,927 | 97,946 | 16,930 | 1,032 | 15,845 | 1,448 | 35,202 |
| 2015 | 107,068 | 95,479 | 3,694 | 915 | 7,015 | 1,363 | 33,091 |
| 2016 | 85,655 | 92,901 | 4,550 | 907 | 10,900 | 1,294 | 31,043 |
| 2017 | 83,471 | 90,643 | 5,945 | 897 | 19,400 | 1,196 | 28,572 |
| 2018-2022 | 487,174 | 405,739 | 60,910 | 4,218 | 91,990 | 4,790 | 115,548 |
| 2023-2027 | 500,735 | 303,440 | 80,375 | 3,504 | 139,280 | 3,104 | 77,722 |
| 2028-2032 | 482,790 | 192,760 | 85,515 | 1,391 | 210,740 | 1,453 | 37,193 |
| 2033-2037 | 395,980 | 85,451 | 52,445 | 431 | 186,455 | 276 | 6,474 |
| 2038-2042 | 134,360 | 21,639 | 15,430 | 99 | 147,950 | 2 | 49 |
| 2043-2047 | 19,300 | 6,864 | - | - | - | - | - |
| 2048-2052 | 18,245 | 2,925 | - | - | - | - | - |
| 2053-2055 | 3,470 | 173 | - | - | - | - | - |
| Total | $ 2,549,760 | $ 1,496,409 | $ 345,094 | $ 14,533 | $ 834,360 | $ 16,432 | $ 401,766 |

| | Special Needs Indenture | | SFSOB Resolution | |
|---|---|---|---|---|
| | Fixed Unswapped | | Fixed Unswapped | |
| Year Ending December 31, | Principal | Interest | Principal | Interest |
| 2013 | $ 1,760 | $ 2,825 | $ 8,035 | $ 10,712 |
| 2014 | 1,840 | 2,753 | 8,325 | 10,571 |
| 2015 | 1,900 | 2,688 | 8,640 | 10,399 |
| 2016 | 1,955 | 2,619 | 8,990 | 10,193 |
| 2017 | 2,040 | 2,544 | 9,350 | 9,952 |
| 2018-2022 | 11,435 | 11,470 | 53,135 | 44,993 |
| 2023-2027 | 13,800 | 8,683 | 64,480 | 34,030 |
| 2028-2032 | 12,195 | 5,541 | 76,585 | 22,034 |
| 2033-2037 | 9,170 | 3,025 | 62,890 | 11,935 |
| 2038-2042 | 6,530 | 1,005 | 51,490 | 2,872 |
| 2043-2045 | 955 | 70 | - | - |
| Total | $ 63,580 | $ 43,223 | $ 351,920 | $ 167,691 |

| | MFSOB Resolution | | Other Bond Resolutions | | |
|---|---|---|---|---|---|
| | Fixed Unswapped | | Fixed Unswapped | | |
| Year Ending December 31, | Principal | Interest | Principal | Interest | Total |
| 2013 | $ 420 | $ 628 | $ - | $ - | $ 315,016 |
| 2014 | 410 | 618 | - | - | 297,847 |
| 2015 | 410 | 609 | - | - | 273,271 |
| 2016 | 430 | 599 | - | - | 252,036 |
| 2017 | 450 | 589 | - | - | 255,049 |
| 2018-2022 | 2,460 | 2,781 | - | - | 1,296,643 |
| 2023-2027 | 2,890 | 2,473 | - | - | 1,234,516 |
| 2028-2032 | 3,450 | 2,110 | - | - | 1,133,757 |
| 2033-2037 | 4,070 | 1,678 | - | - | 820,280 |
| 2038-2042 | 4,850 | 1,166 | - | - | 387,442 |
| 2043-2047 | 5,770 | 557 | 14,006 | 54,745 | 102,267 |
| 2048-2052 | 1,540 | 39 | - | - | 22,749 |
| 2053-2055 | - | - | 732 | 4,781 | 9,156 |
| Total | $ 27,150 | $ 13,847 | $ 14,738 | $ 59,526 | $ 6,400,029 |

*Objective of the Interest Rate Swaps*

The Authority employs swaps to establish synthetic fixed rates for a portion of its variable rate bond obligations. The Authority's interest rate swap transactions are structured for the Authority to pay a fixed interest rate while receiving variable interest rates from the counterparties which are comparable to the rates required by the variable rate bonds. These synthetic fixed rates were lower than those available to the Authority from fixed rate obligations of comparable maturity. The proceeds of these transactions are generally used to make fixed rate mortgage loans. As the objective of the derivative instruments entered into was to hedge changes in cash flows for each bond series, they are classified as cash flow hedges.

*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 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, 2012, amendments that had been negotiated resulted in a slightly higher fixed rate payable by the Authority on eleven of its swaps.

The terms, fair values and credit ratings of outstanding swaps as of December 31, 2012 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 | Counterparty % of Total Outstanding |
|---|---|---|---|---|---|---|---|---|---|
| 2008 Series A Subseries A-5 | $ 115,900 | $ 60,400 | 09/09/98 | 6.0525% | 100% of LIBOR | $ (8,902) | 11/15/16 | | |
| 2008 Series B Subseries B-4/ 2009 Series A | 25,000 | 25,000 | 08/08/06 | 3.7770 | 67% of LIBOR | (3,639) | 05/15/17 | | |
| Total Counterparty 1 | $ 140,900 | $ 85,400 | | | | $ (12,541) | | A/A2 | 10.18% |
| 2011 Series C Subseries C-1 /2011 Series C Subseries C-2 | $ 20,000 | $ 20,000 | 06/05/02 | 4.3520 | 67% of LIBOR | $ (6,901) | 05/15/33 | | |
| 2011 Series A/ Subseries A-2 | 25,000 | 25,000 | 06/05/02 | 5.7400 | 167% of LIBOR minus BMA | (13,219) | 05/15/33 | | |
| 2008 Series B Subseries B-4/ 2012 Series D Subseries D-3 | 10,000 | 10,000 | 10/09/03 | 3.9100 | 67% of LIBOR | (367) | 11/15/27 | | |
| Total Counterparty 2 | $ 55,000 | $ 55,000 | | | | $ (20,487) | | A/A3 | 6.55% |
| 1999 Series A Subseries A-3 | $ 40,000 | $ 40,000 | 04/07/98 | 6.2460 | LIBOR minus 5 basis points | $ (8,824) | 11/15/18 | | |
| 2011 Series C Subseries C-1 /2011 Series C Subseries C-2 | 20,000 | 20,000 | 03/07/01 | 4.1200 | 67% of LIBOR | (5,219) | 05/15/32 | | |
| 2011 Series A Subseries A-2/ 2011 Series D | 25,000 | 25,000 | 03/07/01 | 5.4750 | 167% of LIBOR minus BMA | (11,038) | 05/15/32 | | |
| 2011 Series C Subseries C-2 /2011 Series E Subseries E-3 | 45,000 | 45,000 | 08/01/02 | 3.9810 | 67% of LIBOR | (13,532) | 05/15/33 | | |
| 2008 Series B Subseries B-4 | 174,305 | 49,205 | 11/15/02 | 4.6300 | 67% of LIBOR | (6,778) | 11/15/17 | | |
| 2008 Series B Subseries B-4 | 8,380 | 8,380 | 09/13/05 | 3.6130 | 67% of LIBOR | (763) | 05/15/28 | | |
| 2005 Series E Subseries E-4 | 4,180 | 4,180 | 12/07/05 | 3.8990 | 67% of LIBOR | (398) | 11/15/34 | | |
| Total Counterparty 3 | $ 316,865 | $ 191,765 | | | | $ (46,552) | | AAA/Aa2 | 22.85% |
| 2008 Series B Subseries B-4 | $ 48,565 | $ 24,465 | 11/15/95 | 6.0900 | 67% of LIBOR | $ (4,335) | 05/15/18 | | |
| 2008 Series E/ 2009 Series A | 40,000 | 40,000 | 06/15/05 | 3.5380 | 67% of LIBOR | (3,100) | 11/15/35 | | |
| Total Counterparty 4 | $ 88,565 | $ 64,465 | | | | $ (7,435) | | A/A2 | 7.68% |
| 2010 Series A Subseries A-5 | $ 20,000 | $ 16,800 | 07/01/98 | 4.8700 | BMA | $ (3,979) | 11/15/28 | | |
| 1998 Series D Subseries D-4 | 25,000 | 25,000 | 07/01/98 | 6.3200 | 100% of LIBOR | (10,930) | 11/15/25 | | |
| 2011 Series C Subseries C-1 /2011 Series C Subseries C-2 | 17,000 | 17,000 | 07/11/01 | 4.3100 | 67% of LIBOR | (6,147) | 05/15/32 | | |
| 2011 Series D | 25,000 | 24,035 | 07/11/01 | 5.8200 | 167% of LIBOR minus BMA | (8,468) | 11/15/27 | | |
| Total Counterparty 5 | $ 87,000 | $ 82,835 | | | | $ (29,524) | | A-/Baa2 | 9.87% |

**Outstanding Swaps at December 31, 2012 (continued)**

| 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 | Counterparty % of Total Outstanding |
|---|---|---|---|---|---|---|---|---|---|
| 2012 Series D Subseries D-3 | $ 40,000 | $ 40,000 | 12/20/01 | 4.0900 | 67% of LIBOR | $ (13,506) | 05/15/33 | | |
| 2001Series D Subseries D-5 | 25,000 | 24,035 | 12/20/01 | 5.3600 | 167% of LIBOR minus BMA | (7,465) | 11/15/27 | | |
| 2005 Series D Subseries D-4 | 13,915 | 13,915 | 09/13/05 | 3.5460 | 67% of LIBOR | (2,334) | 11/15/34 | | |
| Total Counterparty 6 | $ 78,915 | $ 77,950 | | | | $ (23,305) | | A/A2 | 9.29% |
| 2009 Series A | $ 11,750 | $ 11,750 | 12/07/05 | 3.8700 | 67% of LIBOR | $ (1,117) | 11/15/35 | | |
| Total Counterparty 7 | $ 11,750 | $ 11,750 | | | | $ (1,117) | | A/A3 | 1.40% |
| 2006 Series B Subseries B-1 /2008 Series B Subseries B-4 | $ 21,935 | $ 21,935 | 02/18/09 | 3.4330 | 67% of LIBOR | $ (5,826) | 11/15/34 | | |
| 2008 Series E/ 2009 Series A | 78,065 | 78,065 | 02/18/09 | 3.4300 | 67% of LIBOR | (19,508) | 11/15/38 | | |
| 2008 Series E | 27,550 | 27,550 | 08/15/08 | 3.8450 | 67% of LIBOR | (9,319) | 11/15/33 | | |
| 2009 Series A | 8,925 | 8,925 | 08/15/08 | 3.8550 | 67% of LIBOR | (3,033) | 11/15/33 | | |
| 2009 Series A | 25,000 | 25,000 | 08/15/08 | 3.8520 | 67% of LIBOR | (6,356) | 11/15/28 | | |
| 2009 Series A | 9,855 | 9,855 | 08/15/08 | 3.8490 | 67% of LIBOR | (3,716) | 11/15/38 | | |
| Total Counterparty 8 | $ 171,330 | $ 171,330 | | | | $ (47,758) | | AAA/Aaa | 20.42% |
| 2008 Series B Subseries B-4/ 2008 Series E | $ 45,000 | $ 45,000 | 03/02/06 | 3.4175 | 67% of LIBOR | $ (10,817) | 05/15/36 | | |
| 2009 Series A | 18,170 | 18,170 | 08/15/08 | 4.0370 | 67% of LIBOR | (3,381) | 11/15/28 | | |
| 2011 Series E Subseries E-3/ 2011 Series E Subseries E-4 | 25,000 | 25,000 | 10/04/00 | 5.397 | BMA | (10,295) | 11/15/31 | | |
| 2009 Series A | 10,500 | 10,500 | 08/15/08 | 4.0470 | 67% of LIBOR | (1,960) | 11/15/28 | | |
| Total Counterparty 9 | $ 98,670 | $ 98,670 | | | | $ (26,453) | | AA-/Aa3 | 11.76% |
| Total | $ 1,048,995 | $ 839,165 | | | | (215,172) | | | 100.00% |

* The difference between the total "Outstanding Notional Amount" in this table and the "Principal" total of "Variable Swapped" bonds held under the "Bond Resolution" in the preceding table is due to the fact that certain swaps which the Authority originally acquired to hedge tax exempt bonds (and under which the variable rate to be received approximates 67% of LIBOR) have subsequently been allocated to hedge taxable bonds (where the variable rate to be paid is expected to approximate LIBOR), so that the principal amount of such taxable bonds treated as swapped is less than (i.e. 67% of) the outstanding notional amount of the allocated tax exempt swap.

*Fair Value*

The Authority's swap portfolio had an aggregate negative fair value as of December 31, 2012. 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, 2012, 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.

*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, 2012, 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. As of December 31, 2012, the Authority exercised this option on $111,150,000 original notional amount of swaps. Eight swap agreements with this par termination right remain.

*Contingencies*

Fifteen of the Authority's thirty-two interest rate swap agreements (Outstanding Notional Amount $364,585,000, Fair Value ($98,196,000) at December 31, 2012) require the Authority to post collateral in the event the fair value of the interest rate swap falls below specific declining thresholds corresponding to declines in the Authority's credit rating. As of December 31, 2012, the Authority was not required to post collateral for any of its outstanding swaps.

*Refunding Bonds*

The Authority has issued the following refunding bonds under the Bond Resolution or the Special Needs Indenture:

| Refunded Issue(s) | Refunding Issue | Cashflow Savings (Loss) Over Life of Refunding Issue | Economic Gain (Loss) Over Life of Refunding Issue |
|---|---|---|---|
| **Bond Resolution:** | | | |
| 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 |

**Issuance of Refunding Bonds at December 31, 2012 (continued)**

| Refunded Issue(s) | Refunding Issue | Cashflow Savings (Loss) Over Life of Refunding Issue | Economic Gain (Loss) Over Life of Refunding Issue |
|---|---|---|---|
| **Bond Resolution (continued):** | | | |
| 1993 Series B | 2003 Series C Subseries C-1 | $ (14,310,005) | $ 10,733,348 |
| 1993 Series F | 2003 Series D | (21,039,361) | 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) |
| 1999 Series A Subseries A-1, 2001 Series B Subseries B-1 | 2010 Series A Subseries A-1 | 1,846,062 | 1,768,950 |
| 1998 Series E | 2010 Series A Subseries A-3 | 10,817,612 | 8,296,714 |
| 1997 Series D Subseries D-3 | 2010 Series A Subseries A-4 | 268,138 | 264,760 |
| 1999 Series D Subseries D-1 | 2010 Series B | 236,665 | 222,806 |
| 1998 Series B Subseries B-2, 1998 Series D Subseries D-2, 1998 Series G Subseries G-2, 1998 Series H Subseries H-2, 1999 Series A Subseries A-2 | 2010 Series D Subseries D-2 | 4,052,017 | 3,402,817 |
| 1998 Series G Subseries G-3, 1998 Series H Subseries H-3 | 2010 Series D Subseries D-3 | 1,347,715 | 1,213,399 |
| 1998 Series A, 1998 Series C, 1999 Series B, 1999 Series D Subseries D-2 | 2010 Series E Subseries E-2 | 5,113,646 | 3,344,264 |
| 2003 Series C Subseries C-1, 2003 Series D | 2012 Series A | 24,075,448 | 22,313,432 |
| 2003 Series E Subseries E-5 | 2012 Series B Subseries B-1 | 2,291,668 | 1,889,016 |
| 1998 Series I, 2001 Series C | 2012 Series B Subseries B-2 | 3,362,307 | 2,063,509 |
| 1998 Series I, 2001 Series C, 2003 Series C Subseries C-5 | 2012 Series B Subseries B-3 | 1,403,412 | 1,371,277 |
| 2001 Series D Subseries D-2, 2002 Series B Subseries B-2, 2003 Series C Subseries C-4, 2003 Series E Subseries E-2 | 2012 Series C Subseries C-2 | 4,052,017 | 3,402,817 |
| 2001 Series D Subseries D-1, 2002 Series B Subseries B-1, 2003 Series C Subseries C-3, 2003 Series E Subseries E-1 | 2012 Series D Subseries D-1 | 4,955,715 | 3,505,401 |
| 1998 Series C | 2012 Series E | 2,560,061 | 1,816,714 |
| 2003 Series G Subseries G-2 | 2012 Series F Subseries F-2 | 5,325,771 | 8,692,238 |
| 2002 Series E Subseries E-1 | 2012 Series G Subseries G-2 | 1,993,418 | 1,284,012 |
| 2002 Series E Subseries E-2 | 2012 Series G Subseries G-3 | 588,295 | 544,017 |
| **Special Needs Indenture:** | | | |
| Series GH-1, Series GH-3 Series GH-5 | Series 16 | 3,791,962 | 2,820,140 |

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 under the Bond Resolution, 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—Changes in Long-Term Liabilities**

The changes in long-term liabilities for the years ended December 31, 2012 and 2011 were as follows (in 000's):

| | Balance, January 1, 2012 | Increases | Decreases | Balance, December 31, 2012 |
|---|---|---|---|---|
| Bonds payable, net | $ 3,949,250 | $ 788,490 | $ (827,177) | $ 3,910,563 |
| Derivative instruments - interest rate swaps | 232,719 | - | (17,547) | 215,172 |
| Long-term escrow deposits | 157,909 | 43,596 | (43,080) | 158,425 |
| | $ 4,339,878 | $ 832,086 | $ (887,804) | $ 4,284,160 |

| | Balance, January 1, 2011 | Increases | Decreases | Balance, December 31, 2011 |
|---|---|---|---|---|
| Bonds payable, net | $ 3,940,572 | $ 565,251 | $ (556,573) | $ 3,949,250 |
| Derivative instruments - interest rate swaps | 153,434 | 79,285 | - | 232,719 |
| Long-term escrow deposits | 143,808 | 48,403 | (34,302) | 157,909 |
| | $ 4,237,814 | $ 692,939 | $ (590,875) | $ 4,339,878 |

**Note 9—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, 2012 and 2011 the Authority had no liability to the IRS. Liabilities when recognized are reported in the statements of net position as a component of "escrow deposits" and the net effect of any changes in the liability are recorded as increases or reductions of "interest on investments" in the statements of revenues, expenses and changes in net position.

**Note 10—Net Position**

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

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| General and Capital Reserve Funds: | | |
| Net investment in capital assets | $ 3,276 | $ 3,478 |
| General and Capital Reserve Funds | 968,230 | 979,423 |
| Other Funds: | | |
| Housing Mortgage Insurance Fund | 4,198 | 4,069 |
| Single Family Special Obligation Bond and Other Bond Funds | 1,755 | 280 |
| Multifamily Special Obligation Bond and Other Bond Funds | 525 | 34 |
| Special Needs Housing Funds | 10,319 | 9,237 |
| Component Units: | | |
| CHFA – Small Properties, Inc. | 123 | 60 |
| CPS Properties, Inc. | - | (10,125) |
| State Housing Authority | - | 193 |
| Trumbull Centre – CHFA, Inc. | (30,075) | (28,928) |
| | $ 958,351 | $ 957,721 |

**Note 11—Pension Plan**

Eligible 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 four 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. Effective July 1, 2011, a new Tier III plan was established for employees hired on or after July 1, 2011. The Tier III plan has a 10-year vesting provision and employees contribute 2% of salary. Full retirement benefits are attained at age 63 with 25 years of service, or at age 65 with 10 years of service. The minimum retirement age is 58 with a discounted benefit. All plans provide for death and disability benefits. The Authority's total payroll for the years ended December 31, 2012, 2011 and 2010, was $10,992,000, $10,842,000 and $11,008,000, respectively, and the payroll for employees of the Authority covered by SERS for the years ended December 31, 2012, 2011 and 2010, was $10,986,000, $10,842,000 and $11,008,000, respectively.

*Contributions Made (in 000's)*

Contributions Made:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| **By employees** | $ 165 | $ 162 | $ 160 |
| % of current year covered payroll | 1.50% | 1.49% | 1.45% |
| **By the Authority** | $ 4,697 | $ 4,305 | $ 4,396 |
| % of current year covered payroll | 42.75% | 39.71% | 39.93% |
| **Actual contributions as a percentage of required contributions** | 100% | 100% | 100% |

**Note 12—Commitments and Contingencies**

The Authority is a party to financial instruments with risk in connection with its commitments to provide financing that are not included on the statement of net position. These expose the Authority to credit risk in excess of the amount recognized on the statement of net position. The Authority's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of those instruments. The Authority uses the same credit policies in making commitments and conditional obligations as it does for instruments that are included on the statement of net position. Total credit exposure is summarized below (in 000's):

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Mortgage Loan Commitments:** | | |
| Home Mortgage Purchases | $ 9,289 | $ 11,225 |
| Multifamily Developments | 142,424 | 128,365 |
| Reverse Annuity Mortgages | 355 | 651 |
| | $ 152,068 | $ 140,241 |

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.

**Note 13—State and Federal Programs**

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. During 2012 the Authority received $13,941,000 from the State of Connecticut to be used in support of the EMAP program pursuant to a memorandum of understanding between the Authority and the State of Connecticut, Office of Policy and Management. The Authority is holding this amount in escrow until expended on the program. During 2011 the Authority issued $20,000,000 in conduit debt under its Special Needs Indenture in support of the EMAP Program. Debt service on these bonds is paid by the State of Connecticut.

In 2012 and 2011, the Authority received $181,000 and $196,000 respectively, in grant funds from the Neighborhood Reinvestment Corporation (dba Neighborworks America), a non-profit, public corporation chartered by the Congress of the United States for the National Foreclosure Mitigation Counseling (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 grant agreements entered into between Neighborworks America and the Authority.

In 2012 and 2011, the Authority received $405,000 and $24,009,000, respectively, in grant funds from the Department of the Treasury pursuant to § 1602 or from the Department of Housing and Urban Development pursuant to Title XII 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. Title XII of the ARRA appropriates funds for grants to States to provide funds for capital investments in low-income housing tax credit projects. These grant funds were distributed by the Authority to qualified developments in the form of loans that are either forgivable over 15 years at 6.67% per year or with no interest and principal only payable at maturity.

Activity under these programs for the years ended December 31, 2012 and 2011 is summarized below (in 000's):

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | | Expenses | | | |
| | Program Funding | Administrative | Provision for losses | Total | Net |
| PA 05-228 | $ 3,937 | $ 1,683 | $ - | $ 1,683 | $ 2,254 |
| EMAP | 1,096 | 1,096 | - | 1,096 | - |
| NFMC | 181 | 189 | - | 189 | (8) |
| ARRA | 405 | - | 405 | 405 | - |
| | $ 5,619 | $ 2,968 | $ 405 | $ 3,373 | $ 2,246 |

| | December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | | Expenses | | | |
| | Program Funding | Administrative | Provision for losses | Total | Net |
| PA 05-228 | $ 3,215 | $ 225 | $ - | $ 225 | $ 2,990 |
| EMAP | 819 | 621 | - | 621 | 198 |
| NFMC | 196 | 185 | - | 185 | 11 |
| ARRA | 24,009 | - | 24,009 | 24,009 | - |
| | $ 28,239 | $ 1,031 | $ 24,009 | $ 25,040 | $ 3,199 |

**Note 14—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 15—Subsequent Events**

On January 3, 2013, January 24, 2013, January 25, 2013, February 1, 2013 and April 4, 2013 the Authority redeemed $210,810,000, $10,000,000, $43,710,000, $8,345,000 and $310,835,000 respectively, of various Series of outstanding bonds held under the Bond Resolution.

On February 28, 2013, the Authority issued its 2013 Series A Bonds in the amount of $310,835,000 under the Bond Resolution.

# CONNECTICUT HOUSING FINANCE AUTHORITY
# COMBINING STATEMENT OF NET POSITION
# DECEMBER 31, 2012
# (in 000's)

| | | Other Funds | | | | Component Units | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General & Capital Reserve Funds | Housing Mortgage Insurance Fund | Single Family Special Obligation Bond and Other Bond Funds | Multifamily Special Obligation Bond and Other Bond Funds | Special Needs Housing Funds | Multifamily Real Estate Owned | Other Real Estate Owned | State Housing Authority | Eliminations | Combined Total |
| **Assets** | | | | | | | | | | |
| **Restricted Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | $ 492 | $ - | $ - | $ - | $ 29 | $ - | $ - | $ - | $ - | $ 521 |
| Mortgage loans receivable | 88,134 | - | 10,811 | 218 | 1,270 | - | - | - | - | 100,433 |
| Investments in securities | 982,941 | 4,197 | 26,160 | 3,970 | 73,608 | 208 | 400 | - | - | 1,091,484 |
| Real estate owned – multifamily | - | - | - | - | - | 2,300 | - | - | - | 2,300 |
| Other real estate owned | - | - | - | - | - | - | 11,958 | - | - | 11,958 |
| Accrued interest receivable on: | | | | | | | | | | |
| Mortgage loans | 24,364 | - | 1,530 | 95 | 291 | - | - | - | - | 26,280 |
| Securities | 2,461 | 1 | 4 | 1 | 23 | - | - | - | - | 2,490 |
| Due from other funds/component units | 18,187 | - | 105 | - | - | - | - | - | (18,292) | - |
| Accounts receivable and other assets | 26,376 | - | 17 | - | 686 | 349 | 72 | - | - | 27,500 |
| **Total current assets** | 1,142,955 | 4,198 | 38,627 | 4,284 | 75,907 | 2,857 | 12,430 | - | (18,292) | 1,262,966 |
| **Restricted Noncurrent Assets** | | | | | | | | | | |
| Mortgage loans receivable, net | 2,977,223 | - | 329,796 | 26,841 | 57,584 | - | - | - | - | 3,391,444 |
| Investments in securities, net | 683,495 | - | - | - | 3,120 | - | - | - | - | 686,615 |
| Capital assets, net | 3,276 | - | - | - | - | - | - | - | - | 3,276 |
| Real estate owned – single family | 28,532 | - | 732 | - | - | - | - | - | - | 29,264 |
| Deferred financing costs | 23,288 | - | 3,216 | 353 | 854 | - | - | - | - | 27,711 |
| **Total noncurrent assets** | 3,715,814 | - | 333,744 | 27,194 | 61,558 | - | - | - | - | 4,138,310 |
| **Total assets** | 4,858,769 | 4,198 | 372,371 | 31,478 | 137,465 | 2,857 | 12,430 | - | (18,292) | 5,401,276 |
| **Deferred outflows of resources** | | | | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 200,205 | - | - | - | - | - | - | - | - | 200,205 |
| **Liabilities** | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | |
| Escrow deposits | 22,260 | - | - | 1,094 | 16,159 | 25 | 2 | - | - | 39,540 |
| Due to other funds/component units | 105 | - | 56 | 3 | - | 2,634 | 15,494 | - | (18,292) | - |
| Accrued interest payable | 17,468 | - | 895 | 52 | 127 | - | - | - | - | 18,542 |
| Accounts payable and accrued liabilities | 6,128 | - | 145 | 2 | 699 | 75 | 580 | - | - | 7,629 |
| Minority interests – other real estate owned | - | - | - | - | - | - | 4,331 | - | - | 4,331 |
| Loan payable – other real estate owned | - | - | - | - | - | - | 22,098 | - | - | 22,098 |
| Bonds payable | 256,615 | - | 8,035 | 420 | 1,760 | - | - | - | - | 266,830 |
| **Total current liabilities** | 302,576 | - | 9,131 | 1,571 | 18,745 | 2,734 | 42,505 | - | (18,292) | 358,970 |
| **Noncurrent Liabilities** | | | | | | | | | | |
| Escrow deposits, net | 110,532 | - | - | 1,920 | 45,973 | - | - | - | - | 158,425 |
| Bonds payable, net | 3,459,188 | - | 361,485 | 27,462 | 62,428 | - | - | - | - | 3,910,563 |
| Derivative instruments - interest rate swaps | 215,172 | - | - | - | - | - | - | - | - | 215,172 |
| **Total noncurrent liabilities** | 3,784,892 | - | 361,485 | 29,382 | 108,401 | - | - | - | - | 4,284,160 |
| **Total liabilities** | 4,087,468 | - | 370,616 | 30,953 | 127,146 | 2,734 | 42,505 | - | (18,292) | 4,643,130 |
| **Net Position** | | | | | | | | | | |
| Net investment in capital assets | 3,276 | - | - | - | - | - | - | - | - | 3,276 |
| Restricted by bond indentures and/or enabling legislation | 968,230 | 4,198 | 1,755 | 525 | 10,319 | 123 | - | - | - | 985,150 |
| Unrestricted deficit | - | - | - | - | - | - | (30,075) | - | - | (30,075) |
| **Total net position** | $ 971,506 | $ 4,198 | $ 1,755 | $ 525 | $ 10,319 | $ 123 | $ (30,075) | $ - | $ - | $ 958,351 |

# CONNECTICUT HOUSING FINANCE AUTHORITY
# COMBINING STATEMENT OF NET POSITION
# DECEMBER 31, 2011
# (in 000's)

| | | Other Funds | | | | Component Units | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General & Capital Reserve Funds | Housing Mortgage Insurance Fund | Single Family Special Obligation Bond and Other Bond Funds | Multifamily Special Obligation Bond and Other Bond Funds | Special Needs Housing Funds | Multifamily Real Estate Owned | Other Real Estate Owned | State Housing Authority | Eliminations | Combined Total |
| **Assets** | | | | | | | | | | |
| **Restricted Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | $ 738 | $ 3 | $ - | $ - | $ 29 | $ - | $ - | $ - | $ - | $ 770 |
| Mortgage loans receivable | 102,914 | - | 4,785 | 193 | 1,197 | - | - | - | - | 109,089 |
| Investments in securities | 619,070 | 4,065 | 123,506 | 4,442 | 79,285 | 218 | 208 | 193 | - | 830,987 |
| Accrued interest receivable on: | | | | | | | | | | |
| Mortgage loans | 24,042 | - | 695 | 72 | 286 | - | - | - | - | 25,095 |
| Securities | 3,126 | 1 | 19 | 1 | 26 | - | - | - | - | 3,173 |
| Due from other funds/component units | 9,413 | - | 96,060 | - | - | - | - | - | (105,473) | - |
| Accounts receivable and other assets | 24,248 | - | - | - | 672 | 766 | 19 | - | - | 25,705 |
| **Total current assets** | 783,551 | 4,069 | 225,065 | 4,708 | 81,495 | 984 | 227 | 193 | (105,473) | 994,819 |
| **Restricted Noncurrent Assets** | | | | | | | | | | |
| Mortgage loans receivable, net | 3,257,245 | - | 154,326 | 27,058 | 58,853 | - | - | - | - | 3,497,482 |
| Investments in securities, net | 816,858 | - | - | - | 3,177 | - | - | - | - | 820,035 |
| Due from other funds/component units | 18,251 | - | - | - | - | - | - | - | (18,251) | - |
| Accounts receivable and other assets | - | - | - | - | - | 311 | - | - | - | 311 |
| Capital assets, net | 3,478 | - | - | - | - | - | - | - | - | 3,478 |
| Real estate owned – single family | 32,159 | - | 105 | - | - | - | - | - | - | 32,264 |
| Real estate owned – multifamily | 3,320 | - | - | - | - | 2,300 | - | - | - | 5,620 |
| Other real estate owned | - | - | - | - | - | - | 12,201 | - | - | 12,201 |
| Deferred financing costs | 21,352 | - | 2,503 | 246 | 954 | - | - | - | - | 25,055 |
| **Total noncurrent assets** | 4,152,663 | - | 156,934 | 27,304 | 62,984 | 2,611 | 12,201 | - | (18,251) | 4,396,446 |
| **Total assets** | 4,936,214 | 4,069 | 381,999 | 32,012 | 144,479 | 3,595 | 12,428 | 193 | (123,724) | 5,391,265 |
| **Deferred outflows of resources** | | | | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 232,719 | - | - | - | - | - | - | - | - | 232,719 |
| **Liabilities** | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | |
| Escrow deposits | 23,198 | - | - | 8 | 37,194 | - | - | - | - | 60,400 |
| Due to other funds/component units | 96,060 | - | 79 | 69 | 160 | 9,105 | - | - | (105,473) | - |
| Accrued interest payable | 18,285 | - | 1,303 | 36 | 129 | - | - | - | - | 19,753 |
| Accounts payable and accrued liabilities | 6,436 | - | 67 | 1 | 688 | 411 | 373 | - | - | 7,976 |
| Minority interests – other real estate owned | - | - | - | - | - | - | 4,395 | - | - | 4,395 |
| Loan payable – other real estate owned | - | - | - | - | - | - | 22,481 | - | - | 22,481 |
| Bonds payable | 201,675 | - | 7,545 | 460 | 1,700 | - | - | - | - | 211,380 |
| **Total current liabilities** | 345,654 | - | 8,994 | 574 | 39,871 | 9,516 | 27,249 | - | (105,473) | 326,385 |
| **Noncurrent Liabilities** | | | | | | | | | | |
| Escrow deposits, net | 123,243 | - | - | 3,554 | 31,112 | - | - | - | - | 157,909 |
| Due to other funds/component units | - | - | - | - | - | 4,144 | 14,107 | - | (18,251) | - |
| Bonds payable, net | 3,484,416 | - | 372,725 | 27,850 | 64,259 | - | - | - | - | 3,949,250 |
| Derivative instruments - interest rate swaps | 232,719 | - | - | - | - | - | - | - | - | 232,719 |
| **Total noncurrent liabilities** | 3,840,378 | - | 372,725 | 31,404 | 95,371 | 4,144 | 14,107 | - | (18,251) | 4,339,878 |
| **Total liabilities** | 4,186,032 | - | 381,719 | 31,978 | 135,242 | 13,660 | 41,356 | - | (123,724) | 4,666,263 |
| **Net Position** | | | | | | | | | | |
| Net investment in capital assets | 3,478 | - | - | - | - | - | - | - | - | 3,478 |
| Restricted by bond indentures and/or enabling legislation | 979,423 | 4,069 | 280 | 34 | 9,237 | 60 | - | 193 | - | 993,296 |
| Unrestricted deficit | - | - | - | - | - | (10,125) | (28,928) | - | - | (39,053) |
| **Total net position** | $ 982,901 | $ 4,069 | $ 280 | $ 34 | $ 9,237 | $ (10,065) | $ (28,928) | $ 193 | $ - | $ 957,721 |

# CONNECTICUT HOUSING FINANCE AUTHORITY
## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
## FOR THE YEAR ENDED DECEMBER 31, 2012
## (in 000's)

| | | Other Funds | | | | Component Units | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General & Capital Reserve Funds | Housing Mortgage Insurance Fund | Single Family Special Obligation Bond and Other Bond Funds | Multifamily Special Obligation Bond and Other Bond Funds | Special Needs Housing Funds | Multifamily Real Estate Owned | Other Real Estate Owned | State Housing Authority | Eliminations | Combined Total |
| **Operating Revenues** | | | | | | | | | | |
| Interest on mortgage loans | $ 169,690 | $ - | $ 13,551 | $ 1,106 | $ 3,559 | $ - | $ - | $ - | $ (931) | $ 186,975 |
| Interest on investments | 33,205 | 6 | 101 | 3 | 218 | - | - | - | (59) | 33,474 |
| Fees and other income | 4,868 | 123 | 5 | - | 27 | 390 | 10 | - | - | 5,423 |
| **Total operating revenues** | 207,763 | 129 | 13,657 | 1,109 | 3,804 | 390 | 10 | - | (990) | 225,872 |
| **Operating Expenses** | | | | | | | | | | |
| Interest | 143,135 | - | 10,963 | 585 | 2,814 | 225 | 706 | - | (990) | 157,438 |
| Amortization of deferred financing costs | 6,280 | - | 276 | 33 | 101 | - | - | - | - | 6,690 |
| Servicer fees | 7,186 | - | 862 | - | - | - | - | - | - | 8,048 |
| Administrative | 32,930 | - | - | - | - | 491 | 451 | - | - | 33,872 |
| Provision for losses | 3,583 | - | 81 | - | - | - | - | - | - | 3,664 |
| **Total operating expenses** | 193,114 | - | 12,182 | 618 | 2,915 | 716 | 1,157 | - | (990) | 209,712 |
| **Operating income (loss)** | 14,649 | 129 | 1,475 | 491 | 889 | (326) | (1,147) | - | - | 16,160 |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| Net increase (decrease) in the fair value of investments | (17,782) | - | - | - | 6 | - | - | - | - | (17,776) |
| State and federal program funding | 5,619 | - | - | - | - | - | - | - | - | 5,619 |
| State and federal program expenses | (3,373) | - | - | - | - | - | - | - | - | (3,373) |
| **Nonoperating income (loss)** | (15,536) | - | - | - | 6 | - | - | - | - | (15,530) |
| **Income (loss) before transfers** | (887) | 129 | 1,475 | 491 | 895 | (326) | (1,147) | - | - | 630 |
| **Operating transfers in (out)** | (10,508) | - | - | - | 187 | 10,514 | - | (193) | - | - |
| **Change in net position** | (11,395) | 129 | 1,475 | 491 | 1,082 | 10,188 | (1,147) | (193) | - | 630 |
| Net position, beginning of year | 982,901 | 4,069 | 280 | 34 | 9,237 | (10,065) | (28,928) | 193 | - | 957,721 |
| Net position, end of year | $ 971,506 | $ 4,198 | $ 1,755 | $ 525 | $ 10,319 | $ 123 | $ (30,075) | $ - | $ - | $ 958,351 |

**EXHIBIT II**

# CONNECTICUT HOUSING FINANCE AUTHORITY
# COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
# FOR THE YEAR ENDED DECEMBER 31, 2011
# (in 000's)

| | | Other Funds | | | | Component Units | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General & Capital Reserve Funds | Housing Mortgage Insurance Fund | Single Family Special Obligation Bond and Other Bond Funds | Multifamily Special Obligation Bond and Other Bond Funds | Special Needs Housing Funds | Multifamily Real Estate Owned | Other Real Estate Owned | State Housing Authority | Eliminations | Combined Total |
| **Operating Revenues** | | | | | | | | | | |
| Interest on mortgage loans | $ 190,644 | $ - | $ 6,315 | $ 72 | $ 3,563 | $ - | $ - | $ - | $ (1,078) | $ 199,516 |
| Interest on investments | 38,015 | 9 | 154 | 25 | 265 | 1 | - | - | (80) | 38,389 |
| Fees and other income | 10,374 | 112 | - | - | 235 | 404 | 13 | - | - | 11,138 |
| **Total operating revenues** | 239,033 | 121 | 6,469 | 97 | 4,063 | 405 | 13 | - | (1,158) | 249,043 |
| **Operating Expenses** | | | | | | | | | | |
| Interest | 151,765 | - | 6,132 | 62 | 2,875 | 417 | 661 | - | (1,158) | 160,754 |
| Amortization of deferred financing costs | 6,512 | - | 74 | 1 | 131 | - | - | - | - | 6,718 |
| Servicer fees | 7,949 | - | 410 | - | - | - | - | - | - | 8,359 |
| Administrative | 33,333 | - | - | - | - | 999 | 735 | - | - | 35,067 |
| Provision for losses | 14,682 | - | - | - | - | - | - | - | - | 14,682 |
| **Total operating expenses** | 214,241 | - | 6,616 | 63 | 3,006 | 1,416 | 1,396 | - | (1,158) | 225,580 |
| **Operating income (loss)** | 24,792 | 121 | (147) | 34 | 1,057 | (1,011) | (1,383) | - | - | 23,463 |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| Net increase in the fair value of investments | 26,945 | - | - | - | 218 | - | - | - | - | 27,163 |
| State and federal program funding | 28,041 | - | - | - | 198 | - | - | - | - | 28,239 |
| State and federal program expenses | (25,040) | - | - | - | - | - | - | - | - | (25,040) |
| **Nonoperating income** | 29,946 | - | - | - | 416 | - | - | - | - | 30,362 |
| **Income (loss) before transfers** | 54,738 | 121 | (147) | 34 | 1,473 | (1,011) | (1,383) | - | - | 53,825 |
| **Operating transfers in (out)** | 130 | - | - | - | 144 | (274) | - | - | - | - |
| **Change in net position** | 54,868 | 121 | (147) | 34 | 1,617 | (1,285) | (1,383) | - | - | 53,825 |
| Net position, beginning of year | 928,033 | 3,948 | 427 | - | 7,620 | (8,780) | (27,545) | 193 | - | 903,896 |
| Net position, end of year | $ 982,901 | $ 4,069 | $ 280 | $ 34 | $ 9,237 | $ (10,065) | $ (28,928) | $ 193 | $ - | $ 957,721 |